

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

SENATE BILL 1114

AN ACT

AMENDING SECTIONS 10-122.01, 10-401, 10-1506, 10-3401, 10-11506,
20-1098.04, 29-2105, 29-2406, 29-3601, 29-3708, 32-731, 32-747, 32-1213
AND 32-2125, ARIZONA REVISED STATUTES; RELATING TO LIMITED LIABILITY
COMPANIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 10-122.01, Arizona Revised Statutes, is amended
3 to read:

4 10-122.01. Public access fund; purpose; exemption; money on
5 deposit account

6 A. The public access fund is established. The commission shall
7 administer the fund. The fund consists of monies received pursuant to:

8 1. Section 10-122, subsections E, F, G, H and K.

9 2. Section 10-3122, subsections I and K.

10 ~~3. Section 29-851, subsections E and F.~~

11 ~~4.~~ 3. Section 29-3213, subsections E and F.

12 B. Except as provided in subsection C of this section:

13 1. Monies in the fund are subject to legislative appropriation.

14 2. The commission shall spend monies in the fund for a part of the
15 general administrative and legal expenses of the commission and to
16 purchase, install and maintain an improved data processing system on the
17 premises of the commission. The data processing system shall be designed
18 to allow direct online access by any person at a remote location to all
19 public records that are filed with the commission pursuant to this title
20 and title 29, ~~chapter 4~~ RELATING TO LIMITED LIABILITY COMPANIES.

21 3. When sufficient monies have been collected pursuant to section
22 10-122, subsections F, G and H, ~~AND~~ section 10-3122, subsection I ~~and~~
23 ~~section 29-851, subsection E~~ to pay for the purchase and installation of
24 the data processing system, the commission shall not charge and collect
25 the fees prescribed in section 10-122, subsection H or section 10-3122,
26 subsection H.

27 4. Monies in the fund are exempt from the provisions of section
28 35-190 relating to lapsing of appropriations, except that any unencumbered
29 monies in excess of ~~two hundred thousand dollars~~ \$200,000 at the end of
30 each fiscal year revert to the state general fund.

31 C. The money on deposit account is established in the public access
32 fund as a separate account consisting of monies received pursuant to
33 section 10-122, subsection K, section 10-3122, subsection K, ~~and~~ section
34 29-851, subsection F ~~AND~~ SECTION 29-3213, SUBSECTION F. Monies in the
35 money on deposit account:

36 1. Are held in trust by the commission.

37 2. May be withdrawn by the commission only:

38 (a) To cover fees that are due pursuant to this title or
39 title 29, ~~chapter 4~~ RELATING TO LIMITED LIABILITY COMPANIES on delivery of
40 documents for filing or on a request for services by a person who advanced
41 monies to the commission pursuant to section 10-122, subsection K, section
42 10-3122, subsection K, ~~or~~ section 29-851, subsection F ~~OR~~ SECTION 29-3213,
43 SUBSECTION F.

1 (b) To refund the monies advanced in subdivision (a) of this
2 paragraph if the person who requested services pursuant to subdivision (a)
3 of this paragraph requests the refund.

4 (c) For the disposition of unclaimed property pursuant to title 44,
5 chapter 3.

6 3. Are not subject to either:

7 (a) Legislative appropriation.

8 (b) Reversion to the state general fund.

9 Sec. 2. Section 10-401, Arizona Revised Statutes, is amended to
10 read:

11 10-401. Corporate name

12 A. A corporate name:

13 1. Shall contain the word "association", "bank", "company",
14 "corporation", "limited" or "incorporated" or an abbreviation of one of
15 these words or words or abbreviations of like import in another language.

16 2. Shall not contain language stating or implying that the
17 corporation is organized for a purpose other than that ~~permitted~~ ALLOWED
18 by section 10-301 and its articles of incorporation.

