

Introduced by Senator Durazo

February 15, 2024

An act to amend Sections 1502, 2117, 17702.09, 18200, 18205, and 18210 of the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

SB 1201, as introduced, Durazo. Beneficial owners.

Existing law requires a person who is directly or indirectly the beneficial owner of more than 10% of any class of stock of a domestic insurer to file in the office of the Insurance Commissioner within 10 days after that person becomes a beneficial owner a statement, in a form prescribed by the commissioner, of the amount of all stock of that insurer of which the person is the beneficial owner, as specified. The General Corporation Law (GCL) requires a domestic corporation and a foreign corporation to file annually, as prescribed, with the Secretary of State, a statement containing certain information, including the names and complete business or residence addresses of its chief executive officer, secretary, and chief financial officer. The GCL requires a domestic corporation to certify that the information it provides in that statement is true and correct.

This bill would additionally require those corporations to include in the statement described above the names and complete business or residence addresses of any beneficial owner, as defined. By expanding the scope of the crime of perjury, this bill would impose a state-mandated local program.

Existing law, the California Revised Uniform Limited Liability Company Act, requires a limited liability company, and a foreign limited liability company registered to transact intrastate business in this state, to file biennially, as specified, with the Secretary of State, a statement

containing certain information, including the name and complete business or residence addresses of any manager or managers and the chief executive officer, if any, appointed or elected in accordance with the articles of organization or operating agreement or, if a manager has not been so elected or appointed, the name and business or residence address of each member.

This bill would additionally require those limited liability companies to include in the statement described above the name and complete business or residence addresses of any beneficial owner, as defined.

Existing law authorizes an unincorporated association to file with the Secretary of State, on a form prescribed by the Secretary of State, a statement containing either of certain information, including a designation of the location and complete street address of the unincorporated association's principal office in California.

This bill would require a real estate investment trust, as defined, to file with the Secretary of State a statement containing the name and complete business or residence address of any beneficial owner, as defined.

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.

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

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

- 1 SECTION 1. Section 1502 of the Corporations Code is
- 2 amended to read:
- 3 1502. (a) Every corporation shall file, within 90 days after the
- 4 filing of its original articles and annually thereafter during the
- 5 applicable filing period, on a form prescribed by the Secretary of
- 6 State, a statement containing all of the following:
- 7 (1) The name of the corporation and the Secretary of State's
- 8 file number.
- 9 (2) The names and complete business or residence addresses of
- 10 its incumbent directors.
- 11 (3) The number of vacancies on the board, if any.

1 (4) The names and complete business or residence addresses of
2 its chief executive officer, secretary, and chief financial officer.

3 (5) The street address of its principal executive office.

4 (6) The mailing address of the corporation, if different from the
5 street address of its principal executive office.

6 (7) If the address of its principal executive office is not in this
7 state, the street address of its principal business office in this state,
8 if any.

9 (8) If the corporation chooses to receive renewal notices and
10 any other notifications from the Secretary of State by electronic
11 mail instead of by United States mail, the corporation shall include
12 a valid electronic mail address for the corporation or for the
13 corporation's designee to receive those notices.

14 (9) A statement of the general type of business that constitutes
15 the principal business activity of the corporation, such as, for
16 example, manufacturer of aircraft, wholesale liquor distributor, or
17 retail department store.

18 (10) A statement indicating whether any officer or any director
19 has an outstanding final judgment issued by the Division of Labor
20 Standards Enforcement or a court of law, for which no appeal
21 therefrom is pending, for the violation of any wage order or
22 provision of the Labor Code.

23 (11) *The names and complete business or residence addresses*
24 *of any beneficial owner.*

25 (b) The statement required by subdivision (a) shall also
26 designate, as the agent of the corporation for the purpose of service
27 of process, a natural person residing in this state or a corporation
28 that has complied with Section 1505 and whose capacity to act as
29 an agent has not terminated. If a natural person is designated, the
30 statement shall set forth that person's complete business or
31 residence street address. If a corporate agent is designated, no
32 address for it shall be set forth.

