

Date of Hearing: June 23, 2014

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Roger Dickinson, Chair

SB 1041 (Jackson) – As Amended: April 21, 2014

SENATE VOTE: 35-0

SUBJECT: Business: filings.

SUMMARY: Makes various technical, non-substantive, and clarifying changes throughout the Corporations Code in preparation for the Secretary of State (SOS) automated filing system. Specifically, this bill:

- 1) Requires a written statement of resignation to be made on a form prescribed by the SOS for filing, and allows the SOS to destroy or otherwise dispose of a resignation after a new form is filed, replacing the agent.
- 2) Allows a person to cancel the registration of the name of specified business entities by delivering to the SOS a certificate of cancellation of the entity's name on a form prescribed by the SOS.
- 3) Requires a foreign limited liability company (LLC) that adopts a new name to relinquish an alternate name, and additionally conditions reinstatement of a fraudulently terminated business entity upon the business entity concurrently submitting for filing an amendment to change its name to eliminate conflict, if there is a conflict with the entity name.
- 4) Specifies the process by which a foreign limited partnership (LP) and foreign limited liability partnership (LLP) can change its name with the SOS.
- 5) Corrects cross-references.
- 6) Makes technical, non-substantive, and clarifying changes.

EXISTING LAW

- 1) Requires certain business entities, including, but not limited to, a corporation, a LP, a foreign corporation, a foreign LP, a LLP, a foreign LLP, a flexible purpose corporation, a LLC, an unincorporated association, and a credit union, to make various filings with the SOS.
- 2) Authorizes agents designated for service of process for specified entities to file a written statement of resignation as that agent with the SOS.
- 3) Allows a person to apply for and reserve a name for a business entity and to reinstate a fraudulently terminated business entity upon court order with the SOS.

FISCAL EFFECT: Unknown.

COMMENTS:

According to the Sponsor, Secretary of State, Debra Bowen, this bill "seeks to standardize the business filing process to make it more efficient upon completion of the California Business Connect (CBC) automation project. The bill makes minor and clarifying changes to achieve two main goals: 1) Standardize filing processes to alleviate unnecessary confusion and inconsistencies for business filers and other SOS customers; and, 2) Avoid unnecessary CBC design and development costs by eliminating technical deficiencies in current law that would add unnecessary complexities to the project."

SB 1041 streamlines the filing process and eliminates unnecessary bureaucracy that can burden California businesses by:

- Ensuring efficiency and success of the CBC automation project by standardizing business filing processes.
- Reducing costs and time for the design, development, training and implementation of CBC.
- Removing unnecessary costs and complexities for businesses by simplifying and clarifying filing processes.

CBC

By June 30, 2016, the SOS must launch CBC. CBC will:

- Automate paper-based processes and allow businesses to file and request copies of records online 24 hours a day.
- Provide access to SOS records for the public and government agencies to perform functions in a more efficient manner.
- Allow fee payments to be processed within one business day.

CBC is a six-year project that aims to increase efficiency by eliminating paper-based manual transactions and associated risk of loss to vital state records. CBC will also minimize processing delays through the creation of a uniform data entry platform. Businesses that use CBC will be able to do many of their transactions online, without delay and without paying an additional fee.

The CBC Feasibility Study Report, approved by the California Technology Agency in April of 2011, provides an overview of the problem faced by California with respect to its current business filings system. The reliance on manual labor and hard copies makes it not only increasingly difficult to comply with current mandates and new mandates that are created by law, but it also makes these vital business records prone to human error and at risk of irreparable destruction. (CBC Feasibility Study Report, March 2011) "SOS staff pointed out that the filing systems are so archaic, that in many cases, there is no backup. The systems contain only a single paper copy of each recording for LLCs, LPs, and general partnerships for the generations of filings that make up much of the state's legally organized small businesses. This means that in the event of a disaster, such as a fire, the permanent records of hundreds of thousands of

California businesses may be wiped out.”

Previous Legislation

SB 1532 (Pavley, Chapter 494, Statutes of 2012) implemented changes necessary for the CBC automated system. Specifically, the bill specified that the required address information in business filings is the street address and required business entities to provide a mailing address if not the same as the street address. SB 1532 also revised requirements with respect to the maintenance of forms filed with the SOS, revised provisions relating to the assignment of filing dates and fees by the SOS, repealed specified provisions relating to special purpose corporations, and made other technical changes.

REGISTERED SUPPORT / OPPOSITION:

Support

California Secretary of State (Sponsor)
California Chamber of Commerce

Opposition

None on file.

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