

Introduced by Senator Cannella

February 19, 2015

An act to amend and repeal Sections 6738 and 8729 of the Business and Professions Code, and to amend and repeal Sections 16101, 16956, and 16959 of the Corporations Code, relating to the practice of engineering and land surveying.

LEGISLATIVE COUNSEL'S DIGEST

SB 284, as amended, Cannella. Engineering and land surveying: limited liability partnerships.

The Professional Engineers Act provides for the licensure and regulation of engineers and the ~~professional~~ *Professional* Land Surveyors' Act provides for the licensure and regulation of land surveyors by the ~~board~~ *Board* for Professional Engineers, Land Surveyors, and Geologists. The Uniform Partnership Act of 1994 authorizes the formation of registered limited liability partnerships and foreign limited liability partnerships as specified.

Existing law, until January 1, 2016, authorizes persons licensed to engage in the practice of engineering or land surveying to form registered limited liability partnerships and foreign limited liability partnerships and requires those partnerships to provide security of no less than \$2,000,000 for claims arising out of the partnership's professional practice. Existing law, until January 1, 2016, also provides that engineers or land surveyors are not prohibited from practicing or offering to practice, within the scope of their licensure, as a limited liability partnership if specified requirements are met, including, among others, that any offer, promotion, or advertisement by the business that

contains the name of any individual in the business must clearly and specifically designate the license or registration discipline of the individual named. Existing law repeals these provisions on January 1, 2016.

~~This bill would delete the repeal provisions, thereby extending the operation of those provisions indefinitely.~~
extend the operation of these provisions indefinitely until January 1, 2021.

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

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

1 SECTION 1. Section 6738 of the Business and Professions
2 Code, as amended by Section 1 of Chapter 634 of the Statutes of
3 2010, is amended to read:

4 6738. (a) This chapter does not prohibit one or more civil,
5 electrical, or mechanical engineers from practicing or offering to
6 practice, within the scope of their license, civil (including
7 geotechnical and structural), electrical, or mechanical engineering
8 as a sole proprietorship, partnership, limited liability partnership,
9 firm, or corporation (hereinafter called business), if all of the
10 following requirements are met:

11 (1) A civil, electrical, or mechanical engineer currently licensed
12 in this state is an owner, partner, or officer in charge of the
13 engineering practice of the business.

14 (2) All civil, electrical, or mechanical engineering services are
15 performed by, or under the responsible charge of, a professional
16 engineer licensed in the appropriate branch of professional
17 engineering.

18 (3) If the business name of a California engineering business
19 contains the name of any person, then that person shall be licensed
20 as a professional engineer, a licensed land surveyor, a licensed
21 architect, or a geologist registered under the Geologist and
22 Geophysicist Act (Chapter 12.5 (commencing with Section 7800)).
23 Any offer, promotion, or advertisement by the business that
24 contains the name of any individual in the business, other than by
25 use of the name of an individual in the business name, shall clearly
26 and specifically designate the license or registration discipline of
27 each individual named.

1 (b) An out-of-state business with a branch office in this state
2 shall meet the requirements of subdivision (a) and shall have an
3 owner, partner, or officer who is in charge of the engineering work
4 in the branch in this state, who is licensed in this state, and who is
5 physically present at the branch office in this state on a regular
6 basis. However, the name of the business may contain the name
7 of any person not licensed in this state if that person is
8 appropriately registered or licensed in another state. Any offer,
9 promotion, or advertisement that contains the name of any
10 individual in the business, other than by use of the names of the
11 individuals in the business name, shall clearly and specifically
12 designate the license or registration discipline of each individual
13 named.

14 (c) The business name of a California engineering business may
15 be a fictitious name. However, if the fictitious name includes the
16 name of any person, the requirements of paragraph (3) of
17 subdivision (a) shall be met.

18 (d) A person not licensed under this chapter may also be a
19 partner or an officer of a civil, electrical, or mechanical engineering
20 business if the requirements of subdivision (a) are met. Nothing
21 in this section shall be construed to permit a person who is not
22 licensed under this chapter to be the sole owner of a civil, electrical,
23 or mechanical engineering business, unless otherwise exempt under
24 this chapter.

25 (e) This chapter does not prevent an individual or business
26 engaged in any line of endeavor other than the practice of civil,
27 electrical, or mechanical engineering from employing or
28 contracting with a licensed civil, electrical, or mechanical engineer
29 to perform the respective engineering services incidental to the
30 conduct of business.

31 (f) This section shall not prevent the use of the name of any
32 business engaged in rendering civil, electrical, or mechanical
33 engineering services, including the use by any lawful successor
34 or survivor, that lawfully was in existence on December 31, 1987.
35 However, the business is subject to paragraphs (1) and (2) of
36 subdivision (a).

37 (g) A business engaged in rendering civil, electrical, or
38 mechanical engineering services may use in its name the name of
39 a deceased or retired person provided all of the following
40 conditions are satisfied:

1 (1) The person's name had been used in the name of the
2 business, or a predecessor in interest of the business, prior to and
3 after the death or retirement of the person.

4 (2) The person shall have been an owner, partner, or officer of
5 the business, or an owner, partner, or officer of the predecessor in
6 interest of the business.

7 (3) The person shall have been licensed as a professional
8 engineer, or a land surveyor, or an architect, or a geologist, (A) by
9 the appropriate licensing board if that person is operating a place
10 of business or practice in this state, or (B) by the applicable state
11 board if no place of business existed in this state.

12 (4) The person, if retired, has consented to the use of the name
13 and does not permit the use of the name in the title of another
14 professional engineering business in this state during the period
15 of the consent. However, the retired person may use his or her
16 name as the name of a new or purchased business if it is not
17 identical in every respect to that person's name as used in the
18 former business.

19 (5) The business shall be subject to the provisions of paragraphs
20 (1) and (2) of subdivision (a).

21 (h) This section does not affect the provisions of Sections 6731.2
22 and 8726.1.

23 (i) A current organization record form shall be filed with the
24 board for all businesses engaged in rendering civil, electrical, or
25 mechanical engineering services.

26 (j) *This section shall remain in effect only until January 1, 2021,*
27 *and as of that date is repealed, unless a later enacted statute, that*
28 *is enacted before January 1, 2021, deletes or extends that date.*

29 ~~SEC. 2. Section 6738 of the Business and Professions Code,~~
30 ~~as added by Section 2 of Chapter 634 of the Statutes of 2010, is~~
31 ~~repealed.~~

32 *SEC. 2. Section 6738 of the Business and Professions Code,*
33 *as added by Section 2 of Chapter 634 of the Statutes of 2010, is*
34 *amended to read:*

35 6738. (a) This chapter does not prohibit one or more civil,
36 electrical, or mechanical engineers from practicing or offering to
37 practice within the scope of their license civil (including
38 geotechnical and structural), electrical, or mechanical engineering
39 as a sole proprietorship, partnership, firm, or corporation

(hereinafter called business), if all of the following requirements are met:

(1) A civil, electrical, or mechanical engineer currently licensed in this state is an owner, partner, or officer in charge of the engineering practice of the business.

(2) All civil, electrical, or mechanical engineering services are performed by, or under the responsible charge of, a professional engineer licensed in the appropriate branch of professional engineering.

(3) If the business name of a California engineering business contains the name of any person, then that person shall be licensed as a professional engineer, a licensed land surveyor, a licensed architect, or a geologist registered under the Geologist and Geophysicist Act (Chapter 12.5 (commencing with Section 7800)). Any offer, promotion, or advertisement by the business that contains the name of any individual in the business, other than by use of the name of an individual in the business name, shall clearly and specifically designate the license or registration discipline of each individual named.

(b) An out-of-state business with a branch office in this state shall meet the requirements of subdivision (a) and shall have an owner, partner, or officer who is in charge of the engineering work in the branch in this state, who is licensed in this state, and who is physically present at the branch office in this state on a regular basis. However, the name of the business may contain the name of any person not licensed in this state if that person is appropriately registered or licensed in another state. Any offer, promotion, or advertisement that contains the name of any individual in the business, other than by use of the names of the individuals in the business name, shall clearly and specifically designate the license or registration discipline of each individual named.

(c) The business name of a California engineering business may be a fictitious name. However, if the fictitious name includes the name of any person, the requirements of paragraph (3) of subdivision (a) shall be met.

(d) A person not licensed under this chapter may also be a partner or an officer of a civil, electrical, or mechanical engineering business if the requirements of subdivision (a) are met. Nothing in this section shall be construed to permit a person who is not

1 licensed under this chapter to be the sole owner of a civil, electrical,
2 or mechanical engineering business, unless otherwise exempt under
3 this chapter.

4 (e) This chapter does not prevent an individual or business
5 engaged in any line of endeavor other than the practice of civil,
6 electrical, or mechanical engineering from employing or
7 contracting with a licensed civil, electrical, or mechanical engineer
8 to perform the respective engineering services incidental to the
9 conduct of business.

10 (f) This section shall not prevent the use of the name of any
11 business engaged in rendering civil, electrical, or mechanical
12 engineering services, including the use by any lawful successor
13 or survivor, that lawfully was in existence on December 31, 1987.
14 However, the business is subject to paragraphs (1) and (2) of
15 subdivision (a).