33 (c) If there has been no change in the information in the last
34 filed statement of the corporation on file in the Secretary of State's
35 office, the corporation may, in lieu of filing the statement required
36 by subdivisions (a) and (b), advise the Secretary of State, on a
37 form prescribed by the Secretary of State, that no changes in the
38 required information have occurred during the applicable filing
39 period.

(d) For the purposes of this section, the applicable filing period for a corporation shall be the calendar month during which its original articles were filed and the immediately preceding five calendar months. The Secretary of State shall provide a notice to each corporation to comply with this section approximately three months prior to the close of the applicable filing period. The notice shall state the due date for compliance and shall be sent to the last address of the corporation according to the records of the Secretary of State or to the last electronic mail address according to the records of the Secretary of State if the corporation has elected to receive notices from the Secretary of State by electronic mail. The failure of the corporation to receive the notice is not an excuse for failure to comply with this section.

(e) Whenever any of the information required by subdivision (a) is changed, the corporation may file a current statement containing all the information required by subdivisions (a) and (b). In order to change its agent for service of process or the address of the agent, the corporation must file a current statement containing all the information required by subdivisions (a) and (b). Whenever any statement is filed pursuant to this section, it supersedes any previously filed statement and the statement in the articles as to the agent for service of process and the address of the agent.

(f) The Secretary of State may destroy or otherwise dispose of any statement filed pursuant to this section after it has been superseded by the filing of a new statement.

(g) This section shall not be construed to place any person dealing with the corporation on notice of, or under any duty to inquire about, the existence or content of a statement filed pursuant to this section.

(h) The statement required by subdivision (a) shall be available and open to the public for inspection. The Secretary of State shall provide access to all information contained in this statement by means of an online database.

(i) In addition to any other fees required, a corporation shall pay a five-dollar (\$5) disclosure fee when filing the statement required by subdivision (a). One-half of the fee shall, notwithstanding Section 12176 of the Government Code, be deposited into the Business Programs Modernization Fund established in subdivision (k), and one-half shall be deposited into

1 the Victims of Corporate Fraud Compensation Fund established
2 in Section 2280.

3 (j) A corporation shall certify that the information it provides
4 pursuant to subdivisions (a) and (b) is true and correct. No claim
5 may be made against the state for inaccurate information contained
6 in the statements.

7 (k) There is hereby established the Business Programs
8 Modernization Fund in the State Treasury. Moneys deposited into
9 the fund shall, upon appropriation by the Legislature, be available
10 to the Secretary of State to further the purposes of this section,
11 including the development and maintenance of the online database
12 required by subdivision (h), and by subdivision (c) of Section 2117.

13 (l) *As used in this section, “beneficial owner” means a natural*
14 *person for whom, directly or indirectly and through any contract*
15 *arrangement, understanding, relationship, or otherwise, either of*
16 *the following applies with respect to a corporation:*

17 ~~(1) (1) This section shall become operative on January 1, 2022,~~
18 ~~or upon certification by the Secretary~~

19 ~~(1) The person exercises substantial control over the~~
20 ~~corporation. For the purposes of State that California Business~~
21 ~~Connect is implemented, whichever date is earlier, this paragraph,~~
22 ~~“substantial control” has the same meaning as set forth in Section~~
23 ~~1010.380 of Title 31 of the Code of Federal Regulations, as~~
24 ~~published in the Federal Register, Volume 87, Number 189, on~~
25 ~~September 30, 2022.~~

26 ~~(2) If the Secretary of State certifies California Business Connect~~
27 ~~is implemented prior to January 1, 2022, The person owns 25~~
28 ~~percent or more of the Secretary equity interest of State shall post~~
29 ~~notice of the certification on the homepage of its internet website~~
30 ~~and send notice of the certification to the Legislative Counsel.~~
31 ~~corporation.~~

32 SEC. 2. Section 2117 of the Corporations Code is amended to
33 read:

34 2117. (a) Every foreign corporation (other than a foreign
35 association) qualified to transact intrastate business shall file,
36 within 90 days after the filing of its original statement and
37 designation of foreign corporation and annually thereafter during
38 the applicable filing period, on a form prescribed by the Secretary
39 of State, a statement containing all of the following:

1 (1) The name of the corporation as registered in California and
2 the California Secretary of State's file number.

3 (2) The names and complete business or residence addresses of
4 its chief executive officer, secretary, and chief financial officer.