19 3. Notwithstanding paragraph 1 of this subsection, shall not
20 include the words "bank", "deposit", "credit union", "trust" or "trust
21 company" separately or in combination to indicate or convey the idea that
22 the corporation is engaged in banking or trust business unless the
23 corporation is to be and becomes actively and substantially engaged in the
24 banking, credit union or trust business or the corporation is a holding
25 company holding substantial interest in companies actively and
26 substantially engaged in the banking or trust business.

27 4. Shall not contain the words "limited liability company" or
28 "limited company" or the abbreviations "L.L.C.", "L.C.", "LLC" or "LC", in
29 uppercase or lowercase letters.

30 B. Except as authorized by subsections C and D of this section, a
31 corporate name shall be distinguishable from all of the following:

32 1. The corporate name of a corporation incorporated in this state
33 or a foreign corporation authorized to transact business in this state.

34 2. A corporate name reserved under section 10-402 or registered
35 under section 10-403.

36 3. A fictitious name adopted by a foreign corporation under section
37 10-1506.

38 4. The corporate name of a nonprofit corporation incorporated under
39 this title or a foreign nonprofit or not for profit corporation authorized
40 to conduct affairs in this state.

41 5. The partnership name of a limited partnership organized and
42 registered under the laws of this state or of a foreign limited
43 partnership authorized to transact business in this state.

1 6. The name of a limited liability company organized under
2 title 29, ~~chapter 4~~ or a foreign limited liability company authorized to
3 transact business in this state.

4 7. A trade name registered pursuant to title 44, chapter 10,
5 article 3.1.

6 8. The name of a registered limited liability partnership
7 registered under title 29, chapter 5, article 10 or a foreign registered
8 limited liability partnership authorized to transact business in this
9 state.

10 C. A corporation may apply to the commission for authorization to
11 use a name that is not distinguishable from one or more of the names
12 described in subsection B of this section. The commission shall authorize
13 use of the name applied for if either:

14 1. The other entity consents to the use in writing and submits an
15 undertaking in a form satisfactory to the commission to change its name to
16 a name that is distinguishable from the name of the applying corporation.

17 2. The applicant delivers to the commission a certified copy of the
18 final judgment of a court of competent jurisdiction establishing the
19 applicant's right to use the name applied for in this state.

20 D. A corporation may use the name, including a fictitious name, of
21 another domestic or foreign corporation that is used in this state if the
22 other corporation is incorporated or authorized to transact business in
23 this state and the proposed user corporation either has:

24 1. Merged with the other corporation.

25 2. Been formed by reorganization of the other corporation.

26 3. Acquired all or substantially all of the assets, including the
27 corporate name, of the other corporation.

28 E. Chapters 1 through 17 of this title do not control the use of
29 fictitious names.

30 Sec. 3. Section 10-1506, Arizona Revised Statutes, is amended to
31 read:

32 10-1506. Corporate name of foreign corporation

33 A. If the corporate name of a foreign corporation does not satisfy
34 the requirements of section 10-401, to obtain or maintain a grant of
35 authority to transact business in this state the foreign corporation:

36 1. Shall either:

37 (a) Add the word "association", "bank", "company", "corporation" or
38 "incorporated" or an abbreviation of one of these words to its corporate
39 name for use in this state.

40 (b) Use a fictitious name that satisfies the requirements of
41 section 10-401 to transact business in this state if its real name is
42 unavailable and it delivers to the commission for filing a copy of the
43 resolution of its board of directors, certified by its secretary, adopting
44 the fictitious name.

1 2. Shall not include language in its corporate name stating or
2 implying that the foreign corporation is organized for a purpose other
3 than that ~~permitted~~ ALLOWED by section 10-301 and its articles of
4 incorporation.

