

AMENDED IN SENATE JUNE 29, 2006

AMENDED IN SENATE JUNE 22, 2006

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2914**

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**Introduced by Assembly Member Leno**

February 24, 2006

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An act to amend Sections 16101 and 16956 of the Corporations Code, and to amend Section 5 of Chapter 504 of the Statutes of 1998, relating to limited liability partnerships.

LEGISLATIVE COUNSEL'S DIGEST

AB 2914, as amended, Leno. Limited liability partnerships: architecture.

Existing law, the Uniform Partnership Act of 1994, authorizes the formation of foreign limited liability partnerships and registered limited liability partnerships to engage in the practice of architecture. This provision is repealed as of January 1, 2007. Existing law requires that every registered limited liability partnership and foreign limited liability partnership provide specified security for claims arising out of the practice of architecture. Under existing law, the total aggregate limit of liability under the policy or policies of insurance or the ~~maximum~~ amount of security ~~for~~ *required to be provided by those partnerships providing architectural services with fewer than 5 licensed persons may not be less than \$500,000 is \$100,000 multiplied by the number of licensed persons, but not less than \$500,000 and not more than \$5,000,000.*

This bill would extend the repeal date to January 1, 2012. This bill would provide that, on and after January 1, 2008, the total aggregate

limit of liability under the policy or policies of insurance or the ~~maximum~~ amount of security for those partnerships providing architectural services with ~~fewer than 10~~ 5 or fewer licensed persons ~~may not be less than \$1,000,000~~ shall be \$1,000,000, and for partnerships with more than 5 licensees, shall be an additional \$100,000 for each additional licensee, up to the \$5,000,000 maximum.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 16101 of the Corporations Code is  
2 amended to read:  
3 16101. As used in this chapter, the following terms and  
4 phrases have the following meanings:  
5 (1) "Business" includes every trade, occupation, and  
6 profession.  
7 (2) "Debtor in bankruptcy" means a person who is the subject  
8 of either of the following:  
9 (A) An order for relief under Title 11 of the United States  
10 Code or a comparable order under a successor statute of general  
11 application.  
12 (B) A comparable order under federal, state, or foreign law  
13 governing insolvency.  
14 (3) "Distribution" means a transfer of money or other property  
15 from a partnership to a partner in the partner's capacity as a  
16 partner or to the partner's transferee.  
17 (4) "Electronic transmission by the partnership" means a  
18 communication (a) delivered by (1) facsimile telecommunication  
19 or electronic mail when directed to the facsimile number or  
20 electronic mail address, respectively, for that recipient on record  
21 with the partnership, (2) posting on an electronic message board  
22 or network that the partnership has designated for those  
23 communications, together with a separate notice to the recipient  
24 of the posting, which transmission shall be validly delivered  
25 upon the later of the posting or delivery of the separate notice  
26 thereof, or (3) other means of electronic communication, (b) to a  
27 recipient who has provided an unrevoked consent to the use of  
28 those means of transmission, and (c) that creates a record that is  
29 capable of retention, retrieval, and review, and that may

1 thereafter be rendered into clearly legible tangible form.  
2 However, an electronic transmission by a partnership to an  
3 individual partner is not authorized unless, in addition to  
4 satisfying the requirements of this section, the transmission  
5 satisfies the requirements applicable to consumer consent to  
6 electronic records as set forth in the Electronic Signatures in  
7 Global and National Commerce Act (15 U.S.C. Sec. 7001(c)(1)).

8 (5) “Electronic transmission to the partnership” means a  
9 communication (a) delivered by (1) facsimile telecommunication  
10 or electronic mail when directed to the facsimile number or  
11 electronic mail address, respectively, which the partnership has  
12 provided from time to time to partners for sending  
13 communications to the partnership, (2) posting on an electronic  
14 message board or network that the partnership has designated for  
15 those communications, and which transmission shall be validly  
16 delivered upon the posting, or (3) other means of electronic  
17 communication, (b) as to which the partnership has placed in  
18 effect reasonable measures to verify that the sender is the partner  
19 (in person or by proxy) purporting to send the transmission, and  
20 (c) that creates a record that is capable of retention, retrieval, and  
21 review, and that may thereafter be rendered into clearly legible  
22 tangible form.