16 (g) A business engaged in rendering civil, electrical, or
17 mechanical engineering services may use in its name the name of
18 a deceased or retired person provided all of the following
19 conditions are satisfied:

20 (1) The person's name had been used in the name of the
21 business, or a predecessor in interest of the business, prior to and
22 after the death or retirement of the person.

23 (2) The person shall have been an owner, partner, or officer of
24 the business, or an owner, partner, or officer of the predecessor in
25 interest of the business.

26 (3) The person shall have been licensed as a professional
27 engineer, or a land surveyor, or an architect, or a geologist, (A) by
28 the appropriate licensing board if that person is operating a place
29 of business or practice in this state, or (B) by the applicable state
30 board if no place of business existed in this state.

31 (4) The person, if retired, has consented to the use of the name
32 and does not permit the use of the name in the title of another
33 professional engineering business in this state during the period
34 of the consent. However, the retired person may use his or her
35 name as the name of a new or purchased business if it is not
36 identical in every respect to that person's name as used in the
37 former business.

38 (5) The business shall be subject to the provisions of paragraphs
39 (1) and (2) of subdivision (a).

1 (h) This section does not affect the provisions of Sections 6731.2
2 and 8726.1.

3 (i) A current organization record form shall be filed with the
4 board for all businesses engaged in rendering civil, electrical, or
5 mechanical engineering services.

6 (j) This section shall become operative on January 1, ~~2016~~.
7 ~~2021~~.

8 SEC. 3. Section 8729 of the Business and Professions Code,
9 as amended by Section 3 of Chapter 634 of the Statutes of 2010,
10 is amended to read:

11 8729. (a) This chapter does not prohibit one or more licensed
12 land surveyors or civil engineers licensed in this state prior to 1982
13 (hereinafter called civil engineers) from practicing or offering to
14 practice, within the scope of their licensure, land surveying as a
15 sole proprietorship, partnership, limited liability partnership, firm,
16 or corporation (hereinafter called business), if the following
17 conditions are satisfied:

18 (1) A land surveyor or civil engineer currently licensed in the
19 state is an owner, partner, or officer in charge of the land surveying
20 practice of the business.

21 (2) All land surveying services are performed by or under the
22 responsible charge of a land surveyor or civil engineer.

23 (3) If the business name of a California land surveying business
24 contains the name of a person, then that person shall be licensed
25 by the board as a land surveyor or licensed by the board in any
26 year as a civil engineer. Any offer, promotion, or advertisement
27 by the business that contains the name of any individual in the
28 business, other than by use of the name of the individual in the
29 business name, shall clearly and specifically designate the license
30 discipline of each individual named.

31 (b) An out-of-state business with a branch office in this state
32 shall meet the requirements of subdivision (a) and shall have an
33 owner, partner, or officer who is in charge of the land surveying
34 work in this state, who is licensed in this state, and who is
35 physically present at the branch office in this state on a regular
36 basis. However, the name of the business may contain the name
37 of a person not licensed in this state, if that person is appropriately
38 licensed or registered in another state. Any offer, promotion, or
39 advertisement that contains the name of any individual in the
40 business, other than by use of the name of the individual in the

1 business name, shall clearly and specifically designate the license
2 or registration discipline of each individual named.

3 (c) The business name of a California land surveying business
4 may be a fictitious name. However, if the fictitious name includes
5 the names of any person, the requirements of paragraph (3) of
6 subdivision (a) shall be met.

7 (d) A person not licensed under this chapter or licensed as a
8 civil engineer in this state prior to 1982 may also be a partner or
9 an officer of a land surveying business if the conditions of
10 subdivision (a) are satisfied. Nothing in this section shall be
11 construed to permit a person who is not licensed under this chapter
12 or licensed as a civil engineer in this state prior to 1982 to be the
13 sole owner or officer of a land surveying business, unless otherwise
14 exempt under this chapter.

15 (e) This chapter does not prevent an individual or business
16 engaged in any line of endeavor, other than the practice of land
17 surveying, from employing or contracting with a licensed land
18 surveyor or a licensed civil engineer to perform the respective land
19 surveying services incidental to the conduct of business.

20 (f) This section shall not prevent the use of the name of any
21 business engaged in rendering land surveying services, including
22 the use by any lawful successor or survivor, that lawfully was in
23 existence on June 1, 1941. However, the business is subject to the
24 provisions of paragraphs (1) and (2) of subdivision (a).

25 (g) A business engaged in rendering land surveying services
26 may use in its name the name of a deceased or retired person if
27 the following conditions are satisfied:

28 (1) The person's name had been used in the name of the
29 business, or a predecessor in interest of the business, prior to the
30 death or retirement of the person.

31 (2) The person shall have been an owner, partner, or officer of
32 the business, or an owner, partner, or officer of the predecessor in
33 interest of the business.

34 (3) The person shall have been licensed as a land surveyor or a
35 civil engineer by the board, if operating a place of business or
36 practice in this state, or by an applicable state board in the event
37 no place of business existed in this state.

38 (4) The person, if retired, has consented to the use of the name
39 and does not permit the use of the name in the title of another land
40 surveying business in this state during the period of that consent,

1 except that a retired person may use his or her name as the name
2 of a new or purchased business, if that business is not identical in
3 every respect to that person's name as used in the former business.

4 (5) The business shall be subject to paragraphs (1) and (2) of
5 subdivision (a).

6 (h) This section does not affect Sections 6731.2 and 8726.1.

7 (i) A current organization record form shall be filed with the
8 board for all businesses engaged in rendering professional land
9 surveying services.

10 (j) *This section shall remain in effect only until January 1, 2021,*
11 *and as of that date is repealed, unless a later enacted statute, that*
12 *is enacted before January 1, 2021, deletes or extends that date.*

13 ~~SEC. 4. Section 8729 of the Business and Professions Code,~~
14 ~~as added by Section 4 of Chapter 634 of the Statutes of 2010, is~~
15 ~~repealed.~~

16 *SEC. 4. Section 8729 of the Business and Professions Code,*
17 *as added by Section 4 of Chapter 634 of the Statutes of 2010, is*
18 *amended to read:*

19 8729. (a) This chapter does not prohibit one or more licensed
20 land surveyors or civil engineers licensed in this state prior to 1982
21 (hereinafter called civil engineers) from practicing or offering to
22 practice within the scope of their licensure, land surveying as a
23 sole proprietorship, partnership, firm, or corporation (hereinafter
24 called business), if the following conditions are satisfied:

25 (1) A land surveyor or civil engineer currently licensed in the
26 state is an owner, partner, or officer in charge of the land surveying
27 practice of the business.

28 (2) All land surveying services are performed by or under the
29 responsible charge of a land surveyor or civil engineer.

30 (3) If the business name of a California land surveying business
31 contains the name of a person, then that person shall be licensed
32 by the board as a land surveyor or licensed by the board in any
33 year as a civil engineer. Any offer, promotion, or advertisement
34 by the business that contains the name of any individual in the
35 business, other than by use of the name of the individual in the
36 business name, shall clearly and specifically designate the license
37 discipline of each individual named.

38 (b) An out-of-state business with a branch office in this state
39 shall meet the requirements of subdivision (a) and shall have an
40 owner, partner, or officer who is in charge of the land surveying

1 work in this state, who is licensed in this state, and who is
2 physically present at the branch office in this state on a regular
3 basis. However, the name of the business may contain the name
4 of a person not licensed in this state, if that person is appropriately
5 licensed or registered in another state. Any offer, promotion, or
6 advertisement that contains the name of any individual in the
7 business, other than by use of the name of the individual in the
8 business name, shall clearly and specifically designate the license
9 or registration discipline of each individual named.

10 (c) The business name of a California land surveying business
11 may be a fictitious name. However, if the fictitious name includes
12 the names of any person, the requirements of paragraph (3) of
13 subdivision (a) shall be met.

14 (d) A person not licensed under this chapter or licensed as a
15 civil engineer in this state prior to 1982 may also be a partner or
16 an officer of a land surveying business if the conditions of
17 subdivision (a) are satisfied. Nothing in this section shall be
18 construed to permit a person who is not licensed under this chapter
19 or licensed as a civil engineer in this state prior to 1982 to be the
20 sole owner or office of a land surveying business, unless otherwise
21 exempt under this chapter.

22 (e) This chapter does not prevent an individual or business
23 engaged in any line of endeavor, other than the practice of land
24 surveying, from employing or contracting with a licensed land
25 surveyor or a licensed civil engineer to perform the respective land
26 surveying services incidental to the conduct of business.

27 (f) This section shall not prevent the use of the name of any
28 business engaged in rendering land surveying services, including
29 the use by any lawful successor or survivor, that lawfully was in
30 existence on June 1, 1941. However, the business is subject to the
31 provisions of paragraphs (1) and (2) of subdivision (a).

32 (g) A business engaged in rendering land surveying services
33 may use in its name the name of a deceased or retired person if
34 the following conditions are satisfied:

35 (1) The person's name had been used in the name of the
36 business, or a predecessor in interest of the business, prior to the
37 death or retirement of the person.

38 (2) The person shall have been an owner, partner, or officer of
39 the business, or an owner, partner, or officer of the predecessor in
40 interest of the business.

1 (3) The person shall have been licensed as a land surveyor or a
2 civil engineer by the board, if operating a place of business or
3 practice in this state, or by an applicable state board in the event
4 no place of business existed in this state.

