

AMENDED IN SENATE AUGUST 23, 2006

AMENDED IN SENATE JUNE 29, 2006

AMENDED IN SENATE JUNE 22, 2006

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 2914

Introduced by Assembly Member Leno

February 24, 2006

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 This provision is repealed as of January 1, 2007.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 amount of security required to be provided by those partnerships providing architectural services 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 amount of security for those partnerships providing architectural services with 5 or fewer licensed persons 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.

This bill would incorporate additional changes to Section 16101 of the Corporations Code, proposed by AB 339, to be operative only if AB 339 and this bill are both chaptered and become effective on or before January 1, 2007, and this bill is chaptered last.

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

1 recipient who has provided an unrevoked consent to the use of
2 those means of transmission, and (c) that creates a record that is
3 capable of retention, retrieval, and review, and that may
4 thereafter be rendered into clearly legible tangible form.
5 However, an electronic transmission by a partnership to an
6 individual partner is not authorized unless, in addition to
7 satisfying the requirements of this section, the transmission
8 satisfies the requirements applicable to consumer consent to
9 electronic records as set forth in the Electronic Signatures in
10 Global and National Commerce Act (15 U.S.C. Sec. 7001(c)(1)).

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

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

1 professional limited liability partnership services provided by, or
2 provides services or facilities to, that registered limited liability
3 partnership or foreign limited liability partnership.

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

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

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

37 (B) For the purposes of clause (iii) of subparagraph (A), a
38 partnership is related to a registered limited liability partnership
39 or foreign limited liability partnership if (i) at least a majority of
40 the partners in one partnership are also partners in the other

1 partnership, or (ii) at least a majority in interest in each
2 partnership hold interests in or are members of another person,
3 other than an individual, and each partnership renders services
4 pursuant to an agreement with that other person, or (iii) one
5 partnership, directly or indirectly through one or more
6 intermediaries, controls, is controlled by, or is under common
7 control with, the other partnership.

8 (9) “Partnership” means an association of two or more persons
9 to carry on as coowners a business for profit formed under
10 Section 16202, predecessor law, or comparable law of another
11 jurisdiction, and includes, for all purposes of the laws of this
12 state, a registered limited liability partnership, and excludes any
13 partnership formed under Chapter 2 (commencing with Section
14 15501) or Chapter 3 (commencing with Section 15611).

15 (10) “Partnership agreement” means the agreement, whether
16 written, oral, or implied, among the partners concerning the
17 partnership, including amendments to the partnership agreement.

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

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

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

30 (14) “Professional limited liability partnership services” means
31 the practice of architecture, the practice of public accountancy, or
32 the practice of law.

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

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

38 (17) “Statement” means a statement of partnership authority
39 under Section 16303, a statement of denial under Section 16304,
40 a statement of dissociation under Section 16704, a statement of

1 dissolution under Section 16805, a statement of conversion or a
2 certificate of conversion under Section 16906, a statement of
3 merger under Section 16915, or an amendment or cancellation of
4 any of the foregoing.

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

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

10 *SEC. 1.5. Section 16101 of the Corporations Code is*
11 *amended to read:*

12 16101. As used in this chapter, the following terms and
13 phrases have the following meanings:

14 (1) “Business” includes every trade, occupation, and
15 profession.

16 (2) “Debtor in bankruptcy” means a person who is the subject
17 of either of the following:

18 (A) An order for relief under Title 11 of the United States
19 Code or a comparable order under a successor statute of general
20 application.

21 (B) A comparable order under federal, state, or foreign law
22 governing insolvency.

23 (3) “Distribution” means a transfer of money or other property
24 from a partnership to a partner in the partner’s capacity as a
25 partner or to the partner’s transferee.

26 (4) “Electronic transmission by the partnership” means a
27 communication (a) delivered by (1) facsimile telecommunication
28 or electronic mail when directed to the facsimile number or
29 electronic mail address, respectively, for that recipient on record
30 with the partnership, (2) posting on an electronic message board
31 or network that the partnership has designated for those
32 communications, together with a separate notice to the recipient
33 of the posting, which transmission shall be validly delivered
34 upon the later of the posting or delivery of the separate notice
35 thereof, or (3) other means of electronic communication, (b) to a
36 recipient who has provided an unrevoked consent to the use of
37 those means of transmission, and (c) that creates a record that is
38 capable of retention, retrieval, and review, and that may
39 thereafter be rendered into clearly legible tangible form.
40 However, an electronic transmission by a partnership to an

1 individual partner is not authorized unless, in addition to
2 satisfying the requirements of this section, the transmission
3 satisfies the requirements applicable to consumer consent to
4 electronic records as set forth in the Electronic Signatures in
5 Global and National Commerce Act (15 U.S.C. Sec. 7001(c)(1)).

