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SB-904 Alarm companies: business conditions: limited liability companies. (2017-2018)

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Senate Bill No. 904

CHAPTER 406

An act to amend Sections 6980.12, 7054, 7159, 7159.9, 7590.2, 7593.1, and 7594.5, of, to amend and repeal Sections 7590.1, 7591.10, 7593.5, 7593.6, 7593.7, 7594.4, 7599.32, 7599.34, 7599.42, 7599.43, 7599.48 and 7599.61 of, to add and repeal Section 7599.35 of, and to add Section 7599.345 to, the Business and Professions Code, relating to professions and vocations.

[Approved by Governor September 14, 2018. Filed with Secretary of State September 14, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 904, Wieckowski. Alarm companies: business conditions: limited liability companies.

The Alarm Company Act provides for the licensure, registration, and regulation of alarm company operators and alarm agents by the Bureau of Security and Investigative Services within the Department of Consumer Affairs and makes a violation of the act a crime. The act authorizes the bureau, until January 1, 2019, to issue an alarm company operator license to a limited liability company (LLC). The act also requires an LLC to maintain an insurance policy or policies against liability arising out of claims based on acts, errors, or omissions in regard to the alarm company services it provides.

The California Revised Uniform Limited Liability Company Act provides for the authorization of LLCs for any lawful purpose, except as specified, and further authorizes an LLC to be member-managed or manager-managed, in accordance with certain provisions. Under existing law, in a member-managed LLC, the management and conduct of the LLC are vested in the members, subject to other conditions and rights. Under existing law, if an LLC is to be manager-managed, the articles of organization are required to contain a statement to that effect.

This bill would extend the authorization of the Bureau of Security and Investigative Services to issue an alarm company operator license to an LLC until January 1, 2024. The bill would also define within the Alarm Company Act who is a member of an LLC and who is a manager under the operating agreement of a manager-managed LLC company, as specified. The bill would require a licensee organized as an LLC, on and after January 1, 2019, to report annually to the bureau specified information about claims paid from any general liability insurance policy held on a form provided by the bureau. The bill would additionally require the bureau, on or before January 1, 2023, to share with the appropriate policy committees of the Legislature relevant information regarding the renewal of licenses granted to LLCs, including information about insurance claims. The bill would make related, conforming changes to the existing definitions of the Alarm Company Act and would repeal various duplicate provisions. Because a violation of the Alarm Company Act by an LLC would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 6980.12 of the Business and Professions Code is amended to read:

6980.12. This chapter does not apply to the following persons:

- (a) A person, or his or her agent or employee, who is the manufacturer of a product, other than locks and keys, and who installs, repairs, opens, or modifies locks or who makes keys for the locks of that product as a normal incident to its marketing.
- (b) An employee who is an industrial or institutional locksmith, provided that the employee provides locksmith services only to a single employer that does not provide locksmith services for hire to the public for any consideration or compensation whatsoever.
- (c) A tow truck driver who does not originate keys for locks and whose locksmith services are limited to opening motor vehicles.
- (d) A person employed exclusively and regularly by a state correctional institution, or other state or federal agency, and who does not provide locksmith services for hire to the public for any consideration or compensation whatsoever.
- (e) (1) A person registered with the bureau pursuant to Chapter 11 (commencing with Section 7500) if the duties of that person's position that constitute locksmithing are ancillary to the primary duties and functions of that person's position.

(2) A person licensed, certified, or registered pursuant to Chapter 11.6 (commencing with Section 7590) if the duties of that person's position that constitute locksmithing are performed in combination with the installation, maintenance, moving, repairing, replacing, servicing, or reconfiguration of an alarm system, as defined in Section 7590.1, and limited to work on electronic locks or access control devices that are controlled by an alarm system control device, including the removal of existing hardware.
- (f) An agent or employee of a retail establishment that has a primary business other than providing locksmith services, providing all of the following criteria are met:
 - (1) The services provided by the retail establishment are limited to rekeying and recombination of locks.
 - (2) All rekeying, recombination, and installation of locks must take place on the premises of the retail establishment.
 - (3) All rekeying, recombination, and installation services provided by the retail establishment subject to this chapter are limited to locks purchased on the retail establishment's premises and are conducted prior to purchasers taking possession of the locks.
 - (4) An unlicensed agent or employee of the retail establishment shall not advertise or represent himself or herself to be licensed under this chapter, and an agent or employee of the retail establishment shall not advertise or represent himself or herself to be a locksmith.
 - (5) An agent or employee of the retail establishment shall not design or implement a master key system, as defined in subdivision (o) of Section 6980.
 - (6) An agent or employee of the retail establishment shall not rekey, change the combination of, alter, or install any automotive locks.
 - (7) The retail establishment shall not have on its premises any locksmith tool, as defined in subdivision (s) of Section 6980, other than the following:
 - (A) Standard key duplication machines.
 - (B) Key blanks.
 - (C) Pin kits.
- (g) A law enforcement officer employed by any city, county, city and county, state, or federal law enforcement agency, if all services are performed during the course of the officer's professional duties.
- (h) A firefighter or emergency medical person employed by any city, county, city and county, district, or state agency, if all services are performed during the course of duties as a firefighter or emergency medical person.
- (i) A new motor vehicle dealer, as defined in Section 426 of the Vehicle Code, and an employee of a new motor vehicle dealer acting within the scope of employment at a dealership.

SEC. 2. Section 7054 of the Business and Professions Code is amended to read:

7054. This chapter does not apply to any person who performs work in the installation, maintenance, monitoring, selling, alteration, or servicing of alarm systems, as defined in Section 7590.1, and who holds an alarm company operator's license issued pursuant to Chapter 11.6 (commencing with Section 7590).

SEC. 3. Section 7159 of the Business and Professions Code is amended to read:

7159. (a) (1) This section identifies the projects for which a home improvement contract is required, outlines the contract requirements, and lists the items that shall be included in the contract, or may be provided as an attachment.