5 3. Notwithstanding paragraph 1, subdivision (a) of this subsection,
6 shall not include the words "bank", "deposit", "credit union", "trust" or
7 "trust company" separately or in combination in its corporate name to
8 indicate or convey the idea that the foreign corporation is engaged in
9 banking or trust business unless the foreign corporation is to be and
10 becomes actively and substantially engaged in the banking, credit union or
11 trust business or the foreign corporation is a holding company holding a
12 substantial interest in companies actively and substantially engaged in
13 the banking or trust business.

14 B. Except as authorized by ~~subsections~~ SUBSECTION C ~~and D~~ of this
15 section, the corporate name, including a fictitious name, of a foreign
16 corporation shall be distinguishable from:

17 1. The corporate name of a corporation incorporated in this state
18 or a foreign corporation authorized to transact business in this state.

19 2. A corporate name reserved under section 10-402 or registered
20 under section 10-403.

21 3. The fictitious name adopted by another foreign corporation under
22 this section.

23 4. The corporate name of a nonprofit corporation incorporated under
24 this title or a foreign nonprofit or not for profit corporation authorized
25 to conduct affairs in this state.

26 5. The partnership name of a limited partnership organized and
27 registered under the laws of this state or of a foreign limited
28 partnership authorized to transact business in this state.

29 6. The name of a limited liability company organized under
30 title 29, ~~chapter 4~~ or a foreign limited liability company authorized to
31 transact business in this state.

32 7. A trade name registered pursuant to title 44, chapter 10,
33 article 3.1.

34 8. The name of a registered limited liability partnership
35 registered under title 29, chapter 5, article 10 or a foreign registered
36 limited liability partnership authorized to transact business in this
37 state.

38 C. ~~Notwithstanding subsection B of this section,~~ The commission
39 shall authorize the use of a name that is not distinguishable under
40 subsection B of this section from one or more of the names described in
41 subsection B of this section if the applicant delivers to the commission a
42 certified copy of a final judgment of a court of competent jurisdiction
43 establishing the applicant's right to use the name applied for in this
44 state.

1 D. If a foreign corporation authorized to transact business in this
2 state changes its corporate name to one that does not satisfy the
3 requirements of section 10-401, it may not transact business in this state
4 under the changed name until it adopts a name satisfying the requirements
5 of section 10-401 and obtains amended authority under section 10-1504.

6 Sec. 4. Section 10-3401, Arizona Revised Statutes, is amended to
7 read:

8 10-3401. Corporate name

9 A. A corporate name shall not contain language that states or
10 implies that the corporation is organized for a purpose other than the
11 purpose ~~permitted~~ ALLOWED by section 10-3301 and in its articles of
12 incorporation.

13 B. Except as authorized by ~~subsection~~ SUBSECTIONS C AND D of this
14 section, a corporate name must be distinguishable from all of the
15 following:

16 1. The corporate name of a corporation incorporated in this state
17 or a foreign corporation authorized to conduct affairs in this state.

18 2. A corporate name reserved under section 10-402 or 10-3402 or
19 registered under section 10-403 or 10-3403.

20 3. A fictitious name of a foreign corporation under section 10-1506
21 or 10-11506.

22 4. The corporate name of a business corporation incorporated under
23 this title or a foreign business corporation authorized to transact
24 business in this state.

25 5. The partnership name of a limited partnership organized and
26 registered under the laws of this state or of a foreign limited
27 partnership authorized to transact business in this state.

28 6. The name of a limited liability company organized under
29 title 29, ~~chapter 4~~ or a foreign limited liability company authorized to
30 transact business in this state.

31 7. A trade name registered pursuant to title 44, chapter 10,
32 article 3.1.

33 8. The name of a registered limited liability partnership
34 registered under title 29, chapter 5, article 10 or a foreign registered
35 limited liability partnership authorized to transact business in this
36 state.

37 C. A corporation may apply to the commission for authorization to
38 use a name that is not distinguishable from one or more of the names
39 described in subsection B of this section. The commission shall authorize
40 use of the name applied for if either:

41 1. The other corporation consents to the use in writing and submits
42 an undertaking in a form satisfactory to the commission to change its name
43 to a name that is distinguishable from the name of the applying
44 corporation.