23 (6) (A) “Foreign limited liability partnership” means a  
24 partnership, other than a limited partnership, formed pursuant to  
25 an agreement governed by the laws of another jurisdiction and  
26 denominated or registered as a limited liability partnership or  
27 registered limited liability partnership under the laws of that  
28 jurisdiction (i) in which each partner is a licensed person or a  
29 person licensed or authorized to provide professional limited  
30 liability partnership services in a jurisdiction or jurisdictions  
31 other than this state, (ii) which is licensed under the laws of the  
32 state to engage in the practice of architecture, the practice of  
33 public accountancy, or the practice of law, or (iii) which (I) is  
34 related to a registered limited liability partnership that practices  
35 public accountancy or, to the extent permitted by the State Bar,  
36 practices law or is related to a foreign limited liability partnership  
37 and (II) provides services related or complementary to the  
38 professional limited liability partnership services provided by, or  
39 provides services or facilities to, that registered limited liability  
40 partnership or foreign limited liability partnership.

1 (B) For the purposes of clause (iii) of subparagraph (A), a  
 2 partnership is related to a registered limited liability partnership  
 3 or foreign limited liability partnership if (i) at least a majority of  
 4 the partners in one partnership are also partners in the other  
 5 partnership, or (ii) at least a majority in interest in each  
 6 partnership hold interests in or are members of another person,  
 7 except an individual, and each partnership renders services  
 8 pursuant to an agreement with that other person, or (iii) one  
 9 partnership, directly or indirectly through one or more  
 10 intermediaries, controls, is controlled by, or is under common  
 11 control with, the other partnership.

12 (7) “Licensed person” means any person who is duly licensed,  
 13 authorized, or registered under the provisions of the Business and  
 14 Professions Code to provide professional limited liability  
 15 partnership services or who is lawfully able to render  
 16 professional limited liability partnership services in this state.

17 (8) (A) “Registered limited liability partnership” means a  
 18 partnership, other than a limited partnership, formed pursuant to  
 19 an agreement governed by Article 10 (commencing with Section  
 20 16951), that is registered under Section 16953 and (i) each of the  
 21 partners of which is a licensed person or a person licensed or  
 22 authorized to provide professional limited liability partnership  
 23 services in a jurisdiction or jurisdictions other than this state, (ii)  
 24 is licensed under the laws of the state to engage in the practice of  
 25 architecture, practice of public accountancy, or the practice of  
 26 law, or (iii)(I) is related to a registered limited liability  
 27 partnership that practices public accountancy or, to the extent  
 28 permitted by the State Bar, practices law or is related to a foreign  
 29 limited liability partnership and (II) provides services related or  
 30 complementary to the professional limited liability partnership  
 31 services provided by, or provides services or facilities to, that  
 32 registered limited liability partnership or foreign limited liability  
 33 partnership.

34 (B) For the purposes of clause (iii) of subparagraph (A), a  
 35 partnership is related to a registered limited liability partnership  
 36 or foreign limited liability partnership if (i) at least a majority of  
 37 the partners in one partnership are also partners in the other  
 38 partnership, or (ii) at least a majority in interest in each  
 39 partnership hold interests in or are members of another person,  
 40 other than an individual, and each partnership renders services

1 pursuant to an agreement with that other person, or (iii) one  
2 partnership, directly or indirectly through one or more  
3 intermediaries, controls, is controlled by, or is under common  
4 control with, the other partnership.

5 (9) “Partnership” means an association of two or more persons  
6 to carry on as coowners a business for profit formed under  
7 Section 16202, predecessor law, or comparable law of another  
8 jurisdiction, and includes, for all purposes of the laws of this  
9 state, a registered limited liability partnership, and excludes any  
10 partnership formed under Chapter 2 (commencing with Section  
11 15501) or Chapter 3 (commencing with Section 15611).

12 (10) “Partnership agreement” means the agreement, whether  
13 written, oral, or implied, among the partners concerning the  
14 partnership, including amendments to the partnership agreement.