(2) This section does not apply to service and repair contracts that are subject to Section 7159.10, if the contract for the applicable services complies with Sections 7159.10 to 7159.14, inclusive.

(3) This section does not apply to the sale, installation, and servicing of a fire alarm sold in conjunction with an alarm system, as defined in Section 7590.1, if all costs attributable to making the fire alarm system operable, including sale and installation costs, do not exceed five hundred dollars (\$500), and the licensee complies with the requirements set forth in Section 7159.9.

(4) This section does not apply to any costs associated with monitoring a burglar or fire alarm system.

(5) Failure by the licensee, his or her agent or salesperson, or by a person subject to be licensed under this chapter, to provide the specified information, notices, and disclosures in the contract, or to otherwise fail to comply with any provision of this section, is cause for discipline.

(b) For purposes of this section, "home improvement contract" means an agreement, whether oral or written, or contained in one or more documents, between a contractor and an owner or between a contractor and a tenant, regardless of the number of residence or dwelling units contained in the building in which the tenant resides, if the work is to be performed in, to, or upon the residence or dwelling unit of the tenant, for the performance of a home improvement, as defined in Section 7151, and includes all labor, services, and materials to be furnished and performed thereunder, if the aggregate contract price specified in one or more improvement contracts, including all labor, services, and materials to be furnished by the contractor, exceeds five hundred dollars (\$500). "Home improvement contract" also means an agreement, whether oral or written, or contained in one or more documents, between a salesperson, whether or not he or she is a home improvement salesperson, and an owner or a tenant, regardless of the number of residence or dwelling units contained in the building in which the tenant resides, which provides for the sale, installation, or furnishing of home improvement goods or services.

(c) In addition to the specific requirements listed under this section, every home improvement contract and any person subject to licensure under this chapter or his or her agent or salesperson shall comply with all of the following:

(1) The writing shall be legible.

(2) Any printed form shall be readable. Unless a larger typeface is specified in this article, text in any printed form shall be in at least 10-point typeface and the headings shall be in at least 10-point boldface type.

(3) (A) Before any work is started, the contractor shall give the buyer a copy of the contract signed and dated by both the contractor and the buyer. The buyer's receipt of the copy of the contract initiates the buyer's rights to cancel the contract pursuant to Sections 1689.5 to 1689.14, inclusive, of the Civil Code.

(B) The contract shall contain on the first page, in a typeface no smaller than that generally used in the body of the document, both of the following:

(i) The date the buyer signed the contract.

(ii) The name and address of the contractor to which the applicable "Notice of Cancellation" is to be mailed, immediately preceded by a statement advising the buyer that the "Notice of Cancellation" may be sent to the contractor at the address noted on the contract.

(4) The contract shall include a statement that, upon satisfactory payment being made for any portion of the work performed, the contractor, prior to any further payment being made, shall furnish to the person contracting for the home improvement or swimming pool work a full and unconditional release from any potential lien claimant claim or mechanics lien authorized pursuant to Sections 8400 and 8404 of the Civil Code for that portion of the work for which payment has been made.

(5) A change-order form for changes or extra work shall be incorporated into the contract and shall become part of the contract only if it is in writing and signed by the parties prior to the commencement of any work covered by a change order.

(6) The contract shall contain, in close proximity to the signatures of the owner and contractor, a notice stating that the owner or tenant has the right to require the contractor to have a performance and payment bond.

(7) If the contract provides for a contractor to furnish joint control, the contractor shall not have any financial or other interest in the joint control.

(8) The provisions of this section are not exclusive and do not relieve the contractor from compliance with any other applicable provision of law.

(d) A home improvement contract and any changes to the contract shall be in writing and signed by the parties to the contract prior to the commencement of work covered by the contract or an applicable change order and, except as provided in paragraph (8) of subdivision (a) of Section 7159.5, shall include or comply with all of the following:

(1) The name, business address, and license number of the contractor.

(2) If applicable, the name and registration number of the home improvement salesperson that solicited or negotiated the contract.

(3) The following heading on the contract form that identifies the type of contract in at least 10-point boldface type: "Home Improvement."

(4) The following statement in at least 12-point boldface type: "You are entitled to a completely filled in copy of this agreement, signed by both you and the contractor, before any work may be started."

(5) The heading: "Contract Price," followed by the amount of the contract in dollars and cents.

(6) If a finance charge will be charged, the heading: "Finance Charge," followed by the amount in dollars and cents. The finance charge is to be set out separately from the contract amount.

(7) The heading: "Description of the Project and Description of the Significant Materials to be Used and Equipment to be Installed," followed by a description of the project and a description of the significant materials to be used and equipment to be installed. For swimming pools, the project description required under this paragraph also shall include a plan and scale drawing showing the shape, size, dimensions, and the construction and equipment specifications.

(8) If a downpayment will be charged, the details of the downpayment shall be expressed in substantially the following form, and shall include the text of the notice as specified in subparagraph (C):

(A) The heading: "Downpayment."

(B) A space where the actual downpayment appears.

(C) The following statement in at least 12-point boldface type:

"THE DOWNPAYMENT MAY NOT EXCEED \$1,000 OR 10 PERCENT OF THE CONTRACT PRICE, WHICHEVER IS LESS."

(9) If payments, other than the downpayment, are to be made before the project is completed, the details of these payments, known as progress payments, shall be expressed in substantially the following form, and shall include the text of the statement as specified in subparagraph (C):

(A) A schedule of progress payments shall be preceded by the heading: "Schedule of Progress Payments."

(B) Each progress payment shall be stated in dollars and cents and specifically reference the amount of work or services to be performed and materials and equipment to be supplied.