5 (3) The street address of its principal executive office.

6 (4) The mailing address of the corporation, if different from the
7 street address of its principal executive office.

8 (5) The street address of its principal business office in this
9 state, if any.

10 (6) If the corporation chooses to receive renewal notices and
11 any other notifications from the Secretary of State by electronic
12 mail instead of by United States mail, the corporation shall include
13 a valid electronic mail address for the corporation or for the
14 corporation's designee to receive those notices.

15 (7) A statement of the general type of business that constitutes
16 the principal business activity of the corporation, such as, for
17 example, manufacturer of aircraft, wholesale liquor distributor, or
18 retail department store.

19 (8) A statement indicating whether any officer or any director
20 has an outstanding final judgment issued by the Division of Labor
21 Standards Enforcement or a court of law, for which no appeal
22 therefrom is pending, for the violation of any wage order or
23 provision of the Labor Code.

24 (9) *The names and complete business or residence addresses*
25 *of any beneficial owner.*

26 (b) The statement required by subdivision (a) shall also
27 designate, as the agent of the corporation for the purpose of service
28 of process, a natural person residing in this state or a corporation
29 that has complied with Section 1505 and whose capacity to act as
30 the agent has not terminated. If a natural person is designated, the
31 statement shall set forth the person's complete business or
32 residence street address. If a corporate agent is designated, no
33 address for it shall be set forth.

34 (c) The statement required by subdivision (a) shall be available
35 and open to the public for inspection. The Secretary of State shall
36 provide access to all information contained in the statement by
37 means of an online database.

38 (d) In addition to any other fees required, a foreign corporation
39 shall pay a five-dollar (\$5) disclosure fee upon filing the statement
40 required by subdivision (a). One-half of the fee shall,

notwithstanding Section 12176 of the Government Code, be deposited into the Business Programs Modernization Fund established in subdivision (k) of Section 1502, and one-half shall be deposited into the Victims of Corporate Fraud Compensation Fund established in Section 2280.

(e) Whenever any of the information required by subdivision (a) is changed, the corporation may file a current statement containing all the information required by subdivisions (a) and (b). In order to change its agent for service of process or the address of the agent, the corporation shall file a current statement containing all the information required by subdivisions (a) and (b). Whenever any statement is filed pursuant to this section, it supersedes any previously filed statement and the statement in the filing pursuant to Section 2105.

(f) Subdivisions (c), (d), (f), and (g) of Section 1502 apply to statements filed pursuant to this section, except that “articles” shall mean the filing pursuant to Section 2105, and “corporation” shall mean a foreign corporation.

(g) *As used in this section, “beneficial owner” means a natural person for whom, directly or indirectly and through any contract arrangement, understanding, relationship, or otherwise, either of the following applies with respect to a corporation:*

~~(g) (1) This section shall become operative on January 1, 2022, or upon certification by the Secretary~~

(1) The person exercises substantial control over the corporation. For the purposes of State that California Business Connect is implemented, whichever date is earlier, this paragraph, “substantial control” has the same meaning as set forth in Section 1010.380 of Title 31 of the Code of Federal Regulations, as published in the Federal Register, Volume 87, Number 189, on September 30, 2022.

~~(2) If the Secretary of State certifies California Business Connect is implemented prior to January 1, 2022, The person owns 25 percent or more of the Secretary equity interest of State shall post notice of the certification on the homepage of its internet website and send notice of the certification to the Legislative Counsel.~~
corporation.

SEC. 3. Section 17702.09 of the Corporations Code is amended to read:

17702.09. (a) Every limited liability company and every foreign limited liability company registered to transact intrastate business in this state shall deliver to the Secretary of State for filing within 90 days after the filing of its original articles of organization or registering to transact intrastate business and biennially thereafter during the applicable filing period, on a form prescribed by the Secretary of State, a statement of information containing:

(1) The name of the limited liability company and the Secretary of State's file number and, in the case of a foreign limited liability company, the name under which the foreign limited liability company is authorized to transact intrastate business in this state and the state or other jurisdiction under the laws of which it is organized.

(2) The name and street address of the agent in this state for service of process required to be maintained pursuant to Section 17701.13. If a corporate agent is designated, only the name of the agent shall be set forth.