5 (4) The person, if retired, has consented to the use of the name
6 and does not permit the use of the name in the title of another land
7 surveying business in this state during the period of that consent,
8 except that a retired person may use his or her name as the name
9 of a new or purchased business, if that business is not identical in
10 every respect to that person's name as used in the former business.

11 (5) The business shall be subject to paragraphs (1) and (2) of
12 subdivision (a).

13 (h) This section does not affect Sections 6731.2 and 8726.1.

14 (i) A current organization record form shall be filed with the
15 board for all businesses engaged in rendering professional land
16 surveying services.

17 (j) This section shall become operative on January 1, ~~2016~~.
18 ~~2021~~.

19 SEC. 5. Section 16101 of the Corporations Code, as amended
20 by Section 1 of Chapter 291 of the Statutes of 2011, is amended
21 to read:

22 16101. As used in this chapter, the following terms and phrases
23 have the following meanings:

24 (1) "Business" includes every trade, occupation, and profession.

25 (2) "Debtor in bankruptcy" means a person who is the subject
26 of either of the following:

27 (A) An order for relief under Title 11 of the United States Code
28 or a comparable order under a successor statute of general
29 application.

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

32 (3) "Distribution" means a transfer of money or other property
33 from a partnership to a partner in the partner's capacity as a partner
34 or to the partner's transferee.

35 (4) "Electronic transmission by the partnership" means a
36 communication (a) delivered by (1) facsimile telecommunication
37 or electronic mail when directed to the facsimile number or
38 electronic mail address, respectively, for that recipient on record
39 with the partnership, (2) posting on an electronic message board
40 or network that the partnership has designated for those

1 communications, together with a separate notice to the recipient
2 of the posting, which transmission shall be validly delivered upon
3 the later of the posting or delivery of the separate notice thereof,
4 or (3) other means of electronic communication, (b) to a recipient
5 who has provided an unrevoked consent to the use of those means
6 of transmission, and (c) that creates a record that is capable of
7 retention, retrieval, and review, and that may thereafter be rendered
8 into clearly legible tangible form. However, an electronic
9 transmission by a partnership to an individual partner is not
10 authorized unless, in addition to satisfying the requirements of this
11 section, the transmission satisfies the requirements applicable to
12 consumer consent to electronic records as set forth in the Electronic
13 Signatures in Global and National Commerce Act (15 U.S.C. Sec.
14 7001(c)(1)).

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

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

1 registered limited liability partnership that practices public
2 accountancy or, to the extent permitted by the State Bar, practices
3 law or is related to a foreign limited liability partnership and (II)
4 provides services related or complementary to the professional
5 limited liability partnership services provided by, or provides
6 services or facilities to, that registered limited liability partnership
7 or foreign limited liability partnership.

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

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

24 (8) (A) “Registered limited liability partnership” means a
25 partnership, other than a limited partnership, formed pursuant to
26 an agreement governed by Article 10 (commencing with Section
27 16951), that is registered under Section 16953 and (i) each of the
28 partners of which is a licensed person or a person licensed or
29 authorized to provide professional limited liability partnership
30 services in a jurisdiction or jurisdictions other than this state, (ii)
31 is licensed under the laws of the state to engage in the practice of
32 architecture, the practice of public accountancy, the practice of
33 engineering, the practice of land surveying, or the practice of law,
34 or (iii)(I) is related to a registered limited liability partnership that
35 practices public accountancy or, to the extent permitted by the
36 State Bar, practices law or is related to a foreign limited liability
37 partnership and (II) provides services related or complementary
38 to the professional limited liability partnership services provided
39 by, or provides services or facilities to, that registered limited
40 liability 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 partnership
6 hold interests in or are members of another person, other than an
7 individual, and each partnership renders services pursuant to an
8 agreement with that other person, or (iii) one partnership, directly
9 or indirectly through one or more intermediaries, controls, is
10 controlled by, or is under common control with, the other
11 partnership.

12 (9) “Partnership” means an association of two or more persons
13 to carry on as coowners a business for profit formed under Section
14 16202, predecessor law, or comparable law of another jurisdiction,
15 and includes, for all purposes of the laws of this state, a registered
16 limited liability partnership, and excludes any partnership formed
17 under Chapter 4.5 (commencing with Section 15900).

18 (10) “Partnership agreement” means the agreement, whether
19 written, oral, or implied, among the partners concerning the
20 partnership, including amendments to the partnership agreement.

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

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

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

33 (14) “Professional limited liability partnership services” means
34 the practice of architecture, the practice of public accountancy,
35 the practice of engineering, the practice of land surveying, or the
36 practice of law.

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

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

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

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

(19) The inclusion of the practice of architecture as a professional limited liability partnership service permitted by this section shall extend only until January 1, 2019.

(20) *This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.*

~~SEC. 6. Section 16101 of the Corporations Code, as amended by Section 2 of Chapter 291 of the Statutes of 2011, is repealed.~~

SEC. 6. Section 16101 of the Corporations Code, as amended by Section 2 of Chapter 291 of the Statutes of 2011, is amended to read:

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

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

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

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

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

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

(4) “Electronic transmission by the partnership” means a communication (a) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or

1 electronic mail address, respectively, for that recipient on record
2 with the partnership, (2) posting on an electronic message board
3 or network that the partnership has designated for those
4 communications, together with a separate notice to the recipient
5 of the posting, which transmission shall be validly delivered upon
6 the later of the posting or delivery of the separate notice thereof,
7 or (3) other means of electronic communication, (b) to a recipient
8 who has provided an unrevoked consent to the use of those means
9 of transmission, and (c) that creates a record that is capable of
10 retention, retrieval, and review, and that may thereafter be rendered
11 into clearly legible tangible form. However, an electronic
12 transmission by a partnership to an individual partner is not
13 authorized unless, in addition to satisfying the requirements of this
14 section, the transmission satisfies the requirements applicable to
15 consumer consent to electronic records as set forth in the Electronic
16 Signatures in Global and National Commerce Act (15 U.S.C. Sec.
17 7001(c)(1)).

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

32 (6) (A) “Foreign limited liability partnership” means a
33 partnership, other than a limited partnership, formed pursuant to
34 an agreement governed by the laws of another jurisdiction and
35 denominated or registered as a limited liability partnership or
36 registered limited liability partnership under the laws of that
37 jurisdiction (i) in which each partner is a licensed person or a
38 person licensed or authorized to provide professional limited
39 liability partnership services in a jurisdiction or jurisdictions other
40 than this state, (ii) which is licensed under the laws of the state to

engage in the practice of architecture, the practice of public accountancy, or the practice of law, or (iii) which (I) is related to a registered limited liability partnership that practices public accountancy or, to the extent permitted by the State Bar, practices law or is related to a foreign limited liability partnership and (II) provides services related or complementary to the professional limited liability partnership services provided by, or provides services or facilities to, that registered limited liability partnership or foreign limited liability partnership.

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

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

(8) (A) “Registered limited liability partnership” means a partnership, other than a limited partnership, formed pursuant to an agreement governed by Article 10 (commencing with Section 16951), that is registered under Section 16953 and (i) each of the partners of which is a licensed person or a person licensed or authorized to provide professional limited liability partnership services in a jurisdiction or jurisdictions other than this state, (ii) is licensed under the laws of the state to engage in the practice of architecture, practice of public accountancy, or the practice of law, or (iii)(I) is related to a registered limited liability partnership that practices public accountancy or, to the extent permitted by the State Bar, practices law or is related to a foreign limited liability partnership and (II) provides services related or complementary to the professional limited liability partnership services provided

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

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

14 (9) “Partnership” means an association of two or more persons
15 to carry on as coowners a business for profit formed under Section
16 16202, predecessor law, or comparable law of another jurisdiction,
17 and includes, for all purposes of the laws of this state, a registered
18 limited liability partnership, and excludes any partnership formed
19 under ~~Chapter 2 (commencing with Section 15501), Chapter 3~~
20 ~~(commencing with Section 15611), or Chapter 5.5 4.5~~
21 (commencing with Section 15900).

22 (10) “Partnership agreement” means the agreement, whether
23 written, oral, or implied, among the partners concerning the
24 partnership, including amendments to the partnership agreement.

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

28 (12) “Partnership interest” or “partner’s interest in the
29 partnership” means all of a partner’s interests in the partnership,
30 including the partner’s transferable interest and all management
31 and other rights.

32 (13) “Person” means an individual, corporation, business trust,
33 estate, trust, partnership, limited partnership, limited liability
34 partnership, limited liability company, association, joint venture,
35 government, governmental subdivision, agency, or instrumentality,
36 or any other legal or commercial entity.

37 (14) “Professional limited liability partnership services” means
38 the practice of architecture, the practice of public accountancy, or
39 the practice of law.

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

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

6 (17) “Statement” means a statement of partnership authority
7 under Section 16303, a statement of denial under Section 16304,
8 a statement of dissociation under Section 16704, a statement of
9 dissolution under Section 16805, a statement of conversion or a
10 certificate of conversion under Section 16906, a statement of
11 merger under Section 16915, or an amendment or cancellation of
12 any of the foregoing.

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

15 (19) The inclusion of the practice of architecture as a
16 professional limited liability partnership service permitted by this
17 section shall extend only until January 1, 2019.

18 (20) This section shall become operative on January 1, ~~2016~~.
19 ~~2021~~.