15 (11) “Partnership at will” means a partnership in which the  
16 partners have not agreed to remain partners until the expiration of  
17 a definite term or the completion of a particular undertaking.

18 (12) “Partnership interest” or “partner’s interest in the  
19 partnership” means all of a partner’s interests in the partnership,  
20 including the partner’s transferable interest and all management  
21 and other rights.

22 (13) “Person” means an individual, corporation, business trust,  
23 estate, trust, partnership, limited partnership, limited liability  
24 partnership, limited liability company, association, joint venture,  
25 government, governmental subdivision, agency, or  
26 instrumentality, or any other legal or commercial entity.

27 (14) “Professional limited liability partnership services” means  
28 the practice of architecture, the practice of public accountancy, or  
29 the practice of law.

30 (15) “Property” means all property, real, personal, or mixed,  
31 tangible or intangible, or any interest therein.

32 (16) “State” means a state of the United States, the District of  
33 Columbia, the Commonwealth of Puerto Rico, or any territory or  
34 insular possession subject to the jurisdiction of the United States.

35 (17) “Statement” means a statement of partnership authority  
36 under Section 16303, a statement of denial under Section 16304,  
37 a statement of dissociation under Section 16704, a statement of  
38 dissolution under Section 16805, a statement of conversion or a  
39 certificate of conversion under Section 16906, a statement of

1 merger under Section 16915, or an amendment or cancellation of  
2 any of the foregoing.

3 (18) “Transfer” includes an assignment, conveyance, lease,  
4 mortgage, deed, and encumbrance.

5 (19) The inclusion of the practice of architecture as a  
6 professional limited liability partnership service permitted by this  
7 section shall extend only until January 1, 2012.

8 SEC. 2. Section 16956 of the Corporations Code is amended  
9 to read:

10 16956. (a) At the time of registration pursuant to Section  
11 16953, in the case of a registered limited liability partnership,  
12 and Section 16959, in the case of a foreign limited liability  
13 partnership, and at all times during which those partnerships shall  
14 transact intrastate business, every registered limited liability  
15 partnership and foreign limited liability partnership, as the case  
16 may be, shall be required to provide security for claims against it  
17 as follows:

18 (1) For claims based upon acts, errors, or omissions arising out  
19 of the practice of public accountancy, a registered limited  
20 liability partnership or foreign limited liability partnership  
21 providing accountancy services shall comply with one, or  
22 pursuant to subdivision (b) some combination, of the following:

23 (A) Maintaining a policy or policies of insurance against  
24 liability imposed on or against it by law for damages arising out  
25 of claims in an amount for each claim of at least one hundred  
26 thousand dollars (\$100,000) multiplied by the number of licensed  
27 persons rendering professional services on behalf of the  
28 partnership; however, the total aggregate limit of liability under  
29 the policy or policies of insurance for partnerships with fewer  
30 than five licensed persons shall not be less than five hundred  
31 thousand dollars (\$500,000), and for all other partnerships is not  
32 required to exceed five million dollars (\$5,000,000) in any one  
33 designated period, less amounts paid in defending, settling, or  
34 discharging claims as set forth in this subparagraph. The policy  
35 or policies may be issued on a claims-made or occurrence basis,  
36 and shall cover: (i) in the case of a claims-made policy, claims  
37 initially asserted in the designated period, and (ii) in the case of  
38 an occurrence policy, occurrences during the designated period.  
39 For purposes of this subparagraph, “designated period” means a  
40 policy year or any other period designated in the policy that is

1 not greater than 12 months. The impairment or exhaustion of the  
2 aggregate limit of liability by amounts paid under the policy in  
3 connection with the settlement, discharge, or defense of claims  
4 applicable to a designated period shall not require the partnership  
5 to acquire additional insurance coverage for that designated  
6 period. The policy or policies of insurance may be in a form  
7 reasonably available in the commercial insurance market and  
8 may be subject to those terms, conditions, exclusions, and  
9 endorsements that are typically contained in those policies. A  
10 policy or policies of insurance maintained pursuant to this  
11 subparagraph may be subject to a deductible or self-insured  
12 retention.