1 2. The applicant delivers to the commission a certified copy of a
2 final judgment of a court of competent jurisdiction establishing the
3 applicant's right to use the name applied for in this state.

4 D. A corporation may use the name, including a fictitious name, of
5 another domestic or foreign business or nonprofit corporation that is used
6 in this state if the other corporation is incorporated or authorized to
7 transact business or conduct affairs in this state and the proposed user
8 corporation either has:

- 9 1. Merged with the other corporation.
10 2. Been formed by reorganization of the other corporation.
11 3. Acquired all or substantially all of the assets, including the
12 corporate name, of the other corporation.

13 E. Chapters 24 through 42 of this title do not control the use of
14 fictitious names.

15 Sec. 5. Section 10-11506, Arizona Revised Statutes, is amended to
16 read:

17 10-11506. Corporate name of foreign corporation

18 A. If the corporate name of a foreign corporation does not satisfy
19 the requirements of section 10-3401, to obtain or maintain a grant of
20 authority to conduct affairs in this state the foreign corporation shall
21 use a fictitious name that satisfies the requirements of section 10-3401
22 to conduct affairs in this state if its real name is unavailable and it
23 delivers to the commission for filing a copy of the resolution of its
24 board of directors, certified by a duly authorized officer, adopting the
25 fictitious name. The foreign corporation shall not include language in
26 its corporate name stating or implying that the foreign corporation is
27 organized for a purpose other than that ~~permitted~~ ALLOWED by section
28 10-3301 and its articles of incorporation.

29 B. Except as authorized by ~~subsection~~ SUBSECTIONS C AND D of this
30 section, the corporate name, including a fictitious name, of a foreign
31 corporation shall be distinguishable from:

32 1. The corporate name of a corporation incorporated under this
33 title or a foreign nonprofit, not for profit, business or close
34 corporation authorized to transact business or conduct affairs in this
35 state.

36 2. A corporate name reserved under section 10-402 or 10-3402 or
37 registered under section 10-403 or 10-3403.

38 3. The fictitious name of another foreign business or nonprofit
39 corporation.

40 4. The partnership name of a limited partnership organized and
41 registered under the laws of this state or of a foreign limited
42 partnership authorized to transact business in this state.

43 5. The name of a limited liability company organized under
44 title 29, ~~chapter 4~~ or a foreign limited liability company authorized to
45 transact business in this state.

1 6. The name of a registered limited liability partnership
2 registered under title 29, chapter 5, article 10 or a foreign registered
3 limited liability partnership authorized to transact business in this
4 state.

5 7. A trade name registered pursuant to title 44, chapter 10,
6 article 3.1.

7 C. A corporation may apply to the commission for authorization to
8 use a name that is not distinguishable from one or more of the names
9 described in subsection B of this section. The commission shall authorize
10 use of the name applied for if either:

11 1. The other corporation consents to the use in writing and submits
12 an undertaking in a form satisfactory to the commission to change its name
13 to a name that is distinguishable from the name of the applying
14 corporation.

15 2. The applicant delivers to the commission a certified copy of a
16 final judgment of a court of competent jurisdiction establishing the
17 applicant's right to use the name applied for in this state.

18 D. A corporation may use the name, including a fictitious name, of
19 another domestic or foreign business or nonprofit corporation that is used
20 in this state if the other corporation is incorporated or authorized to
21 transact business or conduct affairs in this state and the proposed user
22 corporation either has:

23 1. Merged with the other corporation.

24 2. Been formed by reorganization of the other corporation.

25 3. Acquired all or substantially all of the assets, including the
26 corporate name, of the other corporation.

27 E. Chapters 24 through 42 of this title do not control the use of
28 fictitious names.

29 F. If a foreign corporation authorized to transact business in this
30 state changes its corporate name to one that does not satisfy the
31 requirements of section 10-3401, it may not transact business in this
32 state under the changed name until it adopts a name satisfying the
33 requirements of section 10-3401 and amends its application for authority
34 under section 10-11504.