20 SEC. 7. Section 16956 of the Corporations Code, as amended
21 by Section 7 of Chapter 634 of the Statutes of 2010, is amended
22 to read:

23 16956. (a) At the time of registration pursuant to Section
24 16953, in the case of a registered limited liability partnership, and
25 Section 16959, in the case of a foreign limited liability partnership,
26 and at all times during which those partnerships shall transact
27 intrastate business, every registered limited liability partnership
28 and foreign limited liability partnership, as the case may be, shall
29 be required to provide security for claims against it as follows:

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

35 (A) Maintaining a policy or policies of insurance against liability
36 imposed on or against it by law for damages arising out of claims;
37 however, the total aggregate limit of liability under the policy or
38 policies of insurance for partnerships with five or fewer licensed
39 persons shall not be less than one million dollars (\$1,000,000),
40 and for partnerships with more than five licensees rendering

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

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

32 (B) Maintaining in trust or bank escrow, cash, bank certificates
33 of deposit, United States Treasury obligations, bank letters of
34 credit, or bonds of insurance or surety companies as security for
35 payment of liabilities imposed by law for damages arising out of
36 all claims; however, the maximum amount of security for
37 partnerships with five or fewer licensed persons shall not be less
38 than one million dollars (\$1,000,000), and for partnerships with
39 more than five licensees rendering professional services on behalf
40 of the partnership, an additional one hundred thousand dollars

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

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

38 (D) Confirming, pursuant to the procedure in subdivision (c),
39 that, as of the most recently completed fiscal year of the

1 partnership, it had a net worth equal to or exceeding ten million
2 dollars (\$10,000,000).

3 (2) For claims based upon acts, errors, or omissions arising out
4 of the practice of law, a registered limited liability partnership or
5 foreign limited liability partnership providing legal services shall
6 comply with one, or pursuant to subdivision (b) some combination,
7 of the following:

8 (A) Each registered limited liability partnership or foreign
9 limited liability partnership providing legal services shall maintain
10 a policy or policies of insurance against liability imposed on or
11 against it by law for damages arising out of claims; however, the
12 total aggregate limit of liability under the policy or policies of
13 insurance for partnerships with five or fewer licensed persons shall
14 not be less than one million dollars (\$1,000,000), and for
15 partnerships with more than five licensees rendering professional
16 services on behalf of the partnership, an additional one hundred
17 thousand dollars (\$100,000) of insurance shall be obtained for
18 each additional licensee; however, the maximum amount of
19 insurance is not required to exceed seven million five hundred
20 thousand dollars (\$7,500,000) in any one designated period, less
21 amounts paid in defending, settling, or discharging claims as set
22 forth in this subparagraph. The policy or policies may be issued
23 on a claims-made or occurrence basis, and shall cover (i) in the
24 case of a claims-made policy, claims initially asserted in the
25 designated period, and (ii) in the case of an occurrence policy,
26 occurrences during the designated period. For purposes of this
27 subparagraph, “designated period” means a policy year or any
28 other period designated in the policy that is not greater than 12
29 months. The impairment or exhaustion of the aggregate limit of
30 liability by amounts paid under the policy in connection with the
31 settlement, discharge, or defense of claims applicable to a
32 designated period shall not require the partnership to acquire
33 additional insurance coverage for that designated period. The policy
34 or policies of insurance may be in a form reasonably available in
35 the commercial insurance market and may be subject to those
36 terms, conditions, exclusions, and endorsements that are typically
37 contained in those policies. A policy or policies of insurance
38 maintained pursuant to this subparagraph may be subject to a
39 deductible or self-insured retention.

1 Upon the dissolution and winding up of the partnership, the
2 partnership shall, with respect to any insurance policy or policies
3 then maintained pursuant to this subparagraph, maintain or obtain
4 an extended reporting period endorsement or equivalent provision
5 in the maximum total aggregate limit of liability required to comply
6 with this subparagraph for a minimum of three years if reasonably
7 available from the insurer.

8 (B) Each registered limited liability partnership or foreign
9 limited liability partnership providing legal services shall maintain
10 in trust or bank escrow, cash, bank certificates of deposit, United
11 States Treasury obligations, bank letters of credit, or bonds of
12 insurance or surety companies as security for payment of liabilities
13 imposed by law for damages arising out of all claims; however,
14 the maximum amount of security for partnerships with five or
15 fewer licensed persons shall not be less than one million dollars
16 (\$1,000,000), and for partnerships with more than five licensees
17 rendering professional services on behalf of the partnership, an
18 additional one hundred thousand dollars (\$100,000) of security
19 shall be obtained for each additional licensee; however, the
20 maximum amount of security is not required to exceed seven
21 million five hundred thousand dollars (\$7,500,000). The partnership
22 remains in compliance with this section during a calendar year
23 notwithstanding amounts paid during that calendar year from the
24 accounts, funds, Treasury obligations, letters of credit, or bonds
25 in defending, settling, or discharging claims of the type described
26 in this paragraph, provided that the amount of those accounts,
27 funds, Treasury obligations, letters of credit, or bonds was at least
28 the amount specified in the preceding sentence as of the first
29 business day of that calendar year. Notwithstanding the pendency
30 of other claims against the partnership, a registered limited liability
31 partnership or foreign limited liability partnership shall be deemed
32 to be in compliance with this subparagraph as to a claim if within
33 30 days after the time that a claim is initially asserted through
34 service of a summons, complaint, or comparable pleading in a
35 judicial or administrative proceeding, the partnership has provided
36 the required amount of security by designating and segregating
37 funds in compliance with the requirement of this subparagraph.

38 (C) Unless the partnership has satisfied the requirements of
39 subparagraph (D), each partner of a registered limited liability
40 partnership or foreign limited liability partnership providing legal

1 services, by virtue of that person's status as a partner, thereby
2 automatically guarantees payment of the difference between the
3 maximum amount of security required for the partnership by this
4 paragraph and the security otherwise provided in accordance with
5 the provisions of subparagraphs (A) and (B), provided that the
6 aggregate amount paid by all partners under these guarantees shall
7 not exceed the difference. Neither withdrawal by a partner nor the
8 dissolution and winding up of the partnership shall affect the rights
9 or obligations of a partner arising prior to withdrawal or dissolution
10 and winding up, and the guarantee provided for in this
11 subparagraph shall apply only to conduct that occurred prior to
12 the withdrawal or dissolution and winding up. Nothing contained
13 in this subparagraph shall affect or impair the rights or obligations
14 of the partners among themselves, or the partnership, including,
15 but not limited to, rights of contribution, subrogation, or
16 indemnification.

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

21 (3) For claims based upon acts, errors, or omissions arising out
22 of the practice of architecture, a registered limited liability
23 partnership or foreign limited liability partnership providing
24 architectural services shall comply with one, or pursuant to
25 subdivision (b) some combination, of the following:

26 (A) Maintaining a policy or policies of insurance against liability
27 imposed on or against it by law for damages arising out of claims;
28 however, the total aggregate limit of liability under the policy or
29 policies of insurance for partnerships with five or fewer licensees
30 rendering professional services on behalf of the partnership shall
31 not be less than one million dollars (\$1,000,000), and for
32 partnerships with more than five licensees rendering professional
33 services on behalf of the partnership, an additional one hundred
34 thousand dollars (\$100,000) of liability coverage shall be obtained
35 for each additional licensee; however, the total aggregate limit of
36 liability under the policy or policies of insurance is not required
37 to 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 policy
3 year or any other period designated in the policy that is not greater
4 than 12 months. The impairment or exhaustion of the aggregate
5 limit of liability by amounts paid under the policy in connection
6 with the settlement, discharge, or defense of claims applicable to
7 a designated period shall not require the partnership to acquire
8 additional insurance coverage for that designated period. The policy
9 or policies of insurance may be in a form reasonably available in
10 the commercial insurance market and may be subject to those
11 terms, conditions, exclusions, and endorsements that are typically
12 contained in those policies. A policy or policies of insurance
13 maintained pursuant to this subparagraph may be subject to a
14 deductible or self-insured retention.

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

22 (B) Maintaining in trust or bank escrow, cash, bank certificates
23 of deposit, United States Treasury obligations, bank letters of
24 credit, or bonds of insurance or surety companies as security for
25 payment of liabilities imposed by law for damages arising out of
26 all claims; however, the maximum amount of security for
27 partnerships with five or fewer licensees rendering professional
28 services on behalf of the partnership shall not be less than one
29 million dollars (\$1,000,000), and for partnerships with more than
30 five licensees rendering professional services on behalf of the
31 partnership, an additional one hundred thousand dollars (\$100,000)
32 of security shall be obtained for each additional licensee; however,
33 the maximum amount of security is not required to exceed five
34 million dollars (\$5,000,000). The partnership remains in
35 compliance with this section during a calendar year notwithstanding
36 amounts paid during that calendar year from the accounts, funds,
37 Treasury obligations, letters of credit, or bonds in defending,
38 settling, or discharging claims of the type described in this
39 paragraph, provided that the amount of those accounts, funds,
40 Treasury obligations, letters of credit, or bonds was at least the

1 amount specified in the preceding sentence as of the first business
2 day of that calendar year. Notwithstanding the pendency of other
3 claims against the partnership, a registered limited liability
4 partnership or foreign limited liability partnership shall be deemed
5 to be in compliance with this subparagraph as to a claim if within
6 30 days after the time that a claim is initially asserted through
7 service of a summons, complaint, or comparable pleading in a
8 judicial or administrative proceeding, the partnership has provided
9 the required amount of security by designating and segregating
10 funds in compliance with the requirements of this subparagraph.