(3) The street address of its principal office. In the case of a foreign limited liability company, the street address of its principal business office in this state, if any, and, in the case of a domestic limited liability company, the street address of the office required to be maintained pursuant to Section 17701.13.

(4) The mailing address of the limited liability company or foreign limited liability company, if different from the street address of its principal office, or principal business office in this state, or, in the case of a domestic limited liability company, the street address of the office required to be maintained pursuant to Section 17701.13.

(5) The name and complete business or residence addresses of any manager or managers and the chief executive officer, if any, appointed or elected in accordance with the articles of organization or operating agreement or, if no manager has been so elected or appointed, the name and business or residence address of each member.

(6) The name and complete business or residence addresses of any beneficial owner.

~~(6)~~

(7) If the limited liability company or foreign limited liability company chooses to receive renewal notices and any other notifications from the Secretary of State by electronic mail instead

1 of by United States mail, the limited liability company or foreign
2 limited liability company shall include a valid electronic mail
3 address for the limited liability company or foreign limited liability
4 company, or for the limited liability company's or foreign limited
5 liability company's designee to receive those notices.

6 ~~(7)~~

7 (8) The general type of business that constitutes the principal
8 business activity of the limited liability company or foreign limited
9 liability company, such as, for example, manufacturer of aircraft,
10 wholesale liquor distributor, or retail department store.

11 ~~(8)~~

12 (9) (A) For a manager-managed limited liability company or
13 a manager-managed foreign limited liability company, a statement
14 indicating whether any manager has an outstanding final judgment
15 issued by the Division of Labor Standards Enforcement or a court
16 of law, for which no appeal therefrom is pending, for the violation
17 of any wage order or provision of the Labor Code.

18 (B) For a member-managed limited liability company, a
19 statement indicating whether any member has an outstanding final
20 judgment issued by the Division of Labor Standards Enforcement
21 or a court of law, for which no appeal therefrom is pending, for
22 the violation of any wage order or provision of the Labor Code,
23 unless, pursuant to subdivision (d) of Section 17701.10, a written
24 operating agreement limits the members who are agents of the
25 limited liability company for the purpose of its business and affairs
26 to a specified member or specified members, in which case the
27 statement is only required with respect to the specified member
28 or members.

29 (C) For a foreign limited liability company that is not managed
30 by a manager or managers, a statement indicating whether any
31 member has an outstanding final judgment issued by the Division
32 of Labor Standards Enforcement or a court of law, for which no
33 appeal therefrom is pending, for the violation of any wage order
34 or provision of the Labor Code, unless the member is not an agent
35 of the foreign limited liability company for purposes of its business
36 and affairs, in which case the statement is only required with
37 respect to the member or members who are agents of the foreign
38 limited liability company.

39 (b) If there has been no change in the information contained in
40 the last filed statement of information of the limited liability

1 company or foreign limited liability company on file in the office
2 of *the* Secretary of State, the limited liability company or foreign
3 limited liability company may, in lieu of filing the statement of
4 information required by subdivision (a), advise the Secretary of
5 State, on a form prescribed by the Secretary of State, that no
6 changes in the required information have occurred during the
7 applicable filing period.

8 (c) For purposes of this section, the applicable filing period for
9 a limited liability company shall be the calendar month during
10 which its original articles of organization was filed or, in the case
11 of a foreign limited liability company, the month during which its
12 application for registration was filed, and the immediately
13 preceding five calendar months. The Secretary of State shall
14 provide a notice to each limited liability company or foreign limited
15 liability company to comply with this section approximately three
16 months prior to the close of the applicable filing period. The notice
17 shall state the due date for compliance and shall be sent to the last
18 mailing address of the limited liability company or foreign limited
19 liability company according to the records of the Secretary of State,
20 or if none, to the street address of the principal office, or, in the
21 case of a domestic limited liability company, the office required
22 to be maintained pursuant to Section 17701.13, or to the last
23 electronic mail address according to the records of the Secretary
24 of State if the limited liability company or foreign limited liability
25 company has elected to receive notices from the Secretary of State
26 by electronic mail. The failure of the limited liability company or
27 foreign limited liability company to receive the notice shall not
28 exempt the limited liability company or foreign limited liability
29 company from complying with this section.