13 Upon the dissolution and winding up of the partnership, the  
14 partnership shall, with respect to any insurance policy or policies  
15 then maintained pursuant to this subparagraph, maintain or obtain  
16 an extended reporting period endorsement or equivalent  
17 provision in the maximum total aggregate limit of liability  
18 required to comply with this subparagraph for a minimum of  
19 three years if reasonably available from the insurer.

20 (B) Maintaining in trust or bank escrow, cash, bank  
21 certificates of deposit, United States Treasury obligations, bank  
22 letters of credit, or bonds of insurance or surety companies as  
23 security for payment of liabilities imposed by law for damages  
24 arising out of all claims in an amount of at least one hundred  
25 thousand dollars (\$100,000) multiplied by the number of licensed  
26 persons rendering professional services on behalf of the  
27 partnership; however, the maximum amount of security for  
28 partnerships with fewer than five licensed persons shall not be  
29 less than five hundred thousand dollars (\$500,000), and for all  
30 other partnerships is not required to exceed five million dollars  
31 (\$5,000,000). The partnership remains in compliance with this  
32 section during a calendar year notwithstanding amounts paid  
33 during that calendar year from the accounts, funds, Treasury  
34 obligations, letters of credit, or bonds in defending, settling, or  
35 discharging claims of the type described in this paragraph,  
36 provided that the amount of those accounts, funds, Treasury  
37 obligations, letters of credit, or bonds was at least the amount  
38 specified in the preceding sentence as of the first business day of  
39 that calendar year. Notwithstanding the pendency of other claims  
40 against the partnership, a registered limited liability partnership

1 or foreign limited liability partnership shall be deemed to be in  
2 compliance with this subparagraph as to a claim if within 30 days  
3 after the time that a claim is initially asserted through service of a  
4 summons, complaint, or comparable pleading in a judicial or  
5 administrative proceeding, the partnership has provided the  
6 required amount of security by designating and segregating funds  
7 in compliance with the requirements of this subparagraph.

8 (C) Unless the partnership has satisfied subparagraph (D),  
9 each partner of a registered limited liability partnership or foreign  
10 limited liability partnership providing accountancy services, by  
11 virtue of that person's status as a partner, thereby automatically  
12 guarantees payment of the difference between the maximum  
13 amount of security required for the partnership by this paragraph  
14 and the security otherwise provided in accordance with  
15 subparagraphs (A) and (B), provided that the aggregate amount  
16 paid by all partners under these guarantees shall not exceed the  
17 difference. Neither withdrawal by a partner nor the dissolution  
18 and winding up of the partnership shall affect the rights or  
19 obligations of a partner arising prior to withdrawal or dissolution  
20 and winding up, and the guarantee provided for in this  
21 subparagraph shall apply only to conduct that occurred prior to  
22 the withdrawal or dissolution and winding up. Nothing contained  
23 in this subparagraph shall affect or impair the rights or  
24 obligations of the partners among themselves, or the partnership,  
25 including, but not limited to, rights of contribution, subrogation,  
26 or indemnification.

27 (D) Confirming, pursuant to the procedure in subdivision (c),  
28 that, as of the most recently completed fiscal year of the  
29 partnership, it had a net worth equal to or exceeding ten million  
30 dollars (\$10,000,000).

31 (2) For claims based upon acts, errors, or omissions arising out  
32 of the practice of law, a registered limited liability partnership or  
33 foreign limited liability partnership providing legal services shall  
34 comply with one, or pursuant to subdivision (b) some  
35 combination, of the following:

36 (A) Each registered limited liability partnership or foreign  
37 limited liability partnership providing legal services shall  
38 maintain a policy or policies of insurance against liability  
39 imposed on or against it by law for damages arising out of claims  
40 in an amount for each claim of at least one hundred thousand