(C) The section of the contract reserved for the progress payments shall include the following statement in at least 12-point boldface type:

"The schedule of progress payments must specifically describe each phase of work, including the type and amount of work or services scheduled to be supplied in each phase, along with the amount of each proposed progress payment. IT IS AGAINST THE LAW FOR A CONTRACTOR TO COLLECT PAYMENT FOR WORK NOT YET COMPLETED, OR FOR MATERIALS NOT YET DELIVERED. HOWEVER, A CONTRACTOR MAY REQUIRE A DOWNPAYMENT."

(10) The contract shall address the commencement of work to be performed in substantially the following form:

- (A) A statement that describes what constitutes substantial commencement of work under the contract.
- (B) The heading: "Approximate Start Date."
- (C) The approximate date on which work will be commenced.

(11) The estimated completion date of the work shall be referenced in the contract in substantially the following form:

- (A) The heading: "Approximate Completion Date."
- (B) The approximate date of completion.

(12) If applicable, the heading: "List of Documents to be Incorporated into the Contract," followed by the list of documents incorporated into the contract.

(13) The heading: "Note About Extra Work and Change Orders," followed by the following statement:

"Extra Work and Change Orders become part of the contract once the order is prepared in writing and signed by the parties prior to the commencement of work covered by the new change order. The order must describe the scope of the extra work or change, the cost to be added or subtracted from the contract, and the effect the order will have on the schedule of progress payments."

(e) Except as provided in paragraph (8) of subdivision (a) of Section 7159.5, all of the following notices shall be provided to the owner as part of the contract form as specified or, if otherwise authorized under this subdivision, may be provided as an attachment to the contract:

(1) A notice concerning commercial general liability insurance. This notice may be provided as an attachment to the contract if the contract includes the following statement: "A notice concerning commercial general liability insurance is attached to this contract." The notice shall include the heading "Commercial General Liability Insurance (CGL)," followed by whichever of the following statements is both relevant and correct:

- (A) "(The name on the license or 'This contractor') does not carry commercial general liability insurance."
- (B) "(The name on the license or 'This contractor') carries commercial general liability insurance written by (the insurance company). You may call (the insurance company) at _____ to check the contractor's insurance coverage."
- (C) "(The name on the license or 'This contractor') is self-insured."
- (D) "(The name on the license or 'This contractor') is a limited liability company that carries liability insurance or maintains other security as required by law. You may call (the insurance company or trust company or bank) at ____ to check on the contractor's insurance coverage or security."

(2) A notice concerning workers' compensation insurance. This notice may be provided as an attachment to the contract if the contract includes the statement: "A notice concerning workers' compensation insurance is attached to this contract." The notice shall include the heading "Workers' Compensation Insurance" followed by whichever of the following statements is correct:

- (A) "(The name on the license or 'This contractor') has no employees and is exempt from workers' compensation requirements."
- (B) "(The name on the license or 'This contractor') carries workers' compensation insurance for all employees."

(3) A notice that provides the buyer with the following information about the performance of extra or change-order work:

- (A) A statement that the buyer may not require a contractor to perform extra or change-order work without providing written authorization prior to the commencement of work covered by the new change order.
- (B) A statement informing the buyer that extra work or a change order is not enforceable against a buyer unless the change order also identifies all of the following in writing prior to the commencement of work covered by the new change order:
 - (i) The scope of work encompassed by the order.
 - (ii) The amount to be added or subtracted from the contract.
 - (iii) The effect the order will make in the progress payments or the completion date.

(C) A statement informing the buyer that the contractor's failure to comply with the requirements of this paragraph does not preclude the recovery of compensation for work performed based upon legal or equitable remedies designed to prevent unjust enrichment.

(4) A notice with the heading "Mechanics Lien Warning" written as follows:

"MECHANICS LIEN WARNING:

Anyone who helps improve your property, but who is not paid, may record what is called a mechanics lien on your property. A mechanics lien is a claim, like a mortgage or home equity loan, made against your property and recorded with the county recorder.

Even if you pay your contractor in full, unpaid subcontractors, suppliers, and laborers who helped to improve your property may record mechanics liens and sue you in court to foreclose the lien. If a court finds the lien is valid, you could be forced to pay twice or have a court officer sell your home to pay the lien. Liens can also affect your credit.

To preserve their right to record a lien, each subcontractor and material supplier must provide you with a document called a 'Preliminary Notice.' This notice is not a lien. The purpose of the notice is to let you know that the person who sends you the notice has the right to record a lien on your property if he or she is not paid.

BE CAREFUL. The Preliminary Notice can be sent up to 20 days after the subcontractor starts work or the supplier provides material. This can be a big problem if you pay your contractor before you have received the Preliminary Notices.

You will not get Preliminary Notices from your prime contractor or from laborers who work on your project. The law assumes that you already know they are improving your property.

PROTECT YOURSELF FROM LIENS. You can protect yourself from liens by getting a list from your contractor of all the subcontractors and material suppliers that work on your project. Find out from your contractor when these subcontractors started work and when these suppliers delivered goods or materials. Then wait 20 days, paying attention to the Preliminary Notices you receive.

PAY WITH JOINT CHECKS. One way to protect yourself is to pay with a joint check. When your contractor tells you it is time to pay for the work of a subcontractor or supplier who has provided you with a Preliminary Notice, write a joint check payable to both the contractor and the subcontractor or material supplier.

For other ways to prevent liens, visit CSLB's Internet Web site at www.cslb.ca.gov or call CSLB at 800-321-CSLB (2752).

REMEMBER, IF YOU DO NOTHING, YOU RISK HAVING A LIEN PLACED ON YOUR HOME. This can mean that you may have to pay twice, or face the forced sale of your home to pay what you owe."

(5) The following notice shall be provided in at least 12-point typeface:

"Information about the Contractors' State License Board (CSLB): CSLB is the state consumer protection agency that licenses and regulates construction contractors.

Contact CSLB for information about the licensed contractor you are considering, including information about disclosable complaints, disciplinary actions, and civil judgments that are reported to CSLB.