35 Sec. 6. Section 20-1098.04, Arizona Revised Statutes, is amended to
36 read:

37 20-1098.04. Formation of captive insurers; redomestication

38 A. An agency captive insurer or protected cell captive insurer
39 shall be incorporated as a stock insurer with its capital divided into
40 shares and held by the stockholders. Each owner of an agency captive
41 insurer shall be licensed as an insurance producer.

42 B. A group captive insurer may be formed in any of the following
43 ways:

44 1. Incorporated as a stock insurer with its capital divided into
45 shares and held by the stockholders.

1 2. Incorporated as a mutual insurer without capital stock, the
2 governing body of which is elected by the member organizations of its
3 association.

4 3. Organized as a reciprocal insurer pursuant to article 2 of this
5 chapter.

6 4. Incorporated as a nonprofit corporation pursuant to title 10,
7 chapter 25.

8 C. A pure captive insurer may be formed in any of the following
9 ways:

10 1. Incorporated as a stock insurer with its capital divided into
11 shares and held by the stockholders.

12 2. Incorporated as a nonprofit corporation pursuant to title 10,
13 chapter 25.

14 3. Incorporated as a limited liability company pursuant to
15 title 29, ~~chapter 4~~.

16 D. The capital stock of a captive insurer that is incorporated as a
17 stock insurer may be authorized with no par value.

18 E. A captive insurer that is formed as a corporation shall have at
19 least three incorporators, at least one of whom shall be a resident of
20 this state. Notwithstanding subsection B, paragraph 3 of this section, a
21 captive insurer that is formed as a reciprocal insurer may be organized by
22 three or more subscribers, none of whom shall be required to be a resident
23 of this state.

24 F. A pure captive insurer shall have at least one director. Any
25 other kind of corporate captive insurer shall have at least three
26 directors. Any group captive insurer formed as a reciprocal insurer shall
27 have at least three subscribers' advisory committee members. In addition
28 to independent directors, a group captive insurer may have as many
29 directors as it has members.

30 G. A captive insurer that is formed as a corporation shall have at
31 least one member of the board of directors who is a resident of this
32 state. A captive insurer that is formed as a reciprocal insurer shall
33 have at least one member of the subscribers' advisory committee who is a
34 resident of this state.

35 H. The articles of incorporation or bylaws of a captive insurer
36 that is formed as a corporation with more than one director may authorize
37 a quorum of a board of directors to consist of at least one-third of the
38 fixed or prescribed number of directors, but at least two directors. The
39 subscribers' agreement or other organizing document of a captive insurer
40 formed as a reciprocal insurer may authorize a quorum of a subscribers'
41 advisory committee to consist of at least one-third of the number of its
42 members, but at least two members.

43 I. Any foreign or alien insurer may become a domestic captive
44 insurer by complying with the requirements of this article relating to the
45 licensing of a domestic captive insurer and by complying with all

1 applicable requirements of the laws of this state relating to the
2 domestication of a corporation to this state. The effective date of a
3 license that is issued to a foreign or alien insurer domesticated to this
4 state shall be the date of filing its articles of domestication with the
5 corporation commission.

6 Sec. 7. Section 29-2105, Arizona Revised Statutes, is amended to
7 read:

8 29-2105. Status of filings; matters regarding filing

9 A. A filing under this chapter that is signed by a domestic entity
10 becomes part of the public organizational document of the entity if the
11 entity's governing statute provides that similar filings under the
12 governing statute become part of the public organizational document of the
13 entity.

14 B. Except as otherwise provided in this chapter, matters regarding
15 the filing of documents pursuant to this chapter with the appropriate
16 filing authority, including delivery for filing, effective dates and
17 corrections, are governed by:

18 1. Title 10, chapter 1, article 2 for business corporations or
19 business trusts.