1 dollars (\$100,000) multiplied by the number of licensed persons  
2 rendering professional services on behalf of the partnership;  
3 however, the total aggregate limit of liability under the policy or  
4 policies of insurance for partnerships with fewer than five  
5 licensed persons shall not be less than five hundred thousand  
6 dollars (\$500,000), and for all other partnerships is not required  
7 to exceed seven million five hundred thousand dollars  
8 (\$7,500,000) in any one designated period, less amounts paid in  
9 defending, settling, or discharging claims as set forth in this  
10 subparagraph. The policy or policies may be issued on a  
11 claims-made or occurrence basis, and shall cover (i) in the case  
12 of a claims-made policy, claims initially asserted in the  
13 designated period, and (ii) in the case of an occurrence policy,  
14 occurrences during the designated period. For purposes of this  
15 subparagraph, “designated period” means a policy year or any  
16 other period designated in the policy that is not greater than 12  
17 months. The impairment or exhaustion of the aggregate limit of  
18 liability by amounts paid under the policy in connection with the  
19 settlement, discharge, or defense of claims applicable to a  
20 designated period shall not require the partnership to acquire  
21 additional insurance coverage for that designated period. The  
22 policy or policies of insurance may be in a form reasonably  
23 available in the commercial insurance market and may be subject  
24 to those terms, conditions, exclusions, and endorsements that are  
25 typically contained in those policies. A policy or policies of  
26 insurance maintained pursuant to this subparagraph may be  
27 subject to a deductible or self-insured retention.

28 Upon the dissolution and winding up of the partnership, the  
29 partnership shall, with respect to any insurance policy or policies  
30 then maintained pursuant to this subparagraph, maintain or obtain  
31 an extended reporting period endorsement or equivalent  
32 provision in the maximum total aggregate limit of liability  
33 required to comply with this subparagraph for a minimum of  
34 three years if reasonably available from the insurer.

35 (B) Each registered limited liability partnership or foreign  
36 limited liability partnership providing legal services shall  
37 maintain in trust or bank escrow, cash, bank certificates of  
38 deposit, United States Treasury obligations, bank letters of credit,  
39 or bonds of insurance or surety companies as security for  
40 payment of liabilities imposed by law for damages arising out of

1 all claims in an amount of at least one hundred thousand dollars  
2 (\$100,000) multiplied by the number of licensed persons  
3 rendering professional services on behalf of the partnership;  
4 however, the maximum amount of security for partnerships with  
5 fewer than five licensed persons shall not be less than five  
6 hundred thousand dollars (\$500,000), and for all other  
7 partnerships is not required to exceed seven million five hundred  
8 thousand dollars (\$7,500,000). The partnership remains in  
9 compliance with this section during a calendar year  
10 notwithstanding amounts paid during that calendar year from the  
11 accounts, funds, Treasury obligations, letters of credit, or bonds  
12 in defending, settling, or discharging claims of the type described  
13 in this paragraph, provided that the amount of those accounts,  
14 funds, Treasury obligations, letters of credit, or bonds was at  
15 least the amount specified in the preceding sentence as of the first  
16 business day of that calendar year. Notwithstanding the pendency  
17 of other claims against the partnership, a registered limited  
18 liability partnership or foreign limited liability partnership shall  
19 be deemed to be in compliance with this subparagraph as to a  
20 claim if within 30 days after the time that a claim is initially  
21 asserted through service of a summons, complaint, or comparable  
22 pleading in a judicial or administrative proceeding, the  
23 partnership has provided the required amount of security by  
24 designating and segregating funds in compliance with the  
25 requirement of this subparagraph.

26 (C) Unless the partnership has satisfied the requirements of  
27 subparagraph (D), each partner of a registered limited liability  
28 partnership or foreign limited liability partnership providing legal  
29 services, by virtue of that person's status as a partner, thereby  
30 automatically guarantees payment of the difference between the  
31 maximum amount of security required for the partnership by this  
32 paragraph and the security otherwise provided in accordance  
33 with the provisions of subparagraphs (A) and (B), provided that  
34 the aggregate amount paid by all partners under these guarantees  
35 shall not exceed the difference. Neither withdrawal by a partner  
36 nor the dissolution and winding up of the partnership shall affect  
37 the rights or obligations of a partner arising prior to withdrawal  
38 or dissolution and winding up, and the guarantee provided for in  
39 this subparagraph shall apply only to conduct that occurred prior  
40 to the withdrawal or dissolution and winding up. Nothing

1 contained in this subparagraph shall affect or impair the rights or  
2 obligations of the partners among themselves, or the partnership,  
3 including, but not limited to, rights of contribution, subrogation,  
4 or indemnification.