Use only licensed contractors. If you file a complaint against a licensed contractor within the legal deadline (usually four years), CSLB has authority to investigate the complaint. If you use an unlicensed contractor, CSLB may not be able to help you resolve your complaint. Your only remedy may be in civil court, and you may be liable for damages arising out of any injuries to the unlicensed contractor or the unlicensed contractor's employees.

For more information:

Visit CSLB's Internet Web site at www.cslb.ca.gov

Call CSLB at 800-321-CSLB (2752)

Write CSLB at P.O. Box 26000, Sacramento, CA 95826."

(6) (A) The notice set forth in subparagraph (B) and entitled "Three-Day Right to Cancel," shall be provided to the buyer unless the contract is:

(i) Negotiated at the contractor's place of business.

(ii) Subject to the "Seven-Day Right to Cancel," as set forth in paragraph (7).

(iii) Subject to licensure under the Alarm Company Act (Chapter 11.6 (commencing with Section 7590)), provided the alarm company licensee complies with Sections 1689.5, 1689.6, and 1689.7 of the Civil Code, as applicable.

(B) "Three-Day Right to Cancel

You, the buyer, have the right to cancel this contract within three business days. You may cancel by emailing, mailing, faxing, or delivering a written notice to the contractor at the contractor's place of business by midnight of the third business day after you received a signed and dated copy of the contract that includes this notice. Include your name, your address, and the date you received the signed copy of the contract and this notice.

If you cancel, the contractor must return to you anything you paid within 10 days of receiving the notice of cancellation. For your part, you must make available to the contractor at your residence, in substantially as good condition as you received them, goods delivered to you under this contract or sale. Or, you may, if you wish, comply with the contractor's instructions on how to return the goods at the contractor's expense and risk. If you do make the goods available to the contractor and the contractor does not pick them up within 20 days of the date of your notice of cancellation, you may keep them without any further obligation. If you fail to make the goods available to the contractor, or if you agree to return the goods to the contractor and fail to do so, then you remain liable for performance of all obligations under the contract."

(C) The "Three-Day Right to Cancel" notice required by this paragraph shall comply with all of the following:

(i) The text of the notice is at least 12-point boldface type.

(ii) The notice is in immediate proximity to a space reserved for the owner's signature.

(iii) The owner acknowledges receipt of the notice by signing and dating the notice form in the signature space.

(iv) The notice is written in the same language, e.g., Spanish, as that principally used in any oral sales presentation.

(v) The notice may be attached to the contract if the contract includes, in at least 12-point boldface type, a checkbox with the following statement: "The law requires that the contractor give you a notice explaining your right to cancel. Initial the checkbox if the contractor has given you a 'Notice of the Three-Day Right to Cancel.'"

(vi) The notice shall be accompanied by a completed form in duplicate, captioned "Notice of Cancellation," which also shall be attached to the agreement or offer to purchase and be easily detachable, and which shall contain the following statement written in the same language, e.g., Spanish, as used in the contract:

"Notice of Cancellation"

/enter date of transaction/
(Date)

"You may cancel this transaction, without any penalty or obligation, within three business days from the above date.

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within 10 days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale, or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to the

seller, or if you agree to return the goods to the seller and fail to do so, then you remain liable for performance of all obligations under the contract.”

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice, or any other written notice, or send a telegram to ,

/name of seller/

at

/address of seller's place of business/

not later than midnight of .

(Date)

I hereby cancel this transaction.

(Date)

(Buyer's signature)

(7) (A) The following notice entitled “Seven-Day Right to Cancel” shall be provided to the buyer for any contract that is written for the repair or restoration of residential premises damaged by any sudden or catastrophic event for which a state of emergency has been declared by the President of the United States or the Governor, or for which a local emergency has been declared by the executive officer or governing body of any city, county, or city and county:

“Seven-Day Right to Cancel

You, the buyer, have the right to cancel this contract within seven business days. You may cancel by emailing, mailing, faxing, or delivering a written notice to the contractor at the contractor's place of business by midnight of the seventh business day after you received a signed and dated copy of the contract that includes this notice. Include your name, your address, and the date you received the signed copy of the contract and this notice.

If you cancel, the contractor must return to you anything you paid within 10 days of receiving the notice of cancellation. For your part, you must make available to the contractor at your residence, in substantially as good condition as you received them, goods delivered to you under this contract or sale. Or, you may, if you wish, comply with the contractor's instructions on how to return the goods at the contractor's expense and risk. If you do make the goods available to the contractor and the contractor does not pick them up within 20 days of the date of your notice of cancellation, you may keep them without any further obligation. If you fail to make the goods available to the contractor, or if you agree to return the goods to the contractor and fail to do so, then you remain liable for performance of all obligations under the contract.”

(B) The “Seven-Day Right to Cancel” notice required by this subdivision shall comply with all of the following:

(i) The text of the notice is at least 12-point boldface type.

(ii) The notice is in immediate proximity to a space reserved for the owner's signature.

(iii) The owner acknowledges receipt of the notice by signing and dating the notice form in the signature space.

(iv) The notice is written in the same language, e.g., Spanish, as that principally used in any oral sales presentation.

(v) The notice may be attached to the contract if the contract includes, in at least 12-point boldface type, a checkbox with the following statement: “The law requires that the contractor give you a notice explaining your right to cancel. Initial the checkbox if the contractor has given you a ‘Notice of the Seven-Day Right to Cancel.’”

(vi) The notice shall be accompanied by a completed form in duplicate, captioned “Notice of Cancellation,” which shall also be attached to the agreement or offer to purchase and be easily detachable, and which shall contain the following statement written in the same language, e.g., Spanish, as used in the contract:

“Notice of Cancellation”

/enter date of transaction/

/enter date of transaction/

(Date)

"You may cancel this transaction, without any penalty or obligation, within seven business days from the above date.

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within 10 days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale, or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to the seller, or if you agree to return the goods to the seller and fail to do so, then you remain liable for performance of all obligations under the contract."