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

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

39 (B) For the purposes of clause (iii) of subparagraph (A), a
40 partnership is related to a registered limited liability partnership

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

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

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

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

1 intermediaries, controls, is controlled by, or is under common
2 control with, the other partnership.

3 (9) “Partnership” means an association of two or more persons
4 to carry on as coowners a business for profit formed under
5 Section 16202, predecessor law, or comparable law of another
6 jurisdiction, and includes, for all purposes of the laws of this
7 state, a registered limited liability partnership, and excludes any
8 partnership formed under Chapter 2 (commencing with Section
9 15501)–~~or~~, Chapter 3 (commencing with Section 15611), *or*
10 *Chapter 5.5 (commencing with Section 15900)*.

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

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

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

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

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

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

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

34 (17) “Statement” means a statement of partnership authority
35 under Section 16303, a statement of denial under Section 16304,
36 a statement of dissociation under Section 16704, a statement of
37 dissolution under Section 16805, a statement of conversion or a
38 certificate of conversion under Section 16906, a statement of
39 merger under Section 16915, or an amendment or cancellation of
40 any of the foregoing.

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

3 (19) The inclusion of the practice of architecture as a
4 professional limited liability partnership service permitted by this
5 section shall extend only until January 1, ~~2007~~ 2012.

6 SEC. 2. Section 16956 of the Corporations Code is amended
7 to read:

8 16956. (a) At the time of registration pursuant to Section
9 16953, in the case of a registered limited liability partnership,
10 and Section 16959, in the case of a foreign limited liability
11 partnership, and at all times during which those partnerships shall
12 transact intrastate business, every registered limited liability
13 partnership and foreign limited liability partnership, as the case
14 may be, shall be required to provide security for claims against it
15 as follows:

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

21 (A) Maintaining a policy or policies of insurance against
22 liability imposed on or against it by law for damages arising out
23 of claims in an amount for each claim of at least one hundred
24 thousand dollars (\$100,000) multiplied by the number of licensed
25 persons rendering professional services on behalf of the
26 partnership; however, the total aggregate limit of liability under
27 the policy or policies of insurance for partnerships with fewer
28 than five licensed persons shall not be less than five hundred
29 thousand dollars (\$500,000), and for all other partnerships is not
30 required to exceed five million dollars (\$5,000,000) in any one
31 designated period, less amounts paid in defending, settling, or
32 discharging claims as set forth in this subparagraph. The policy
33 or policies may be issued on a claims-made or occurrence basis,
34 and shall cover: (i) in the case of a claims-made policy, claims
35 initially asserted in the designated period, and (ii) in the case of
36 an occurrence policy, occurrences during the designated period.
37 For purposes of this subparagraph, “designated period” means a
38 policy year or any other period designated in the policy that is
39 not greater than 12 months. The impairment or exhaustion of the
40 aggregate limit of liability by amounts paid under the policy in

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

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

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

1 after the time that a claim is initially asserted through service of a
2 summons, complaint, or comparable pleading in a judicial or
3 administrative proceeding, the partnership has provided the
4 required amount of security by designating and segregating funds
5 in compliance with the requirements of this subparagraph.

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

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

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

34 (A) Each registered limited liability partnership or foreign
35 limited liability partnership providing legal services shall
36 maintain a policy or policies of insurance against liability
37 imposed on or against it by law for damages arising out of claims
38 in an amount for each claim of at least one hundred thousand
39 dollars (\$100,000) multiplied by the number of licensed persons
40 rendering professional services on behalf of the partnership;

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

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

33 (B) Each registered limited liability partnership or foreign
34 limited liability partnership providing legal services shall
35 maintain in trust or bank escrow, cash, bank certificates of
36 deposit, United States Treasury obligations, bank letters of credit,
37 or bonds of insurance or surety companies as security for
38 payment of liabilities imposed by law for damages arising out of
39 all claims in an amount of at least one hundred thousand dollars
40 (\$100,000) multiplied by the number of licensed persons

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

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

1 including, but not limited to, rights of contribution, subrogation,
2 or indemnification.

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

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

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

1 other period designated in the policy that is not greater than 12
2 months. The impairment or exhaustion of the aggregate limit of
3 liability by amounts paid under the policy in connection with the
4 settlement, discharge, or defense of claims applicable to a
5 designated period shall not require the partnership to acquire
6 additional insurance coverage for that designated period. The
7 policy or policies of insurance may be in a form reasonably
8 available in the commercial insurance market and may be subject
9 to those terms, conditions, exclusions, and endorsements that are
10 typically contained in those policies. A policy or policies of
11 insurance maintained pursuant to this subparagraph may be
12 subject to a deductible or self-insured 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 five or fewer licensees rendering professional
29 services on behalf of the partnership shall not be less than five
30 hundred thousand dollars (\$500,000), and for all other
31 partnerships is not required to exceed five million dollars
32 (\$5,000,000). On and after January 1, 2008, the maximum
33 amount of security for partnerships with five or fewer licensees
34 rendering professional services on behalf of the partnership shall
35 not be less than one million dollars (\$1,000,000), and for
36 partnerships with more than five licensees rendering professional
37 services on behalf of the partnership, an additional one hundred
38 thousand dollars (\$100,000) of security shall be obtained for each
39 additional licensee; however, the maximum amount of security is
40 not required to exceed five million dollars (\$5,000,000). The