30 (d) Whenever any of the information required by subdivision
31 (a) changes, other than the name and address of the agent for
32 service of process, the limited liability company or foreign limited
33 liability company may file a current statement containing all the
34 information required by subdivision (a). When changing its agent
35 for service of process or when the address of the agent changes,
36 the limited liability company or foreign limited liability company
37 shall file a current statement containing all the information required
38 by subdivision (a). Whenever any statement is filed pursuant to
39 this section, that statement supersedes any previously filed
40 statement pursuant to this section, the statement in the original

articles of organization, and the statement in any previously filed amended or restated articles of organization that have been filed, or in the case of a foreign limited liability company, in the application for registration.

(e) If a statement of information delivered to the Secretary of State for filing under this section does not contain the information required by subdivision (a), the Secretary of State shall promptly return the statement of information to the reporting limited liability company or foreign limited liability company for correction.

(f) The Secretary of State may destroy or otherwise dispose of any statement filed pursuant to this section after it has been superseded by the filing of a new statement.

(g) *As used in this section, “beneficial owner” means a natural person for whom, directly or indirectly and through any contract arrangement, understanding, relationship, or otherwise, either of the following applies with respect to a limited liability company or a foreign limited liability company:*

~~(g) (1) This section shall become operative on January 1, 2022, or upon certification by the Secretary~~

~~(1) The person exercises substantial control over the entity. For the purposes of State that California Business Connect is implemented, whichever date is earlier: this paragraph, “substantial control” has the same meaning as set forth in Section 1010.380 of Title 31 of the Code of Federal Regulations, as published in the Federal Register, Volume 87, Number 189, on September 30, 2022.~~

~~(2) If the Secretary of State certifies California Business Connect is implemented prior to January 1, 2022, The person owns 25 percent or more of the Secretary equity interest of State shall post notice of the certification on the home page of its internet website and send notice of the certification to the Legislative Counsel. an entity.~~

SEC. 4. Section 18200 of the Corporations Code is amended to read:

18200. (a) An unincorporated association may file with the Secretary of State, on a form prescribed by the Secretary of State, a statement containing either of the following:

(1) A statement designating the location and complete street address of the unincorporated association’s principal office in California. Only one place may be designated.

(2) A statement (A) designating the location and complete street address of the unincorporated association's principal office in California in accordance with paragraph (1) or, if the unincorporated association does not have an office in this state, designating the complete street address and mailing address, if different, of the unincorporated association to which the Secretary of State shall send any notices required to be sent to the association under Sections 18210 and 18215, and (B) designating as agent of the association for service of process any natural person residing in this state or any corporation that has complied with Section 1505 and whose capacity to act as an agent has not terminated.

(b) A real estate investment trust, as defined in Section 23000, shall file with the Secretary of State a statement containing the name and complete business or residence address of any beneficial owner.

~~(b)~~

(c) If a natural person is designated as agent for service of process, the statement shall include the person's complete business or residence street address. If a corporate agent is designated, no address for it shall be included.

~~(c)~~

(d) Filing is deemed complete on acceptance by the Secretary of State of the statement and the filing fee.

~~(d)~~

(e) At any time, an unincorporated association that has filed a statement under this section may file a new statement superseding the last previously filed statement. If the new statement does not designate an agent for service of process, the filing of the new statement shall be deemed to revoke the designation of an agent previously designated. A statement filed under this section expires five years from December 31 following the date it was filed in the office of the Secretary of State, unless previously superseded by the filing of a new statement.

~~(e)~~

(f) Delivery by hand of a copy of any process against the unincorporated association (1) to any natural person designated by it as agent, or (2) if the association has designated a corporate agent, to any person named in the last certificate of the corporate agent filed pursuant to Section 1505 at the office of the corporate agent shall constitute valid service on the association.

~~(f)~~

(g) For filing a statement as provided in this section, the Secretary of State shall charge and collect the fee provided in paragraph (1) of subdivision (b) of Section 12191 of the Government Code for filing a designation of agent.

~~(g)~~

(h) Notwithstanding Section 18055, a statement filed by a partnership under former Section 24003 is subject to this chapter until the statement is revoked or expires.