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice, or any other written notice, or send a telegram

to ,

/name of seller/

at

/address of seller's place of business/

not later than midnight of .

(Date)

I hereby cancel this transaction.

(Date)

(Buyer's signature)

SEC. 4. Section 7159.9 of the Business and Professions Code is amended to read:

7159.9. (a) Section 7159 does not apply to the sale, installation, and servicing of a fire alarm sold in conjunction with an alarm system, as defined in Section 7590.1 of the Alarm Company Act (Chapter 11.6 (commencing with Section 7590)), provided the licensee does all of the following:

- (1) Complies with the contract requirements set forth in Section 7599.54.
- (2) Complies with Sections 1689.5, 1689.6, and 1689.7 of the Civil Code, as applicable.
- (3) Executes the following certification statement in the contract or in a separate certification document signed by all parties to the contract:

"All costs attributable to making the fire alarm system operable for the residence identified by this document, including sale and installation costs, do not exceed five hundred dollars (\$500)."

- (4) Certifies to the following if the certification statement described in paragraph (3) is in a separate document:

"I certify that all statements and representations made by me in this document are true and accurate."

(b) The contract or separate certification document shall also include both of the following:

- (1) The physical address of the residence for which the certification is applicable.
- (2) The name, business address, and license number of the contractor as contained in the official records of the board.

(c) The licensee shall give an exact copy of all documents required pursuant to this section to the party who is contracting to have the alarm system installed.

(d) All documents required pursuant to this section shall be retained by the licensee for a period of five years in accordance with the provisions of Section 7111, and shall be made available to the board within 30 days of a written request.

(e) Failure by the contractor to provide the board with the certification or contract within 30 days of a written request is cause for discipline.

(f) Failure by the licensee to provide the board with the certification or contract within 30 days of a written request creates a presumption that the licensee has violated the provisions of Section 7159, unless evidence to the contrary is presented within the timeframe specified by the board.

SEC. 5. Section 7590.1 of the Business and Professions Code, as amended by Section 37 of Chapter 573 of the Statutes of 2017, is amended to read:

7590.1. The following terms as used in this chapter have the meaning expressed in this article:

(a) (1) "Advertisement" means:

(A) Any written or printed communication for the purpose of soliciting, describing, or promoting the licensed business of the licensee, including a brochure, letter, pamphlet, newspaper, periodical, publication, or other writing.

(B) A directory listing caused or permitted by the licensee which indicates his or her licensed activity.

(C) A radio, television, or similar airwave transmission that solicits or promotes the licensed business of the licensee.

(2) "Advertisement" does not include any of the following:

(A) Any printing or writing used on buildings, vehicles, uniforms, badges, or other property where the purpose of the printing or writing is identification.

(B) Any printing or writing on communications, memoranda, or any other writings used in the ordinary course of business where the sole purpose of the writing is other than the solicitation or promotion of business.

(C) Any printing or writing on novelty objects used in the promotion of the licensee's business where the printing of the information required by this chapter would be impractical due to the available area or surface.

(b) "Alarm agent" means a person employed by an alarm company operator whose duties include selling on premises, altering, installing, maintaining, moving, repairing, replacing, servicing, responding, or monitoring an alarm system, or a person who manages or supervises a person employed by an alarm company to perform any of the duties described in this subdivision or any person in training for any of the duties described in this subdivision.

(c) "Alarm system" means an assembly of equipment and devices arranged to signal the presence of a hazard requiring urgent attention and to which police may respond.

(d) "Branch office" means any location, other than the principal place of business of the licensee, which is licensed as set forth in Article 11 (commencing with Section 7599.20).

(e) "Branch office manager" means an individual designated by the qualified manager to manage the licensee's branch office and who has met the requirements as set forth in Article 11 (commencing with Section 7599.20).

(f) "Bureau" means the Bureau of Security and Investigative Services.

(g) "Chief" means the Chief of the Bureau of Security and Investigative Services.

(h) "Deadly weapon" means and includes any instrument or weapon of the kind commonly known as a blackjack, slungshot, billy, sandclub, sandbag, metal knuckles; any dirk, dagger, pistol, revolver, or any other firearm; any knife having a blade longer than five inches; any razor with an unguarded blade; or any metal pipe or bar used or intended to be used as a club.

(i) "Department" means the Department of Consumer Affairs.

(j) "Director" means the Director of Consumer Affairs.

(k) "Employee" means an individual who works for an employer, is listed on the employer's payroll records, and is under the employer's direction and control.

(l) "Employer" means a person who employs an individual for wages or salary, lists the individual on the employer's payroll records, and withholds all legally required deductions and contributions.

(m) "Employer-employee relationship" means an individual who works for another and where the individual's name appears on the payroll records of the employer.

(n) "Firearm permit" means and includes "firearms permit," "firearms qualification card," "firearms qualification," and "firearms qualification permit."

(o) "Firearms permit" means a permit issued by the bureau, pursuant to Article 6 (commencing with Section 7596), to a licensee, a qualified manager, or an alarm agent, to carry an exposed firearm while on duty.

(p) "Licensee" means a business entity, whether an individual, partnership, limited liability company, or corporation licensed under this chapter.

(q) "Manager" means an individual designated under an operating agreement of a manager-managed limited liability company who is responsible for performing the management functions for the limited liability company specified in subdivision (c) of Section 17704.07 of the Corporations Code.

(r) "Member" means an individual who is a member of a limited liability company as defined in subdivision (p) of Section 17701.02 of the Corporations Code.

(s) "Person" means any individual, firm, company, association, organization, partnership, limited liability company, or corporation.

(t) "Qualified manager" means an individual who is in active control, management, and direction of the licensee's business, and who is in possession of a current and valid qualified manager's certificate pursuant to this chapter.

(u) "Registrant" means any person registered or who has applied for registration under this chapter.