1 partnership remains in compliance with this section during a
2 calendar year notwithstanding amounts paid during that calendar
3 year from the accounts, funds, Treasury obligations, letters of
4 credit, or bonds in defending, settling, or discharging claims of
5 the type described in this paragraph, provided that the amount of
6 those accounts, funds, Treasury obligations, letters of credit, or
7 bonds was at least the amount specified in the preceding sentence
8 as of the first business day of that calendar year. Notwithstanding
9 the pendency of other claims against the partnership, a registered
10 limited liability partnership or foreign limited liability
11 partnership shall be deemed to be in compliance with this
12 subparagraph as to a claim if within 30 days after the time that a
13 claim is initially asserted through service of a summons,
14 complaint, or comparable pleading in a judicial or administrative
15 proceeding, the partnership has provided the required amount of
16 security by designating and segregating funds in compliance with
17 the requirements of this subparagraph.

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

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

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

1 Title of authorized person executing this form
 2 6. _____
 3 Signature of authorized person executing this form
 4

5 (c) Pursuant to subparagraph (D) of paragraph (1) of
 6 subdivision (a), subparagraph (D) of paragraph (2) of subdivision
 7 (a), or subparagraph (D) of paragraph (3) of subdivision (a), a
 8 registered limited liability partnership or foreign limited liability
 9 partnership may satisfy the requirements of this section by
 10 confirming that, as of the last day of its most recently completed
 11 fiscal year, it had a net worth equal to or exceeding the amount
 12 required. In order to comply with this alternative method of
 13 meeting the requirements established in this section, a registered
 14 limited liability partnership or foreign limited liability
 15 partnership shall file an annual confirmation with the Secretary
 16 of State’s office, signed by an authorized member of the
 17 registered limited liability partnership or foreign limited liability
 18 partnership, accompanied by a transmittal form as prescribed by
 19 subdivision (b). In order to be current in a given year, the
 20 partnership form for confirming compliance with the optional
 21 security requirement shall be on file within four months of the
 22 completion of the fiscal year and, upon being filed, shall
 23 constitute full compliance with the financial security
 24 requirements for purposes of this section as of the beginning of
 25 the fiscal year. A confirmation filed during any particular fiscal
 26 year shall continue to be effective for the first four months of the
 27 next succeeding fiscal year.

28 (d) Neither the existence of the requirements of subdivision (a)
 29 nor the extent of the registered limited liability partnership’s or
 30 foreign limited liability partnership’s compliance with the
 31 alternative requirements in this section shall be admissible in
 32 court or in any way be made known to a jury or other trier of fact
 33 in determining an issue of liability for, or to the extent of, the
 34 damages in question.

35 (e) Notwithstanding any other provision of this section, if a
 36 registered limited liability partnership or foreign limited liability
 37 partnership is otherwise in compliance with the terms of this
 38 section at the time that a bankruptcy or other insolvency
 39 proceeding is commenced with respect to the registered limited
 40 liability partnership or foreign limited liability partnership, it

1 shall be deemed to be in compliance with this section during the
2 pendency of the proceeding. A registered limited liability
3 partnership that has been the subject of a proceeding and that
4 conducts business after the proceeding ends shall thereafter
5 comply with paragraph (1), (2), or (3) of subdivision (a), in order
6 to obtain the limitations on liability afforded by subdivision (c)
7 of Section 16306.

8 ~~SEC. 2.~~

9 *SEC. 3.* Section 5 of Chapter 504 of the Statutes of 1998, as
10 amended by Section 2 of Chapter 595 of the Statutes of 2001, is
11 amended to read:

12 *SEC. 5.* The authorization in this act for registered limited
13 liability partnerships and foreign limited liability partnerships to
14 engage in the practice of architecture shall terminate on January
15 1, 2012.

16 *SEC. 4.* *Section 1.5 of this bill incorporates amendments to*
17 *Section 16101 of the Corporations Code proposed by both this*
18 *bill and AB 339. It shall only become operative if (1) both bills*
19 *are enacted and become effective on or before January 1, 2007,*
20 *(2) each bill amends Section 16101 of the Corporations Code,*
21 *and (3) this bill is enacted after AB 339, in which case Section 1*
22 *of this bill shall not become operative.*