

# CALIFORNIA CONTRACTOR'S LICENSES FOR LIMITED LIABILITY COMPANIES

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## I. Senate Bill No. 392 signed by the Governor on September 30, 2010 allows Limited Liabilities Companies to obtain a contractor's license.

(a) Statutes modified effective January 1, 2011; however, the Contractors' State License Board has until January 1, 2012 to start processing licenses to LLC entities.

(b) Comprehensive amendment to the license laws to treat LLCs similar to corporations for the purpose of obtaining a contractor's license (Amended Business & Professions Code sections 7025 to 7159.10);

(c) A few major areas where LLCs are treated differently than corporations relating to liability, insurance and surety bonds;

(d) Amended Corporations Code § 17002 to allow LLCs to render services requiring a license, certificate or registration if the applicable provisions of the Business & Professions Code authorize a limited liability company to hold that license, certificate or registration.

(e) An LLC may be licensed through use of a Responsible Managing Member, Responsible Managing Manager, Responsible Managing Officer or Responsible Managing Employee who is qualified for the license classification (B&P §7065(c)(4), 7068(b)(4));

## II. Surety Bond Requirements – B&P § 7071.6.5

(a) \$100,000 surety bond must be on file with the CSLB to issue, reissue, reinstate, reactivate, renew or continue valid use of an LLC license;

(b) Bond must be written by a surety admitted in California;

(c) Bond is for the benefit of any employee damaged by the LLC's failure to pay wages, interest on wages or fringe benefits, including union benefits if applicable;

## III. Insurance Requirements – B&P § 7071.19

(a) Contractor LLC required to maintain a policy of insurance against liability imposed for damages arising out of claims based upon acts, errors, or omissions arising out of the contracting services it provides;

(b) Total aggregate limit of coverage shall be not less than \$1,000,000 for LLCs with five or fewer persons listed on the members of the personnel of record;

(c) For LLCs with greater than five persons listed an additional \$100,000 in insurance coverage is required for each person listed up to \$5,000,000.

(d) Insurance policies may be on a claims made or per occurrence basis and may be subject to a deductible or self-insured retention.

(e) Upon the dissolution or winding up of the LLC, an extended endorsement must be purchased at the same levels of coverage as required during the operation of the LLC for a three year period "if reasonably available from the insurer."

#### IV. Personal Liability – B&P § 7076.2

(a) Failure of a corporation or limited liability company to maintain its good standing status with the Secretary of State shall result in a suspension of the license after 30 days notice;

(b) Where a limited liability company is suspended, each person within the company identified on the license shall be personally liable up to \$1,000,000 each for damages resulting to third parties in connection with the company's performance, during the period of suspension, of any act or contract where a license is required under the Business & Professions Code. The doctrine of substantial compliance pursuant to B&P § 7031 shall apply.

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