(v) "Residential sales agreement" means and includes an agreement between an alarm company operator and an owner or tenant for the purchase of an alarm system to be utilized in the personal residence of the owner or tenant.

SEC. 6. Section 7590.1 of the Business and Professions Code, as amended by Section 38 of Chapter 573 of the Statutes of 2017, is repealed.

SEC. 7. Section 7590.2 of the Business and Professions Code is amended to read:

7590.2. (a) An "alarm company operator" means a person who, for any consideration whatsoever, engages in business or accepts employment to install, maintain, alter, sell on premises, monitor, or service alarm systems or who responds to alarm systems except for any alarm agent. "Alarm company operator," includes any entity that is retained by a licensed alarm company operator, a customer, or any other person or entity, to monitor one or more alarm systems, whether or not the entity performs any other duties within the definition of an alarm company operator. The provisions of this chapter, to the extent that they can be made applicable, shall be applicable to the duties and functions performed in monitoring alarm systems.

(b) A person licensed as an alarm company operator shall not conduct any investigation or investigations except those that are incidental to personal injury, or the theft, loss, embezzlement, misappropriation, or concealment of any property, or any other thing enumerated in this section, which he or she has been hired or engaged to protect.

(c) A person who is licensed, certified, or registered pursuant to this chapter is exempt from locksmithing requirements, pursuant to subdivision (e) of Section 6980.12, if the duties performed that constitute locksmithing are performed in combination with the installation, maintenance, moving, repairing, replacing, servicing, or reconfiguration of an alarm system, as defined in Section 7590.1, and limited to work on electronic locks or access control devices that are controlled by an alarm system control device, including the removal of existing hardware.

SEC. 8. Section 7591.10 of the Business and Professions Code, as amended by Section 3 of Chapter 140 of the Statutes of 2015, is amended to read:

7591.10. (a) The director may deny a license, certificate, or registration regulated by this chapter on the grounds that the applicant has done any of the following:

(1) Knowingly made a false statement of fact required to be revealed in the application for a license.

(2) Been convicted of a crime. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Any action which the bureau is permitted to take following the establishment of a conviction may be taken when the time for appeal has elapsed, or the judgment of conviction has been affirmed on appeal, or when an

order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4 of the Penal Code.

(3) Done any act involving dishonesty, fraud, or deceit with the intent to substantially benefit himself, herself, or another, or to substantially injure another.

(4) Done any act which if done by a licensee would be grounds for suspension or revocation of a license.

(5) Done any act without a license for which a license is required under this chapter.

(6) Been refused a license under this chapter or had a license revoked.

(7) Been an officer, partner, member, manager, or qualified manager of any person who has been refused a license under this chapter or whose license has been suspended or revoked.

The bureau may deny a license, certificate, or registration pursuant to this section only if the crime or act is substantially related to the qualifications, functions, or duties of the license, certificate, or registration for which application has been made.

The denial of a license, certificate, or registration shall be in writing and shall describe the basis for the denial. The denial shall inform the applicant that if he or she desires a review by the disciplinary review committee the review shall be requested within 30 days of the issuance of the denial. A review shall be held pursuant to the provisions of Section 7591.19.

(b) Notwithstanding any other provision of this chapter, no person shall be denied a license, certificate, or registration solely on the basis that he or she has been convicted of a felony, if he or she has obtained a certificate of rehabilitation pursuant to Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 of the Penal Code, or solely on the basis that he or she has been convicted of a misdemeanor, if he or she has met all applicable requirements of the criteria of rehabilitation as provided in Section 7591.12.

SEC. 9. Section 7591.10 of the Business and Professions Code, as amended by Section 4 of Chapter 140 of the Statutes of 2015, is repealed.

SEC. 10. Section 7593.1 of the Business and Professions Code, as amended by Section 5 of Chapter 140 of the Statutes of 2015, is amended to read:

7593.1. (a) Each individual applicant, partner of a partnership, designated officer of a corporation, member, officer, or manager of a limited liability company, and a qualified manager with the application one personal identification form provided by the chief, upon which shall appear a photograph taken within one year immediately preceding the date of the filing of the application together with two legible sets of fingerprints, one set of which shall be forwarded to the Federal Bureau of Investigation for purposes of a background check, and personal description of each such person, respectively. The identification form shall include residence addresses and employment history for the previous five years.

(b) The bureau may impose a fee not to exceed three dollars (\$3) for processing classifiable fingerprint cards submitted by applicants excluding those submitted into an electronic fingerprint system using electronic fingerprint technology.

(c) This section shall remain in effect only until January 1, 2024, and as of that date is repealed.

SEC. 11. Section 7593.1 of the Business and Professions Code, as amended by Section 6 of Chapter 140 of the Statutes of 2015, is amended to read:

7593.1. (a) Each individual applicant, partner of a partnership, designated officer of a corporation, and a qualified manager shall submit with the application, one personal identification form provided by the chief upon which shall appear a photograph taken within one year immediately preceding the date of the filing of the application together with two legible sets of fingerprints, one set of which shall be forwarded to the Federal Bureau of Investigation for purposes of a background check, and personal description of each such person, respectively. The identification form shall include residence addresses and employment history for the previous five years.

(b) The bureau may impose a fee not to exceed three dollars (\$3) for processing classifiable fingerprint cards submitted by applicants excluding those submitted into an electronic fingerprint system using electronic fingerprint technology.

(c) This section shall become operative on January 1, 2024.

SEC. 12. Section 7593.5 of the Business and Professions Code is amended to read:

7593.5. (a) If the applicant for a license is a limited liability company, the application shall state the true names and complete residence addresses of each member, manager, and any other officer who will be active in the business to be licensed. A copy of the articles of organization issued by the Secretary of State shall be supplied to the bureau upon request. The application shall also state the name and address of the designated person to be actively in charge of the business for which the license is sought. The application shall be subscribed, verified, and signed by a duly authorized member of the applicant under penalty of perjury.