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

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

33 (4) For claims based upon acts, errors, or omissions arising out
34 of the practice of engineering or the practice of land surveying, a
35 registered limited liability partnership or foreign limited liability
36 partnership providing engineering or land surveying services shall
37 comply with one, or pursuant to subdivision (b) some combination,
38 of the following:

39 (A) Maintaining a policy or policies of insurance against liability
40 imposed on or against it by law for damages arising out of claims;

1 however, the total aggregate limit of liability under the policy or
2 policies of insurance for partnerships with five or fewer licensees
3 rendering professional services on behalf of the partnership shall
4 not be less than two million dollars (\$2,000,000), and for
5 partnerships with more than five licensees rendering professional
6 services on behalf of the partnership, an additional one hundred
7 thousand dollars (\$100,000) of liability coverage shall be obtained
8 for each additional licensee; however, the total aggregate limit of
9 liability under the policy or policies of insurance is not required
10 to exceed five million dollars (\$5,000,000). The policy or policies
11 may be issued on a claims-made or occurrence basis, and shall
12 cover: (i) in the case of a claims-made policy, claims initially
13 asserted in the designated period, and (ii) in the case of an
14 occurrence policy, occurrences during the designated period. For
15 purposes of this subparagraph, “designated period” means a policy
16 year or any other period designated in the policy that is not greater
17 than 12 months. The impairment or exhaustion of the aggregate
18 limit of liability by amounts paid under the policy in connection
19 with the settlement, discharge, or defense of claims applicable to
20 a designated period shall not require the partnership to acquire
21 additional insurance coverage for that designated period. The policy
22 or policies of insurance may be in a form reasonably available in
23 the commercial insurance market and may be subject to those
24 terms, conditions, exclusions, and endorsements that are typically
25 contained in those policies. A policy or policies of insurance
26 maintained pursuant to this subparagraph may be subject to a
27 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 provision
32 in the maximum total aggregate limit of liability required to comply
33 with this subparagraph for a minimum of three years if reasonably
34 available from the insurer.

35 (B) Maintaining in trust or bank escrow, cash, bank certificates
36 of deposit, United States Treasury obligations, bank letters of
37 credit, 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; however, the maximum amount of security for
40 partnerships with five or fewer licensees rendering professional

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

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

1 but not limited to, rights of contribution, subrogation, or
2 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 ten million
6 dollars (\$10,000,000).

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

24
25 TRANSMITTAL FORM FOR EVIDENCING COMPLIANCE
26 WITH SECTION 16956(a)(1)(D), SECTION 16956(a)(2)(D),
27 SECTION 16956(a)(3)(D), OR SECTION 16956(a)(4)(D) OF THE
28 CALIFORNIA CORPORATIONS CODE
29

30 The undersigned hereby confirms the following:

- 31 1. _____
32 Name of registered or foreign limited liability partnership
33 2. _____
34 Jurisdiction where partnership is organized
35 3. _____
36 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), 16956(a)(3)(D), or 16956 (a)(4)(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, engineering services, or land surveying 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), subparagraph (D) of paragraph (3) of subdivision (a), or subparagraph (D) of paragraph (4) 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 the fiscal year. A confirmation filed during any particular fiscal year shall continue to be effective for the first four months of the next succeeding fiscal year.

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

(e) Notwithstanding any other provision of this section, if a registered limited liability partnership or foreign limited liability partnership is otherwise in compliance with the terms of this section at the time that a bankruptcy or other insolvency proceeding is commenced with respect to the registered limited liability partnership or foreign limited liability partnership, it shall be deemed to be in compliance with this section during the pendency of the proceeding. A registered limited liability partnership that has been the subject of a proceeding and that conducts business after the proceeding ends shall thereafter comply with paragraph (1), (2), (3), or (4) of subdivision (a), in order to obtain the limitations on liability afforded by subdivision (c) of Section 16306.

(f) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

~~SEC. 8.—Section 16956 of the Corporations Code, as added by Section 8 of Chapter 634 of the Statutes of 2010, is repealed.~~

SEC. 8. Section 16956 of the Corporations Code, as added by Section 8 of Chapter 634 of the Statutes of 2010, is amended to read:

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

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

(A) Maintaining a policy or policies of insurance against liability imposed on or against it by law for damages arising out of claims; however, the total aggregate limit of liability under the policy or policies of insurance for partnerships with five or fewer licensed persons shall not be less than one million dollars (\$1,000,000), and for partnerships with more than five licensees rendering professional services on behalf of the partnership, an additional one hundred thousand dollars (\$100,000) of insurance shall be obtained for each additional licensee; however, the maximum amount of insurance is not required to exceed five million dollars (\$5,000,000) in any one designated period, less amounts paid in defending, settling, or discharging claims as set forth in this subparagraph. The policy or policies may be issued on a claims-made or occurrence basis, and shall cover: (i) in the case of a claims-made policy, claims initially asserted in the designated period, and (ii) in the case of an occurrence policy, occurrences during the designated period. For purposes of this subparagraph, “designated period” means a policy year or any other period designated in the policy that is not greater than 12 months. The impairment or exhaustion of the aggregate limit of liability by amounts paid under the policy in connection with the settlement, discharge, or defense of claims applicable to a designated period shall not require the partnership to acquire additional insurance coverage for that designated period. The policy or policies of insurance may be in a form reasonably available in the commercial insurance market and may be subject to those terms, conditions, exclusions, and endorsements that are typically contained in those policies. A policy or policies of insurance maintained pursuant to this subparagraph may be subject to a deductible or self-insured retention.

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

(B) Maintaining in trust or bank escrow, cash, bank certificates of deposit, United States Treasury obligations, bank letters of credit, or bonds of insurance or surety companies as security for

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

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

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

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

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

13 (A) Each registered limited liability partnership or foreign
14 limited liability partnership providing legal services shall maintain
15 a policy or policies of insurance against liability imposed on or
16 against it by law for damages arising out of claims; however, the
17 total aggregate limit of liability under the policy or policies of
18 insurance for partnerships with five or fewer licensed persons shall
19 not be less than one million dollars (\$1,000,000), and for
20 partnerships with more than five licensees rendering professional
21 services on behalf of the partnership, an additional one hundred
22 thousand dollars (\$100,000) of insurance shall be obtained for
23 each additional licensee; however, the maximum amount of
24 insurance is not required to exceed seven million five hundred
25 thousand dollars (\$7,500,000) in any one designated period, less
26 amounts paid in defending, settling, or discharging claims as set
27 forth in this subparagraph. The policy or policies may be issued
28 on a claims-made or occurrence basis, and shall cover (i) in the
29 case of a claims-made policy, claims initially asserted in the
30 designated period, and (ii) in the case of an occurrence policy,
31 occurrences during the designated period. For purposes of this
32 subparagraph, “designated period” means a policy year or any
33 other period designated in the policy that is not greater than 12
34 months. The impairment or exhaustion of the aggregate limit of
35 liability by amounts paid under the policy in connection with the
36 settlement, discharge, or defense of claims applicable to a
37 designated period shall not require the partnership to acquire
38 additional insurance coverage for that designated period. The policy
39 or policies of insurance may be in a form reasonably available in
40 the commercial insurance market and may be subject to those

1 terms, conditions, exclusions, and endorsements that are typically
2 contained in those policies. A policy or policies of insurance
3 maintained pursuant to this subparagraph may be subject to a
4 deductible or self-insured retention.

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

12 (B) Each registered limited liability partnership or foreign
13 limited liability partnership providing legal services shall maintain
14 in trust or bank escrow, cash, bank certificates of deposit, United
15 States Treasury obligations, bank letters of credit, or bonds of
16 insurance or surety companies as security for payment of liabilities
17 imposed by law for damages arising out of all claims; however,
18 the maximum amount of security for partnerships with five or
19 fewer licensed persons shall not be less than one million dollars
20 (\$1,000,000), and for partnerships with more than five licensees
21 rendering professional services on behalf of the partnership, an
22 additional one hundred thousand dollars (\$100,000) of security
23 shall be obtained for each additional licensee; however, the
24 maximum amount of security is not required to exceed seven
25 million five hundred thousand dollars (\$7,500,000). The partnership
26 remains in compliance with this section during a calendar year
27 notwithstanding amounts paid during that calendar year from the
28 accounts, funds, Treasury obligations, letters of credit, or bonds
29 in defending, settling, or discharging claims of the type described
30 in this paragraph, provided that the amount of those accounts,
31 funds, Treasury obligations, letters of credit, or bonds was at least
32 the amount specified in the preceding sentence as of the first
33 business day of that calendar year. Notwithstanding the pendency
34 of other claims against the partnership, a registered limited liability
35 partnership or foreign limited liability partnership shall be deemed
36 to be in compliance with this subparagraph as to a claim if within
37 30 days after the time that a claim is initially asserted through
38 service of a summons, complaint, or comparable pleading in a
39 judicial or administrative proceeding, the partnership has provided

1 the required amount of security by designating and segregating
2 funds in compliance with the requirement of this subparagraph.