20 2. Title 10, chapter 24, article 2 for nonprofit corporations.

21 3. Chapter ~~4~~ 7, article 2 of this title for limited liability
22 companies.

23 4. Chapter 3, article 2 of this title for limited partnerships.

24 Sec. 8. Section 29-2406, Arizona Revised Statutes, is amended to
25 read:

26 29-2406. Effect of conversion

27 A. When a conversion becomes effective:

28 1. The converted entity is both of the following:

29 (a) Organized under and subject to the governing statute of the
30 converted entity.

31 (b) The same entity without interruption as the converting entity.

32 2. All property, including rights, privileges, immunities and
33 powers, of the converting entity remains vested in the converted entity
34 without assignment, reversion or impairment.

35 3. All obligations of the converting entity continue as obligations
36 of the converted entity except that only a governor of or interest holder
37 in the converted entity may bring or maintain a claim for dissolution or
38 receivership against the converted entity brought pursuant to any of the
39 following:

40 (a) Section 10-1430, subsection B.

41 (b) Section 10-1815.

42 (c) Section 10-11430, subsection B.

43 (d) Section 10-11431, subsection C.

44 (e) Section 12-1241.

45 (f) Section 29-345.

1 ~~(g) Section 29-785.~~

2 4. Except as provided by law other than this chapter or the plan of
3 conversion, all of the rights, privileges, immunities, powers and purposes
4 of the converting entity remain in the converted entity.

5 5. The name of the converted entity may be substituted for the name
6 of the converting entity in any pending action or proceeding except that
7 only a governor or interest holder in the converted entity may bring or
8 maintain a claim for dissolution or receivership against the converted
9 entity brought pursuant to any of the following:

10 (a) Section 10-1430, subsection B.

11 (b) Section 10-1815.

12 (c) Section 10-11430, subsection B.

13 (d) Section 10-11431, subsection C.

14 (e) Section 12-1241.

15 (f) Section 29-345.

16 ~~(g) Section 29-785.~~

17 6. If the converted entity is a domestic filing entity, its public
18 organizational document is effective and is binding on its interest
19 holders.

20 7. If the converted entity is a domestic limited liability
21 partnership, its statement of qualification is effective simultaneously.

22 8. If the converted entity is to be a qualified foreign entity, the
23 documents it filed to become a qualified foreign entity are effective
24 simultaneously.

25 9. The private organizational documents of the converted entity
26 that are to be in a record, if any, approved as part of the plan of
27 conversion are effective and are binding.

28 10. The interests in the converting entity are converted and the
29 interest holders of the converting entity are entitled only to the rights
30 provided to them under the plan of conversion and to any appraisal rights
31 they have under section 29-2109 and the converting entity's governing
32 statute.

33 B. Except as provided in the plan of conversion or in the governing
34 statute or organizational documents of the converting entity, the
35 conversion does not give rise to any rights that an interest holder,
36 governor or third party would otherwise have on a dissolution, liquidation
37 or winding up of the converting entity.

38 C. When a conversion becomes effective, a person that did not have
39 interest holder liability with respect to the converting entity and that
40 becomes subject to interest holder liability with respect to the domestic
41 converted entity as a result of a conversion has interest holder liability
42 only to the extent provided by the governing statute or organizational
43 documents of the domestic converted entity, and then only for those
44 obligations that arise after the conversion becomes effective.

1 D. When a conversion becomes effective, the interest holder
2 liability of a person that ceases to hold an interest in a domestic
3 converting entity with respect to which the person had interest holder
4 liability is as follows:

5 1. The conversion does not discharge any interest holder liability
6 under the governing statute or organizational documents of a domestic
7 converting entity to the extent the interest holder liability arose before
8 the conversion became effective.

9 2. The person does not have interest holder liability under the
10 governing statute or organizational documents of the domestic converting
11 entity for any obligation that arises after the conversion becomes
12 effective.