(b) This section shall remain in effect only until January 1, 2024, and as of that date is repealed.

SEC. 13. Section 7593.6 of the Business and Professions Code, as amended by Section 7 of Chapter 140 of the Statutes of 2015, is amended to read:

7593.6. (a) The director may refuse to issue a license to an applicant pending final disposition of an investigation of criminal activity or of a disciplinary action previously filed against the person or applicant or against a qualified manager, partner, member, manager, or officer of the applicant.

(b) A new alarm company operator license, qualified manager certificate, or alarm agent registration shall be subject to payment of any and all fines assessed pursuant to this section and not resolved in accordance with the provisions of this section and payment of all applicable fees.

SEC. 14. Section 7593.6 of the Business and Professions Code, as amended by Section 8 of Chapter 140 of the Statutes of 2015, is repealed.

SEC. 15. Section 7593.7 of the Business and Professions Code, as amended by Section 9 of Chapter 140 of the Statutes of 2015, is amended to read:

7593.7. The chief shall issue a pocket identification card to the owner; any partner, officer, member, or manager active in the licensed business; and qualified manager. The chief shall determine the form and content of the card. A photo identification card will be furnished to any owner, partner, officer, member, manager, qualified manager, or branch office manager upon written request and payment of the fee prescribed by this chapter.

SEC. 16. Section 7593.7 of the Business and Professions Code, as amended by Section 10 of Chapter 140 of the Statutes of 2015, is repealed.

SEC. 17. Section 7594.4 of the Business and Professions Code, as amended by Section 11 of Chapter 140 of the Statutes of 2015, is amended to read:

7594.4. Except as herein otherwise provided, no individual shall be in active charge of the business if the individual has ever had a license revoked for cause or has ever been disqualified from further employment in the alarm company operator business pursuant to this chapter, or was a qualified manager, partner, member, manager, or officer of a business whose license has been revoked.

SEC. 18. Section 7594.4 of the Business and Professions Code, as amended by Section 12 of Chapter 140 of the Statutes of 2015, is repealed.

SEC. 19. Section 7594.5 of the Business and Professions Code is amended to read:

7594.5. (a) The business of each licensee shall be operated under the active direction, control, charge, or management, in this state, of the licensee, if he or she is qualified, or the person who is qualified and certified to act as the licensee's qualified manager, if the licensee is not qualified.

(b) The individual deemed to be actively in charge of the business shall be the qualified manager, as defined in this chapter, and the certificate of the qualified manager shall be prominently displayed below the alarm company operator's license. The individual shall share equally with the licensee the responsibility for compliance with this chapter.

(c) The director may assess fines for any violations as enumerated in this article, pursuant to Section 7591.9. Fines may be assessed against an alarm company operator's license or a qualified manager's certificate, or both, as deemed appropriate by the director.

(d) Assessment of the administrative fines shall be independent of any other action by the bureau or any local, state, or federal governmental agency which may result from a violation of this article.

SEC. 20. Section 7599.32 of the Business and Professions Code, as amended by Section 59 of Chapter 800 of the Statutes of 2016, is amended to read:

7599.32. (a) A licensee shall notify the bureau within 30 days of any change of its officers, members, or managers required to be named pursuant to Section 7593.4 or 7593.5 and of any addition of a new partner.

(b) Applications, on forms prescribed by the director, shall be submitted by all new officers, members, managers, and partners. The director may suspend or revoke a license issued under this chapter if the director determines that the new officer, member, manager, or partner has committed any act which constitutes grounds for the denial of a license pursuant to Section 7591.10.

(c) A notice of warning may be issued for the first violation of this section and a fine of five hundred dollars (\$500) for each subsequent violation.

SEC. 21. Section 7599.32 of the Business and Professions Code, as amended by Section 60 of Chapter 800 of the Statutes of 2016, is repealed.

SEC. 22. Section 7599.34 of the Business and Professions Code, as amended by Section 62 of Chapter 800 of the Statutes of 2016, is amended to read:

7599.34. (a) A licensee shall not conduct a business as an individual, partnership, limited liability company, or corporation unless the licensee holds a valid license issued to that exact same individual, partnership, limited liability company, or corporation. A violation of this section may result in a fine of five hundred dollars (\$500) for each violation.

(b) As a condition of the issuance, reinstatement, reactivation, or continued valid use of a license under this chapter, a limited liability company shall, in accordance with the provisions of this section, maintain a policy or policies of insurance against liability imposed on or against it by law for damages arising out of claims based upon acts, errors, or omissions arising out of the alarm company services it provides.

(c) The total aggregate limit of liability under the policy or policies of insurance required under this section shall be as follows:

(1) For a limited liability company licensee with five or fewer persons named as members pursuant to Section 7593.5 or 7599.32, the aggregate limit shall not be less than one million dollars (\$1,000,000).

(2) For a limited liability company licensee with more than five persons named as members pursuant to Section 7593.5 or 7599.32, an additional one hundred thousand dollars (\$100,000) of insurance shall be obtained for each person named as members of the licensee except that 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 under this section.

(d) Prior to the issuance, reinstatement, or reactivation of a limited liability company license as provided under this chapter, the applicant or licensee shall, in the manner prescribed by the bureau, submit the information and documentation required by this section and requested by the bureau, demonstrating compliance with the financial security requirements specified by this section.

(e) For any insurance policy secured by a licensee in satisfaction of this section, a Certificate of Liability Insurance, signed by an authorized agent or employee of the insurer, shall be submitted electronically or otherwise to the bureau. The insurer issuing the certificate shall report to the bureau the following information for any policy required under this section: name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable. The insurer shall list the bureau as the certificate holder for the purposes of receiving notifications related to the policy's status.

(f) (1) If a licensee fails to maintain sufficient insurance as required by this section, or fails to provide proof of the required insurance upon request by the bureau, the license is subject to suspension and is automatically suspended pursuant to this subdivision until the date that the licensee provides proof to the bureau of compliance with the insurance coverage requirement.