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

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

26 (3) For claims based upon acts, errors, or omissions arising out
27 of the practice of architecture, a registered limited liability
28 partnership or foreign limited liability partnership providing
29 architectural services shall comply with one, or pursuant to
30 subdivision (b) some combination, of the following:

31 (A) Maintaining a policy or policies of insurance against liability
32 imposed on or against it by law for damages arising out of claims
33 in an amount for each claim of at least one hundred thousand
34 dollars (\$100,000) multiplied by the number of licensed persons
35 rendering professional services on behalf of the partnership;
36 however, the total aggregate limit of liability under the policy or
37 policies of insurance for partnerships with five or fewer licensees
38 rendering professional services on behalf of the partnership shall
39 not be less than five hundred thousand dollars (\$500,000), and for
40 all other partnerships is not required to exceed five million dollars

1 (\$5,000,000) in any one designated period, less amounts paid in
2 defending, settling, or discharging claims as set forth in this
3 subparagraph. On and after January 1, 2008, the total aggregate
4 limit of liability under the policy or policies of insurance for
5 partnerships with five or fewer licensees rendering professional
6 services on behalf of the partnership shall not be less than one
7 million dollars (\$1,000,000), and for partnerships with more than
8 five licensees rendering professional services on behalf of the
9 partnership, an additional one hundred thousand dollars (\$100,000)
10 of liability coverage shall be obtained for each additional licensee;
11 however, the total aggregate limit of liability under the policy or
12 policies of insurance is not required to exceed five million dollars
13 (\$5,000,000). The policy or policies may be issued on a
14 claims-made or occurrence basis, and shall cover: (i) in the case
15 of a claims-made policy, claims initially asserted in the designated
16 period, and (ii) in the case of an occurrence policy, occurrences
17 during the designated period. For purposes of this subparagraph,
18 “designated period” means a policy year or any other period
19 designated in the policy that is not greater than 12 months. The
20 impairment or exhaustion of the aggregate limit of liability by
21 amounts paid under the policy in connection with the settlement,
22 discharge, or defense of claims applicable to a designated period
23 shall not require the partnership to acquire additional insurance
24 coverage for that designated period. The policy or policies of
25 insurance may be in a form reasonably available in the commercial
26 insurance market and may be subject to those terms, conditions,
27 exclusions, and endorsements that are typically contained in those
28 policies. A policy or policies of insurance maintained pursuant to
29 this subparagraph may be subject to a deductible or self-insured
30 retention.

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

38 (B) Maintaining in trust or bank escrow, cash, bank certificates
39 of deposit, United States Treasury obligations, bank letters of
40 credit, or bonds of insurance or surety companies as security for

1 payment of liabilities imposed by law for damages arising out of
2 all claims in an amount of at least one hundred thousand dollars
3 (\$100,000) multiplied by the number of licensed persons rendering
4 professional services on behalf of the partnership; however, the
5 maximum amount of security for partnerships with five or fewer
6 licensees rendering professional services on behalf of the
7 partnership shall not be less than five hundred thousand dollars
8 (\$500,000), and for all other partnerships is not required to exceed
9 five million dollars (\$5,000,000). On and after January 1, 2008,
10 the maximum amount of security for partnerships with five or
11 fewer licensees rendering professional services on behalf of the
12 partnership shall not be less than one million dollars (\$1,000,000),
13 and for partnerships with more than five licensees rendering
14 professional services on behalf of the partnership, an additional
15 one hundred thousand dollars (\$100,000) of security shall be
16 obtained for each additional licensee; however, the maximum
17 amount of security is not required to exceed five million dollars
18 (\$5,000,000). The partnership remains in compliance with this
19 section during a calendar year notwithstanding amounts paid during
20 that calendar year from the accounts, funds, Treasury obligations,
21 letters of credit, or bonds in defending, settling, or discharging
22 claims of the type described in this paragraph, provided that the
23 amount of those accounts, funds, Treasury obligations, letters of
24 credit, or bonds was at least the amount specified in the preceding
25 sentence as of the first business day of that calendar year.
26 Notwithstanding the pendency of other claims against the
27 partnership, a registered limited liability partnership or foreign
28 limited liability partnership shall be deemed to be in compliance
29 with this subparagraph as to a claim if within 30 days after the
30 time that a claim is initially asserted through service of a summons,
31 complaint, or comparable pleading in a judicial or administrative
32 proceeding, the partnership has provided the required amount of
33 security by designating and segregating funds in compliance with
34 the requirements of this subparagraph.

35 (C) Unless the partnership has satisfied subparagraph (D), each
36 partner of a registered limited liability partnership or foreign
37 limited liability partnership providing architectural services, by
38 virtue of that person's status as a partner, thereby automatically
39 guarantees payment of the difference between the maximum
40 amount of security required for the partnership by this paragraph

1 and the security otherwise provided in accordance with
2 subparagraphs (A) and (B), provided that the aggregate amount
3 paid by all partners under these guarantees shall not exceed the
4 difference. Neither withdrawal by a partner nor the dissolution and
5 winding up of the partnership shall affect the rights or obligations
6 of a partner arising prior to withdrawal or dissolution and winding
7 up, and the guarantee provided for in this subparagraph shall apply
8 only to conduct that occurred prior to the withdrawal or dissolution
9 and winding up. Nothing contained in this subparagraph shall
10 affect or impair the rights or obligations of the partners among
11 themselves, or the partnership, including, but not limited to, rights
12 of contribution, subrogation, or indemnification.

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

17 (b) For purposes of satisfying the security requirements of this
18 section, a registered limited liability partnership or foreign limited
19 liability partnership may aggregate the security provided by it
20 pursuant to subparagraphs (A), (B), (C), and (D) of paragraph (1)
21 of subdivision (a), subparagraphs (A), (B), (C), and (D) of
22 paragraph (2) of subdivision (a), or subparagraphs (A), (B), (C),
23 and (D) of paragraph (3) of subdivision (a), as the case may be.
24 Any registered limited liability partnership or foreign limited
25 liability partnership intending to comply with the alternative
26 security provisions set forth in subparagraph (D) of paragraph (1)
27 of subdivision (a), subparagraph (D) of paragraph (2) of subdivision
28 (a), or subparagraph (D) of paragraph (3) of subdivision (a) shall
29 furnish the following information to the Secretary of State's office,
30 in the manner prescribed in, and accompanied by all information
31 required by, the applicable section:

32
33 TRANSMITTAL FORM FOR EVIDENCING COMPLIANCE
34 WITH SECTION 16956(a)(1)(D), SECTION 16956(a)(2)(D), OR
35 SECTION 16956(a)(3)(D) OF THE CALIFORNIA
36 CORPORATIONS CODE
37

38 The undersigned hereby confirms the following:

39 1.

40 _____
Name of registered or foreign limited liability partnership

- 1 2. _____
2 Jurisdiction where partnership is organized
- 3 3. _____
4 Address of principal office
- 5 4. The registered or foreign limited liability partnership chooses
6 to satisfy the requirements of Section 16956 by confirming,
7 pursuant to Section 16956(a)(1)(D), 16956(a)(2)(D), or
8 16956(a)(3)(D) and pursuant to Section 16956(c), that, as of
9 the most recently completed fiscal year, the partnership had
10 a net worth equal to or exceeding ten million dollars
11 (\$10,000,000), in the case of a partnership providing
12 accountancy services, fifteen million dollars (\$15,000,000)
13 in the case of a partnership providing legal services, or
14 ten million dollars (\$10,000,000), in the case of a partnership
15 providing architectural services.
- 16 5. _____
17 Title of authorized person executing this form
- 18 6. _____
19 Signature of authorized person executing this form
20
- 21 (c) Pursuant to subparagraph (D) of paragraph (1) of subdivision
22 (a), subparagraph (D) of paragraph (2) of subdivision (a), or
23 subparagraph (D) of paragraph (3) of subdivision (a), a registered
24 limited liability partnership or foreign limited liability partnership
25 may satisfy the requirements of this section by confirming that, as
26 of the last day of its most recently completed fiscal year, it had a
27 net worth equal to or exceeding the amount required. In order to
28 comply with this alternative method of meeting the requirements
29 established in this section, a registered limited liability partnership
30 or foreign limited liability partnership shall file an annual
31 confirmation with the Secretary of State's office, signed by an
32 authorized member of the registered limited liability partnership
33 or foreign limited liability partnership, accompanied by a
34 transmittal form as prescribed by subdivision (b). In order to be
35 current in a given year, the partnership form for confirming
36 compliance with the optional security requirement shall be on file
37 within four months of the completion of the fiscal year and, upon
38 being filed, shall constitute full compliance with the financial
39 security requirements for purposes of this section as of the
40 beginning of the fiscal year. A confirmation filed during any

1 particular fiscal year shall continue to be effective for the first four
2 months of the next succeeding fiscal year.

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

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

22 (f) This section shall become operative on January 1, ~~2016~~.
23 2021.

24 SEC. 9. Section 16959 of the Corporations Code, as ~~mended~~
25 *amended* by Section 35 of Chapter 834 of the Statutes of 2014, is
26 amended to read:

27 16959. (a) (1) Before transacting intrastate business in this
28 state, a foreign limited liability partnership shall comply with all
29 statutory and administrative registration or filing requirements of
30 the state board, commission, or agency that prescribes the rules
31 and regulations governing a particular profession in which the
32 partnership proposes to be engaged, pursuant to the applicable
33 provisions of the Business and Professions Code relating to the
34 profession or applicable rules adopted by the governing board. A
35 foreign limited liability partnership that transacts intrastate business
36 in this state shall within 30 days after the effective date of the act
37 enacting this section or the date on which the foreign limited
38 liability partnership first transacts intrastate business in this state,
39 whichever is later, register with the Secretary of State by submitting
40 to the Secretary of State an application for registration as a foreign

1 limited liability partnership, signed by a person with authority to
2 do so under the laws of the jurisdiction of formation of the foreign
3 limited liability partnership, stating the name of the partnership,
4 the street address of its principal office, the mailing address of the
5 principal office if different from the street address, the name and
6 street address of its agent for service of process in this state in
7 accordance with subdivision (a) of Section 16309, a brief statement
8 of the business in which the partnership engages, and any other
9 matters that the partnership determines to include.