(i) *As used in this section, “beneficial owner” means a natural person for whom, directly or indirectly and through any contract arrangement, understanding, relationship, or otherwise, either of the following applies with respect to an unincorporated association:*

(1) The person exercises substantial control over the entity. For the purposes of this paragraph, “substantial control” has the same meaning as set forth in Section 1010.380 of Title 31 of the Code of Federal Regulations, as published in the Federal Register, Volume 87, Number 189, on September 30, 2022.

(2) The person owns 25 percent or more of the equity interest of an entity.

SEC. 5. Section 18205 of the Corporations Code is amended to read:

18205. (a) The Secretary of State shall mark each statement filed under Section 18200 with a consecutive file number and the date of filing. In lieu of retaining the original statement, the Secretary of State may retain a copy in accordance with *former* Section 14756 of the Government Code.

(b) The Secretary of State shall index each statement filed under Section 18200 according to the name of the unincorporated association as set out in the statement and shall enter in the index the file number and the address of the association as set out in the statement and, if an agent for service of process is designated in the statement, the name of the agent and, if a natural person is designated as the agent, the address of that person.

(c) Upon request of any person, the Secretary of State shall issue a certificate showing whether, according to the Secretary of State’s records, there is on file on the date of the certificate, any presently effective statement filed under Section 18200 for an unincorporated association using a specific name designated by the person making

1 the request. If a statement is on file, the certificate shall include
2 the information required by subdivision (b) to be included in the
3 index. The fee for the certificate is the fee provided in Section
4 12183 of the Government Code.

5 (d) When a statement has expired under subdivision ~~(d)~~ (e) of
6 Section 18200, the Secretary of State shall enter that fact in the
7 index together with the date of the expiration.

8 (e) Four years after a statement has expired, the Secretary of
9 State may destroy or otherwise dispose of the statement and delete
10 information concerning that statement from the index.

11 SEC. 6. Section 18210 of the Corporations Code is amended
12 to read:

13 18210. (a) An agent designated by an unincorporated
14 association for the service of process may deliver to the Secretary
15 of State, on a form prescribed by the Secretary of State for filing,
16 a signed and acknowledged written statement of resignation as an
17 agent for service of process containing the name of the
18 unincorporated association and Secretary of State's file number
19 of the unincorporated association, the name of the resigning agent
20 for service of process, and a statement that the agent is resigning.
21 The resignation is effective when filed. The Secretary of State
22 shall mail or otherwise provide written notice of the filing to the
23 unincorporated association at its address set out in the statement
24 filed by the association.

25 (b) An unincorporated association may at any time file with the
26 Secretary of State a revocation of a designation of an agent for
27 service of process on a form prescribed by the Secretary of State
28 containing the name of the unincorporated association and
29 Secretary of State's file number for the unincorporated association,
30 the name of the agent whose designation to accept service of
31 process is being revoked and a statement that the unincorporated
32 association has revoked the designation to accept service of
33 process. The revocation is effective when filed.

34 (c) Notwithstanding subdivisions (a) and (b), service made on
35 an agent designated by an unincorporated association for service
36 of process in the manner provided in subdivision ~~(e)~~ (f) of Section
37 18200 is effective if made within 30 days after the statement of
38 resignation or the revocation is filed with the Secretary of State.

39 (d) 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 unincorporated association and Secretary of State's file number
2 for the unincorporated association and the name of the agent for
3 service of process, the agent disclaims having been properly
4 appointed as the agent.

5 (e) The Secretary of State may destroy or otherwise dispose of
6 any resignation filed pursuant to this section after a new form is
7 filed pursuant to Section 18200 replacing the agent for service of
8 process that has resigned.

9 SEC. 7. No reimbursement is required by this act pursuant to
10 Section 6 of Article XIII B of the California Constitution because
11 the only costs that may be incurred by a local agency or school
12 district will be incurred because this act creates a new crime or
13 infraction, eliminates a crime or infraction, or changes the penalty
14 for a crime or infraction, within the meaning of Section 17556 of
15 the Government Code, or changes the definition of a crime within
16 the meaning of Section 6 of Article XIII B of the California
17 Constitution.