(2) Prior to an automatic suspension, the bureau shall notify the licensee, in writing, that the licensee has 30 days to provide proof to the bureau of having the required insurance or the license shall be automatically suspended.

(3) If the licensee fails to provide proof of insurance coverage within the period described in paragraph (2), the bureau may automatically suspend the license.

(g) Where the license of a limited liability company is suspended pursuant to subdivision (f), each member of the limited liability company shall be personally liable up to one million dollars (\$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 by this chapter.

(h) On and after January 1, 2019, a licensee organized as a limited liability company shall report annually to the bureau the date and amount of any claims paid, during the prior calendar year, from any general liability insurance policy held pursuant to this section. The licensee shall report the information on a form provided by the bureau. The licensee shall report the claim

information no later than March 1. The creation of the form shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

SEC. 23. Section 7599.34 of the Business and Professions Code, as amended by Section 63 of Chapter 800 of the Statutes of 2016, is repealed.

SEC. 24. Section 7599.345 is added to the Business and Professions Code, immediately following Section 7599.34, to read:

7599.345. Notwithstanding any other law, commencing January 1, 2024, a licensee shall not conduct business under this chapter as a limited liability company.

SEC. 25. Section 7599.35 is added to the Business and Professions Code, to read:

7599.35. (a) On or before January 1, 2023, the bureau shall share with the appropriate policy committees of the Legislature relevant information regarding the renewal of licenses granted to licensees organized as a limited liability company. The information shall include, but not be limited to, any claims paid pursuant to Section 7599.34.

(b) Pursuant to Section 10231.5 of the Government Code, this section is repealed on January 1, 2024.

SEC. 26. Section 7599.42 of the Business and Professions Code, as amended by Section 69 of Chapter 800 of the Statutes of 2016, is amended to read:

7599.42. Within seven days after any violent incident involving a dangerous weapon that has been caused by or occurred upon a licensee or any officer, partner, member, manager, qualified manager, or employee of a licensee, while acting within the course and scope of his or her employment, and that results in bodily injury to any person or death of any person involved in that incident or of any discharge of a weapon, excluding any discharge which occurs on the range, the licensee or his or her qualified manager shall mail or deliver to the chief a detailed report of the incident. The report shall describe fully the circumstances surrounding the incident, any injuries or damages incurred, the identity of all participants, and whether a police investigation was conducted. A violation of this section by a licensee, officer, partner, member, or manager of a licensee, or qualified manager may result in a fine of one thousand dollars (\$1,000) for the first violation and two thousand dollars (\$2,000) for each subsequent violation. A violation of this section by an employee of a licensee may result in a fine of five hundred dollars (\$500) for each violation.

SEC. 27. Section 7599.42 of the Business and Professions Code, as amended by Section 70 of Chapter 800 of the Statutes of 2016, is repealed.

SEC. 28. Section 7599.43 of the Business and Professions Code, as amended by Section 19 of Chapter 140 of the Statutes of 2015, is amended to read:

7599.43. Within seven days after receiving a final civil court judgment filed against the licensee or any officer, partner, member, manager, qualified manager, or employee of a licensee for an amount of more than five hundred dollars (\$500) pertaining to any act done within the course and scope of his or her employment that may be in violation of this chapter, the licensee or his or her qualified manager shall mail or deliver to the chief a copy of the judgment. A violation of this section may result in a fine of twenty-five dollars (\$25) for the first violation and one hundred dollars (\$100) for each subsequent violation.

SEC. 29. Section 7599.43 of the Business and Professions Code, as amended by Section 20 of Chapter 140 of the Statutes of 2015, is repealed.

SEC. 30. Section 7599.48 of the Business and Professions Code, as amended by Section 21 of Chapter 140 of the Statutes of 2015, is amended to read:

7599.48. No licensee, or officer, partner, member, manager, qualified manager, or employee of a licensee, shall knowingly make any false report to his or her employer or client for whom information is being obtained. A violation of this section may result in a fine of one hundred dollars (\$100) for the first violation, and five hundred dollars (\$500) for each subsequent violation.

SEC. 31. Section 7599.48 of the Business and Professions Code, as amended by Section 22 of Chapter 140 of the Statutes of 2015, is repealed.

SEC. 32. Section 7599.61 of the Business and Professions Code, as amended by Section 23 of Chapter 140 of the Statutes of 2015, is amended to read:

7599.61. The director may suspend or revoke an alarm company operator license, a qualified manager certificate, an alarm agent registration, or a firearms permit, issued under this chapter, if the director determines that the licensee or his or her qualified

manager, if an individual, or if the licensee is a person other than an individual, or his or her employees, that any of its officers, partners, members, managers, employees, or its qualified manager, has:

(a) Made any false statement or given any false information in connection with an application for a license or a renewal or reinstatement of a license.

(b) Violated any provisions or committed any prohibited acts of this chapter.

(c) Been convicted of any felony or misdemeanor including illegally using, carrying, or possessing a dangerous weapon.

(d) Committed or permitted any employee to commit any act, while the license was expired, which would be cause for the suspension or revocation of a license, or grounds for the denial of an application for a license.

(e) Committed assault, battery, or kidnapping, or used force or violence on any person, without proper justification.

(f) Violated, or advised, encouraged, or assisted the violation of any court order or injunction in the course of business as a licensee.

(g) Been convicted of a violation of Section 148 of the Penal Code.

(h) Committed any act which is a ground for denial of an application for license under this chapter.

(i) Committed any act prohibited by Chapter 1.5 (commencing with Section 630) of Title 15 of Part 1 of the Penal Code.

(j) Committed any act in the course of the licensee's business constituting dishonesty or fraud.

SEC. 33. Section 7599.61 of the Business and Professions Code, as amended by Section 24 of Chapter 140 of the Statutes of 2015, is repealed.

SEC. 34. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.