10 (2) Annexed to the application for registration shall be a
11 certificate from an authorized public official of the foreign limited
12 liability partnership's jurisdiction of organization to the effect that
13 the foreign limited liability partnership is in good standing in that
14 jurisdiction, if the laws of that jurisdiction permit the issuance of
15 those certificates, or, in the alternative, a statement by the foreign
16 limited liability partnership that the laws of its jurisdiction of
17 organization do not permit the issuance of those certificates.

18 (b) The registration shall be accompanied by a fee as set forth
19 in subdivision (b) of Section 12189 of the Government Code.

20 (c) If the Secretary of State finds that an application for
21 registration conforms to law and all requisite fees have been paid,
22 the Secretary of State shall issue a certificate of registration to
23 transact intrastate business in this state.

24 (d) The Secretary of State may cancel the filing of the
25 registration if a check or other remittance accepted in payment of
26 the filing fee is not paid upon presentation. Upon receiving written
27 notification that the item presented for payment has not been
28 honored for payment, the Secretary of State shall give a first written
29 notice of the applicability of this section to the agent for service
30 of process or to the person submitting the instrument. Thereafter,
31 if the amount has not been paid by cashier's check or equivalent,
32 the Secretary of State shall give a second written notice of
33 cancellation and the cancellation shall thereupon be effective. The
34 second notice shall be given 20 days or more after the first notice
35 and 90 days or less after the original filing.

36 (e) A partnership becomes registered as a foreign limited liability
37 partnership at the time of the filing of the initial registration with
38 the Secretary of State or at any later date or time specified in the
39 registration and the payment of the fee required by subdivision
40 (b). A partnership continues to be registered as a foreign limited

1 liability partnership until a notice that it is no longer so registered
2 as a foreign limited liability partnership has been filed pursuant to
3 Section 16960 or, if applicable, once it has been dissolved and
4 finally wound up. The status of a partnership registered as a foreign
5 limited liability partnership and the liability of a partner of that
6 foreign limited liability partnership shall not be adversely affected
7 by errors or subsequent changes in the information stated in an
8 application for registration under subdivision (a) or an amended
9 registration or notice under Section 16960.

10 (f) The fact that a registration or amended registration pursuant
11 to Section 16960 is on file with the Secretary of State is notice that
12 the partnership is a foreign limited liability partnership and of those
13 other facts contained therein that are required to be set forth in the
14 registration or amended registration.

15 (g) The Secretary of State shall provide a form for a registration
16 under subdivision (a), which shall include the form for confirming
17 compliance with the optional security requirement pursuant to
18 subdivision (c) of Section 16956. The Secretary of State shall
19 include with instructional materials, provided in conjunction with
20 the form for registration under subdivision (a), a notice that filing
21 the registration will obligate the limited liability partnership to pay
22 an annual tax for that taxable year to the Franchise Tax Board
23 pursuant to Section 17948 of the Revenue and Taxation Code.
24 That notice shall be updated annually to specify the dollar amount
25 of this tax.

26 (h) A foreign limited liability partnership transacting intrastate
27 business in this state shall not maintain any action, suit, or
28 proceeding in any court of this state until it has registered in this
29 state pursuant to this section.

30 (i) Any foreign limited liability partnership that transacts
31 intrastate business in this state without registration is subject to a
32 penalty of twenty dollars (\$20) for each day that unauthorized
33 intrastate business is transacted, up to a maximum of ten thousand
34 dollars (\$10,000).

35 (j) A partner of a foreign limited liability partnership is not liable
36 for the debts or obligations of the foreign limited liability
37 partnership solely by reason of its having transacted business in
38 this state without registration.

39 (k) A foreign limited liability partnership, transacting business
40 in this state without registration, appoints the Secretary of State

1 as its agent for service of process with respect to causes of action
2 arising out of the transaction of business in this state.

3 (l) “Transact intrastate business” as used in this section means
4 to repeatedly and successively provide professional limited liability
5 partnership services in this state, other than in interstate or foreign
6 commerce.

7 (m) Without excluding other activities that may not be
8 considered to be transacting intrastate business, a foreign limited
9 liability partnership shall not be considered to be transacting
10 intrastate business merely because its subsidiary or affiliate
11 transacts intrastate business, or merely because of its status as any
12 one or more of the following:

13 (1) A shareholder of a domestic corporation.

14 (2) A shareholder of a foreign corporation transacting intrastate
15 business.

16 (3) A limited partner of a foreign limited partnership transacting
17 intrastate business.

18 (4) A limited partner of a domestic limited partnership.

19 (5) A member or manager of a foreign limited liability company
20 transacting intrastate business.

21 (6) A member or manager of a domestic limited liability
22 company.

23 (n) Without excluding other activities that may not be considered
24 to be transacting intrastate business, a foreign limited liability
25 partnership shall not be considered to be transacting intrastate
26 business within the meaning of this subdivision solely by reason
27 of carrying on in this state any one or more of the following
28 activities:

29 (1) Maintaining or defending any action or suit or any
30 administrative or arbitration proceeding, or effecting the settlement
31 thereof or the settlement of claims or disputes.

32 (2) Holding meetings of its partners or carrying on any other
33 activities concerning its internal affairs.

34 (3) Maintaining bank accounts.

35 (4) Maintaining offices or agencies for the transfer, exchange,
36 and registration of the foreign limited liability partnership’s
37 securities or maintaining trustees or depositories with respect to
38 those securities.

39 (5) Effecting sales through independent contractors.

1 (6) Soliciting or procuring orders, whether by mail or through
2 employees or agents or otherwise, where those orders require
3 acceptance without this state before becoming binding contracts.

4 (7) Creating or acquiring evidences of debt or mortgages, liens,
5 or security interest in real or personal property.

6 (8) Securing or collecting debts or enforcing mortgages and
7 security interests in property securing the debts.

8 (9) Conducting an isolated transaction that is completed within
9 180 days and not in the course of a number of repeated transactions
10 of a like nature.

11 (o) A person shall not be deemed to be transacting intrastate
12 business in this state merely because of its status as a partner of a
13 registered limited liability partnership or a foreign limited liability
14 company whether or not registered to transact intrastate business
15 in this state.

16 (p) The Attorney General may bring an action to restrain a
17 foreign limited liability partnership from transacting intrastate
18 business in this state in violation of this chapter.

19 (q) Nothing in this section is intended to, or shall, augment,
20 diminish, or otherwise alter existing provisions of law, statutes,
21 or court rules relating to services by a California architect,
22 California public accountant, California engineer, California land
23 surveyor, or California attorney in another jurisdiction, or services
24 by an out-of-state architect, out-of-state public accountant,
25 out-of-state engineer, out-of-state land surveyor, or out-of-state
26 attorney in California.

27 (r) An agent designated for service of process may deliver to
28 the Secretary of State, on a form prescribed by the Secretary of
29 State for filing, a signed and acknowledged written statement of
30 resignation as an agent for service of process containing the name
31 of the foreign limited liability partnership and Secretary of State's
32 file number of the foreign limited liability partnership, the name
33 of the resigning agent for service of process, and a statement that
34 the agent is resigning. On filing of the statement of resignation,
35 the authority of the agent to act in that capacity shall cease and the
36 Secretary of State shall mail or otherwise provide written notice
37 of the filing of the statement of resignation to the foreign limited
38 liability partnership at its principal office.

39 (s) The resignation of an agent may be effective if, on a form
40 prescribed by the Secretary of State containing the name of the

1 foreign limited liability partnership and Secretary of State's file
2 number for the foreign limited liability partnership and the name
3 of the agent for service of process, the agent disclaims having been
4 properly appointed as the agent.

5 (t) If an individual who has been designated agent for service
6 of process dies or resigns or no longer resides in the state, or if the
7 corporate agent for that purpose resigns, dissolves, withdraws from
8 the state, forfeits its right to transact intrastate business, has its
9 corporate rights, powers, and privileges suspended, or ceases to
10 exist, the foreign limited liability partnership shall promptly file
11 an amended application for registration as a foreign limited liability
12 partnership designating a new agent.

13 (u) The Secretary of State may destroy or otherwise dispose of
14 any resignation filed pursuant to this section after a new application
15 for registration as a foreign limited liability partnership is filed
16 pursuant to this section replacing the agent for service of process
17 that has resigned.

