

Date of Hearing: June 20, 2022

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Timothy Grayson, Chair

SB 1202 (Limón) – As Amended June 8, 2022

SENATE VOTE: 37-0

SUBJECT: Business entities: Secretary of State: document filings

SUMMARY: Harmonizes a number of provisions of the Corporations Code in order to facilitate the Secretary of State's implementation of the California Business Connect (CBC) system; and makes various other technical and clarifying changes to statutes within the Secretary of State's (SOS's) purview.

Specifically, **this bill:**

- 1) Harmonizes a number of provisions of the Corporations Code in order to facilitate the Secretary of State's ongoing implementation of the California Business Connect electronic filing system.
- 2) Corrects an error that granted overly broad standing to sue a limited liability company on behalf of a limited liability company (LLC) member.
- 3) Removes an overly broad protection from California Public Records Act disclosure in the Commercial and Industrial Common Interest Development Act.
- 4) Makes numerous technical and clarifying amendments, largely to the Corporations Code.

EXISTING LAW:

- 1) Establishes the General Corporation Law. (Corporations Code Sections 100-2319.)
- 2) Establishes the Nonprofit Corporation Law. (Corporations Code Sections 5000-10841.)
- 3) Establishes the Cooperative Corporation Law. (Corporations Code Sections 12200-12704.)
- 4) Establishes the Uniform Limited Partnership Act of 2008. (Corporations Code Sections 15900-15912.07.)
- 5) Establishes the Uniform Partnership Act of 1994. (Corporations Code Sections 16100-16962.)
- 6) Establishes the California Revised Uniform Limited Liability Company Act. (Corporations Code Sections 17701.01-17713.13.)
- 7) Establishes the Commercial and Industrial Common Interest Development Act. (Civil Code Sections 6700-6876.)
- 8) Establishes the California Public Records Act. (Government Code Section 7920.000-7931.000.)

FISCAL EFFECT: Unknown. This bill is keyed Fiscal by Legislative Counsel.

COMMENTS:

- 1) **Background.** The SOS has the responsibility for processing and filing important commerce and trade documents including business formations, changes, and terminations. Many business entity documents and information requests are submitted to the SOS via mail or in-person in Sacramento and Los Angeles. The SOS has historically relied on several antiquated electronic and “paper” databases systems in order to process more than two million business filings and requests for information submitted on an annual basis. This paper-intensive process and the cyclical nature of increased workloads (prior to the additional funding and temporary staff) led to processing times, at their peaks, of more than 50 calendar days for business filings (e.g., business formations) and more than 90 calendar days for Statements of Information filings.

In response to this, the SOS initiated the California Business Connect (CBC) project, which aims to update and modernize online services for business filings and requests for information. Thus far, the CBC has led to the following online programs:

- LLC Statements of Information, implemented on 6/21/2017
- Trademark Registration, implemented on 1/11/2018
- LLC Formations, implemented on 5/8/2018
- LLC Terminations, implemented on 12/27/2018
- Trademark Modifications, implemented on 10/8/2019
- Corporation Statements of Information, implemented on 11/6/2019
- Corporation Formations, implemented on 3/27/2020
- Certificates of Good Standing Orders, implemented on) 6/30/2020 3,028
- Uniform Commercial Code, implemented on 7/15/2020

- 2) **What this bill does.**

SB 1202 makes a number of technical changes meant to ease workload for both SOS staff and businesses interfacing with the SOS business filing systems. SB 1202 is sponsored by Secretary of State Shirley N. Weber, whose letter outlines the bill’s purpose as follows:

SB 1202 makes focused and meaningful changes to support the goal of improved customer service and business filing efficiency. This bill ensures consistency and uniformity across entity types and removes confusing terminology from statute. Specifically, SB 1202 reduces confusing statutory language relating to definitions and terminology across entity types such as alternate names against assumed names, surrender against withdrawal pertaining to foreign corporations (formed outside California), and the multiple definitions of an entity’s office address.

In addition, SB 1202 incorporates environmentally sound practices by allowing customers to use electronic documents, when applicable, in place of paper records. This measure also makes technical omnibus changes to standardize the processing and handling of SOS business customer transactions in line with recently enacted legislation.

3) What are some examples?

This bill is voluminous, totaling more than 150 pages with assorted technical corrections aimed at improving SOS operations. For example:

- A number of changes (Corporations Code Sections 2101, 2107, 15909.2, 15909.06, 17708.02, and 17708.05) aim to reduce confusion for out-of-state business entities who must file a certificate of good standing from another jurisdiction as part of their application process. Current law is unclear how recently this certificate must have been issued, and these changes clarify this certificate must have been issued within six months prior to the application for registration in California.
- Other changes (Corporations Code Sections 109.5, 177, 213, 423, 509, 600, 601, 1400, 1500, 1501, 1503, 1508, 1600, 1601, 1702, 2105, 2107, 2502.06, 3502, 5510, 6210, 7510, 8210, 12460, 15901.02, 15911.03, 16309, 16310, 16962, 17701.02, 17701.14, and 17708.02) standardize terminology across code sections and business types for the information that must be filed with the SOS. Corporations Code provisions applicable to corporations, LLCs, and limited partnerships all use different terminology for required address information, and this bill uses “principal office” instead of other terms such as “principal executive office” and “principal business office.”

REGISTERED SUPPORT / OPPOSITION:

Support

Secretary of State (Sponsor)

Opposition

None on file.

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