5 (D) Confirming, pursuant to the procedure in subdivision (c),  
6 that, as of the most recently completed fiscal year of the  
7 partnership, it had a net worth equal to or exceeding fifteen  
8 million dollars (\$15,000,000).

9 (3) For claims based upon acts, errors, or omissions arising out  
10 of the practice of architecture, a registered limited liability  
11 partnership or foreign limited liability partnership providing  
12 architectural services shall comply with one, or pursuant to  
13 subdivision (b) some combination, of the following:

14 (A) Maintaining a policy or policies of insurance against  
15 liability imposed on or against it by law for damages arising out  
16 of claims in an amount for each claim of at least one hundred  
17 thousand dollars (\$100,000) multiplied by the number of licensed  
18 persons rendering professional services on behalf of the  
19 partnership; however, the total aggregate limit of liability under  
20 the policy or policies of insurance for partnerships with ~~fewer~~  
21 *persons five or fewer licensees rendering professional services*  
22 *on behalf of the partnership* shall not be less than five hundred  
23 thousand dollars (\$500,000), and for all other partnerships is not  
24 required to exceed five million dollars (\$5,000,000) in any one  
25 designated period, less amounts paid in defending, settling, or  
26 discharging claims as set forth in this subparagraph. On and after  
27 January 1, 2008, the total aggregate limit of liability under the  
28 policy or policies of insurance for partnerships with ~~fewer~~  
29 *persons five or fewer licensees rendering professional services*  
30 *on behalf of the partnership* shall not be less than one million  
31 dollars (\$1,000,000), *and for partnerships with more than five*  
32 *licensees rendering professional services on behalf of the*  
33 *partnership, an additional one hundred thousand dollars*  
34 *(\$100,000) of liability coverage shall be obtained for each*  
35 *additional licensee; however, the total aggregate limit of liability*  
36 *under the policy or policies of insurance is not required to*  
37 *exceed five million dollars (\$5,000,000). The policy or policies*  
38 *may be issued on a claims-made or occurrence basis, and shall*  
39 *cover: (i) in the case of a claims-made policy, claims initially*  
40 *asserted in the designated period, and (ii) in the case of an*

1 occurrence policy, occurrences during the designated period. For  
2 purposes of this subparagraph, “designated period” means a  
3 policy year or any other period designated in the policy that is  
4 not greater than 12 months. The impairment or exhaustion of the  
5 aggregate limit of liability by amounts paid under the policy in  
6 connection with the settlement, discharge, or defense of claims  
7 applicable to a designated period shall not require the partnership  
8 to acquire additional insurance coverage for that designated  
9 period. The policy or policies of insurance may be in a form  
10 reasonably available in the commercial insurance market and  
11 may be subject to those terms, conditions, exclusions, and  
12 endorsements that are typically contained in those policies. A  
13 policy or policies of insurance maintained pursuant to this  
14 subparagraph may be subject to a deductible or self-insured  
15 retention.

16 Upon the dissolution and winding up of the partnership, the  
17 partnership shall, with respect to any insurance policy or policies  
18 then maintained pursuant to this subparagraph, maintain or obtain  
19 an extended reporting period endorsement or equivalent  
20 provision in the maximum total aggregate limit of liability  
21 required to comply with this subparagraph for a minimum of  
22 three years if reasonably available from the insurer.