18 (v) *This section shall remain in effect only until January 1, 2021,*
19 *and as of that date is repealed, unless a later enacted statute, that*
20 *is enacted before January 1, 2021, deletes or extends that date.*

21 ~~SEC. 10. Section 16959 of the Corporations Code is repealed.~~
22 *SEC. 10. Section 16959 of the Corporations Code, as amended*
23 *by Section 36 of Chapter 834 of the Statutes of 2014, is amended*
24 *to read:*

25 16959. (a) (1) Before transacting intrastate business in this
26 state, a foreign limited liability partnership shall comply with all
27 statutory and administrative registration or filing requirements of
28 the state board, commission, or agency that prescribes the rules
29 and regulations governing a particular profession in which the
30 partnership proposes to be engaged, pursuant to the applicable
31 provisions of the Business and Professions Code relating to the
32 profession or applicable rules adopted by the governing board. A
33 foreign limited liability partnership that transacts intrastate business
34 in this state shall within 30 days after the effective date of the act
35 enacting this section or the date on which the foreign limited
36 liability partnership first transacts intrastate business in this state,
37 whichever is later, register with the Secretary of State by submitting
38 to the Secretary of State an application for registration as a foreign
39 limited liability partnership, signed by a person with authority to
40 do so under the laws of the jurisdiction of formation of the foreign

1 limited liability partnership, stating the name of the partnership,
2 the street address of its principal office, the mailing address of the
3 principal office if different from the street address, the name and
4 street address of its agent for service of process in this state in
5 accordance with subdivision (a) of Section 16309, a brief statement
6 of the business in which the partnership engages, and any other
7 matters that the partnership determines to include.

8 (2) Annexed to the application for registration shall be a
9 certificate from an authorized public official of the foreign limited
10 liability partnership's jurisdiction of organization to the effect that
11 the foreign limited liability partnership is in good standing in that
12 jurisdiction, if the laws of that jurisdiction permit the issuance of
13 those certificates, or, in the alternative, a statement by the foreign
14 limited liability partnership that the laws of its jurisdiction of
15 organization do not permit the issuance of those certificates.

16 (b) The registration shall be accompanied by a fee as set forth
17 in subdivision (b) of Section 12189 of the Government Code.

18 (c) If the Secretary of State finds that an application for
19 registration conforms to law and all requisite fees have been paid,
20 the Secretary of State shall issue a certificate of registration to
21 transact intrastate business in this state.

22 (d) The Secretary of State may cancel the filing of the
23 registration if a check or other remittance accepted in payment of
24 the filing fee is not paid upon presentation. Upon receiving written
25 notification that the item presented for payment has not been
26 honored for payment, the Secretary of State shall give a first written
27 notice of the applicability of this section to the agent for service
28 of process or to the person submitting the instrument. Thereafter,
29 if the amount has not been paid by cashier's check or equivalent,
30 the Secretary of State shall give a second written notice of
31 cancellation and the cancellation shall thereupon be effective. The
32 second notice shall be given 20 days or more after the first notice
33 and 90 days or less after the original filing.

34 (e) A partnership becomes registered as a foreign limited liability
35 partnership at the time of the filing of the initial registration with
36 the Secretary of State or at any later date or time specified in the
37 registration and the payment of the fee required by subdivision
38 (b). A partnership continues to be registered as a foreign limited
39 liability partnership until a notice that it is no longer so registered
40 as a foreign limited liability partnership has been filed pursuant to

1 Section 16960 or, if applicable, once it has been dissolved and
2 finally wound up. The status of a partnership registered as a foreign
3 limited liability partnership and the liability of a partner of that
4 foreign limited liability partnership shall not be adversely affected
5 by errors or subsequent changes in the information stated in an
6 application for registration under subdivision (a) or an amended
7 registration or notice under Section 16960.

8 (f) The fact that a registration or amended registration pursuant
9 to Section 16960 is on file with the Secretary of State is notice that
10 the partnership is a foreign limited liability partnership and of those
11 other facts contained therein that are required to be set forth in the
12 registration or amended registration.

13 (g) The Secretary of State shall provide a form for a registration
14 under subdivision (a), which shall include the form for confirming
15 compliance with the optional security requirement pursuant to
16 subdivision (c) of Section 16956. The Secretary of State shall
17 include with instructional materials, provided in conjunction with
18 the form for registration under subdivision (a), a notice that filing
19 the registration will obligate the limited liability partnership to pay
20 an annual tax for that taxable year to the Franchise Tax Board
21 pursuant to Section 17948 of the Revenue and Taxation Code.
22 That notice shall be updated annually to specify the dollar amount
23 of this tax.

24 (h) A foreign limited liability partnership transacting intrastate
25 business in this state shall not maintain any action, suit, or
26 proceeding in any court of this state until it has registered in this
27 state pursuant to this section.

28 (i) Any foreign limited liability partnership that transacts
29 intrastate business in this state without registration is subject to a
30 penalty of twenty dollars (\$20) for each day that unauthorized
31 intrastate business is transacted, up to a maximum of ten thousand
32 dollars (\$10,000).

33 (j) A partner of a foreign limited liability partnership is not liable
34 for the debts or obligations of the foreign limited liability
35 partnership solely by reason of its having transacted business in
36 this state without registration.

37 (k) A foreign limited liability partnership, transacting business
38 in this state without registration, appoints the Secretary of State
39 as its agent for service of process with respect to causes of action
40 arising out of the transaction of business in this state.

1 (l) “Transact intrastate business” as used in this section means
2 to repeatedly and successively provide professional limited liability
3 partnership services in this state, other than in interstate or foreign
4 commerce.

5 (m) Without excluding other activities that may not be
6 considered to be transacting intrastate business, a foreign limited
7 liability partnership shall not be considered to be transacting
8 intrastate business merely because its subsidiary or affiliate
9 transacts intrastate business, or merely because of its status as any
10 one or more of the following:

11 (1) A shareholder of a domestic corporation.

12 (2) A shareholder of a foreign corporation transacting intrastate
13 business.

14 (3) A limited partner of a foreign limited partnership transacting
15 intrastate business.

16 (4) A limited partner of a domestic limited partnership.

17 (5) A member or manager of a foreign limited liability company
18 transacting intrastate business.

19 (6) A member or manager of a domestic limited liability
20 company.

21 (n) Without excluding other activities that may not be considered
22 to be transacting intrastate business, a foreign limited liability
23 partnership shall not be considered to be transacting intrastate
24 business within the meaning of this subdivision solely by reason
25 of carrying on in this state any one or more of the following
26 activities:

27 (1) Maintaining or defending any action or suit or any
28 administrative or arbitration proceeding, or effecting the settlement
29 thereof or the settlement of claims or disputes.

30 (2) Holding meetings of its partners or carrying on any other
31 activities concerning its internal affairs.

32 (3) Maintaining bank accounts.

33 (4) Maintaining offices or agencies for the transfer, exchange,
34 and registration of the foreign limited liability partnership’s
35 securities or maintaining trustees or depositories with respect to
36 those securities.

37 (5) Effecting sales through independent contractors.

38 (6) Soliciting or procuring orders, whether by mail or through
39 employees or agents or otherwise, where those orders require
40 acceptance without this state before becoming binding contracts.

1 (7) Creating or acquiring evidences of debt or mortgages, liens,
2 or security interest in real or personal property.

3 (8) Securing or collecting debts or enforcing mortgages and
4 security interests in property securing the debts.

5 (9) Conducting an isolated transaction that is completed within
6 180 days and not in the course of a number of repeated transactions
7 of a like nature.

8 (o) A person shall not be deemed to be transacting intrastate
9 business in this state merely because of its status as a partner of a
10 registered limited liability partnership or a foreign limited liability
11 company whether or not registered to transact intrastate business
12 in this state.

13 (p) The Attorney General may bring an action to restrain a
14 foreign limited liability partnership from transacting intrastate
15 business in this state in violation of this chapter.

16 (q) Nothing in this section is intended to, or shall, augment,
17 diminish, or otherwise alter existing provisions of law, statutes,
18 or court rules relating to services by a California architect,
19 California public accountant, or California attorney in another
20 jurisdiction, or services by an out-of-state architect, out-of-state
21 public accountant, or out-of-state attorney in California.

22 (r) An agent designated for service of process may deliver to
23 the Secretary of State, on a form prescribed by the Secretary of
24 State for filing, a signed and acknowledged written statement of
25 resignation as an agent for service of process containing the name
26 of the foreign limited liability partnership and Secretary of State's
27 file number of the foreign limited liability partnership, the name
28 of the resigning agent for service of process, and a statement that
29 the agent is resigning. On filing of the statement of resignation,
30 the authority of the agent to act in that capacity shall cease and the
31 Secretary of State shall mail or otherwise provide written notice
32 of the filing of the statement of resignation to the foreign limited
33 liability partnership at its principal office.

34 (s) The resignation of an agent may be effective if, on a form
35 prescribed by the Secretary of State containing the name and
36 Secretary of State's file number for the foreign limited liability
37 partnership and the name of the agent for service of process, the
38 agent disclaims having been properly appointed as the agent.

39 (t) If an individual who has been designated agent for service
40 of process dies or resigns or no longer resides in the state, or if the

1 corporate agent for that purpose resigns, dissolves, withdraws from
2 the state, forfeits its right to transact intrastate business, has its
3 corporate rights, powers, and privileges suspended, or ceases to
4 exist, the foreign limited liability partnership shall promptly file
5 an amended application for registration as a foreign limited liability
6 partnership designating a new agent.

7 (u) The Secretary of State may destroy or otherwise dispose of
8 any resignation filed pursuant to this section after a new application
9 for registration as a foreign limited liability partnership is filed
10 pursuant to this section replacing the agent for service of process
11 that has resigned.

12 (v) This section shall become operative on January 1, ~~2016~~.
13 2021.