23 (B) Maintaining in trust or bank escrow, cash, bank  
24 certificates of deposit, United States Treasury obligations, bank  
25 letters of credit, or bonds of insurance or surety companies as  
26 security for payment of liabilities imposed by law for damages  
27 arising out of all claims in an amount of at least one hundred  
28 thousand dollars (\$100,000) multiplied by the number of licensed  
29 persons rendering professional services on behalf of the  
30 partnership; however, the maximum amount of security for  
31 partnerships with ~~fewer persons~~ *five or fewer licensees rendering*  
32 *professional services on behalf of the partnership* shall not be  
33 less than five hundred thousand dollars (\$500,000), and for all  
34 other partnerships is not required to exceed five million dollars  
35 (\$5,000,000). On and after January 1, 2008, the maximum  
36 amount of security for partnerships with ~~fewer persons~~ *five or*  
37 *fewer licensees rendering professional services on behalf of the*  
38 *partnership* shall not be less than one million dollars  
39 (\$1,000,000), *and for partnerships with more than five licensees*  
40 *rendering professional services on behalf of the partnership, an*

1 *additional one hundred thousand dollars (\$100,000) of security*  
2 *shall be obtained for each additional licensee; however, the*  
3 *maximum amount of security is not required to exceed five*  
4 *million dollars (\$5,000,000). The partnership remains in*  
5 *compliance with this section during a calendar year*  
6 *notwithstanding amounts paid during that calendar year from the*  
7 *accounts, funds, Treasury obligations, letters of credit, or bonds*  
8 *in defending, settling, or discharging claims of the type described*  
9 *in this paragraph, provided that the amount of those accounts,*  
10 *funds, Treasury obligations, letters of credit, or bonds was at*  
11 *least the amount specified in the preceding sentence as of the first*  
12 *business day of that calendar year. Notwithstanding the pendency*  
13 *of other claims against the partnership, a registered limited*  
14 *liability partnership or foreign limited liability partnership shall*  
15 *be deemed to be in compliance with this subparagraph as to a*  
16 *claim if within 30 days after the time that a claim is initially*  
17 *asserted through service of a summons, complaint, or comparable*  
18 *pleading in a judicial or administrative proceeding, the*  
19 *partnership has provided the required amount of security by*  
20 *designating and segregating funds in compliance with the*  
21 *requirements of this subparagraph.*

22 (C) Unless the partnership has satisfied subparagraph (D),  
23 each partner of a registered limited liability partnership or foreign  
24 limited liability partnership providing architectural services, by  
25 virtue of that person's status as a partner, thereby automatically  
26 guarantees payment of the difference between the maximum  
27 amount of security required for the partnership by this paragraph  
28 and the security otherwise provided in accordance with  
29 subparagraphs (A) and (B), provided that the aggregate amount  
30 paid by all partners under these guarantees shall not exceed the  
31 difference. Neither withdrawal by a partner nor the dissolution  
32 and winding up of the partnership shall affect the rights or  
33 obligations of a partner arising prior to withdrawal or dissolution  
34 and winding up, and the guarantee provided for in this  
35 subparagraph shall apply only to conduct that occurred prior to  
36 the withdrawal or dissolution and winding up. Nothing contained  
37 in this subparagraph shall affect or impair the rights or  
38 obligations of the partners among themselves, or the partnership,  
39 including, but not limited to, rights of contribution, subrogation,  
40 or indemnification.

1 (D) Confirming, pursuant to the procedure in subdivision (c),  
2 that, as of the most recently completed fiscal year of the  
3 partnership, it had a net worth equal to or exceeding ten million  
4 dollars (\$10,000,000).

5 (b) For purposes of satisfying the security requirements of this  
6 section, a registered limited liability partnership or foreign  
7 limited liability partnership may aggregate the security provided  
8 by it pursuant to subparagraphs (A), (B), (C), and (D) of  
9 paragraph (1) of subdivision (a), subparagraphs (A), (B), (C), and  
10 (D) of paragraph (2) of subdivision (a), or subparagraphs (A),  
11 (B), (C), and (D) of paragraph (3) of subdivision (a), as the case  
12 may be. Any registered limited liability partnership or foreign  
13 limited liability partnership intending to comply with the  
14 alternative security provisions set forth in subparagraph (D) of  
15 paragraph (1) of subdivision (a), subparagraph (D) of paragraph  
16 (2) of subdivision (a), or subparagraph (D) of paragraph (3) of  
17 subdivision (a) shall furnish the following information to the  
18 Secretary of State’s office, in the manner prescribed in, and  
19 accompanied by all information required by, the applicable  
20 section:

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TRANSMITTAL FORM FOR EVIDENCING COMPLIANCE  
WITH SECTION 16956(a)(1)(D), SECTION 16956(a)(2)(D), OR  
SECTION 16956(a)(3)(D) OF THE CALIFORNIA  
CORPORATIONS CODE

The undersigned hereby confirms the following:

- 1. \_\_\_\_\_  
Name of registered or foreign limited liability partnership
- 2. \_\_\_\_\_  
Jurisdiction where partnership is organized
- 3. \_\_\_\_\_  
Address of principal office

TRANSMITTAL FORM FOR EVIDENCING COMPLIANCE  
WITH SECTION 16956(a)(1)(D), SECTION 16956(a)(2)(D), OR  
SECTION 16956(a)(3)(D) OF THE CALIFORNIA  
CORPORATIONS CODE

4. The registered or foreign limited liability partnership chooses to satisfy the requirements of Section 16956 by confirming, pursuant to Section 16956(a)(1)(D), 16956(a)(2)(D), or 16956(a)(3)(D) and pursuant to Section 16956(c), that, as of the most recently completed fiscal year, the partnership had a net worth equal to or exceeding ten million dollars (\$10,000,000), in the case of a partnership providing accountancy services, fifteen million dollars (\$15,000,000) in the case of a partnership providing legal services, or ten million dollars (\$10,000,000), in the case of a partnership providing architectural services.

5. \_\_\_\_\_  
Title of authorized person executing this form

6. \_\_\_\_\_  
Signature of authorized person executing this form

(c) Pursuant to subparagraph (D) of paragraph (1) of subdivision (a), subparagraph (D) of paragraph (2) of subdivision (a), or subparagraph (D) of paragraph (3) of subdivision (a), a registered limited liability partnership or foreign limited liability partnership may satisfy the requirements of this section by confirming that, as of the last day of its most recently completed fiscal year, it had a net worth equal to or exceeding the amount required. In order to comply with this alternative method of meeting the requirements established in this section, a registered limited liability partnership or foreign limited liability partnership shall file an annual confirmation with the Secretary of State's office, signed by an authorized member of the registered limited liability partnership or foreign limited liability partnership, accompanied by a transmittal form as prescribed by subdivision (b). In order to be current in a given year, the partnership form for confirming compliance with the optional security requirement shall be on file within four months of the completion of the fiscal year and, upon being filed, shall constitute full compliance with the financial security requirements for purposes of this section as of the beginning of

1 the fiscal year. A confirmation filed during any particular fiscal  
2 year shall continue to be effective for the first four months of the  
3 next succeeding fiscal year.

4 (d) Neither the existence of the requirements of subdivision (a)  
5 nor the extent of the registered limited liability partnership's or  
6 foreign limited liability partnership's compliance with the  
7 alternative requirements in this section shall be admissible in  
8 court or in any way be made known to a jury or other trier of fact  
9 in determining an issue of liability for, or to the extent of, the  
10 damages in question.

11 (e) Notwithstanding any other provision of this section, if a  
12 registered limited liability partnership or foreign limited liability  
13 partnership is otherwise in compliance with the terms of this  
14 section at the time that a bankruptcy or other insolvency  
15 proceeding is commenced with respect to the registered limited  
16 liability partnership or foreign limited liability partnership, it  
17 shall be deemed to be in compliance with this section during the  
18 pendency of the proceeding. A registered limited liability  
19 partnership that has been the subject of a proceeding and that  
20 conducts business after the proceeding ends shall thereafter  
21 comply with paragraph (1), (2), or (3) of subdivision (a), in order  
22 to obtain the limitations on liability afforded by subdivision (c)  
23 of Section 16306.

24 SEC. 2. Section 5 of Chapter 504 of the Statutes of 1998, as  
25 amended by Section 2 of Chapter 595 of the Statutes of 2001, is  
26 amended to read:

27 SEC. 5. The authorization in this act for registered limited  
28 liability partnerships and foreign limited liability partnerships to  
29 engage in the practice of architecture shall terminate on January  
30 1, 2012 .