13 3. The governing statute and organizational documents of the
14 domestic converting entity continue to apply to the release, collection or
15 discharge of any interest holder liability preserved under paragraph 1 of
16 this subsection as if the conversion had not occurred.

17 4. The person has the same rights of contribution from any other
18 person as are provided by the governing statute or organizational
19 documents of the domestic converting entity with respect to any interest
20 holder liability preserved under paragraph 1 of this subsection as if the
21 conversion had not occurred.

22 E. When a conversion becomes effective, a foreign entity that is
23 the converted entity:

24 1. May be served with process in this state for the collection and
25 enforcement of any of its obligations that arise before the conversion
26 becomes effective, including obligations arising out of the exercise of
27 appraisal rights.

28 2. If it is not a qualified foreign entity, appoints the
29 appropriate filing authority as its agent for service of process for
30 collecting or enforcing those obligations.

31 F. When the conversion becomes effective, the authority,
32 registration or other qualification granted by the appropriate filing
33 authority to transact business or conduct affairs in this state of a
34 converting entity that is a qualified foreign entity is automatically
35 revoked or cancelled.

36 G. A conversion does not require the entity to wind up its affairs
37 and does not constitute or cause the dissolution of the entity.

38 Sec. 9. Section 29-3601, Arizona Revised Statutes, is amended to
39 read:

40 29-3601. Power to dissociate as member; wrongful dissociation

41 A. A person has the power to dissociate as a member at any time,
42 rightfully or wrongfully, by withdrawing as a member by express will under
43 section 29-3602, paragraph 1.

44 B. A person's dissociation as a member is wrongful only if the
45 dissociation either:

1 1. Is in breach of an express provision of the operating agreement.
2 2. Occurs before the completion of the winding up of the limited
3 liability company and either:
4 (a) The person is expelled as a member by judicial order under
5 section 29-3602, paragraph 5.
6 (b) The person is dissociated under section 29-3602, paragraph 7.
7 C. A person that wrongfully dissociates as a member is liable to
8 the limited liability company and, subject to section ~~29-3806~~,
9 ~~subsection D~~ 29-3807, to the other members for damages caused by the
10 dissociation. The liability is in addition to any debt, obligation or
11 other liability of the member to the company or the other members. The
12 company may offset its damages against any amount otherwise distributable
13 to the person.
14 Sec. 10. Section 29-3708, Arizona Revised Statutes, is amended to
15 read:
16 29-3708. Administrative dissolution
17 A. The commission may commence a proceeding under subsection B of
18 this section to dissolve a limited liability company administratively if
19 the company does not do any of the following:
20 1. Pay any fee or penalty required to be paid to the commission not
21 later than sixty days after the fee or penalty is due.
22 2. Have a statutory agent in this state for at least sixty
23 consecutive days.
24 3. Have a principal address ~~in this state~~ for at least sixty
25 consecutive days.
26 4. Notify the commission within sixty days after its statutory
27 agent or principal address has changed or its statutory agent has
28 resigned.
29 5. Amend its articles of organization or file a statement of change
30 or a statement of correction as required by section 29-3202.
31 6. Respond to interrogatories as prescribed in section 29-3212.
32 B. If the commission determines that one or more grounds exist for
33 administratively dissolving a limited liability company, the commission
34 shall deliver to the company a notice in a record of the commission's
35 determination by delivering the notice to the address of the company's
36 statutory agent or, if the company does not have a statutory agent or the
37 statutory agent's address is invalid, to the company's principal address.
38 C. If a limited liability company, not later than sixty days after
39 delivery of the notice under subsection B of this section, does not cure
40 or demonstrate to the satisfaction of the commission the nonexistence of
41 each ground determined by the commission, the commission shall
42 administratively dissolve the company by issuing a statement of
43 administrative dissolution that recites the grounds for dissolution and
44 the effective date of dissolution. The commission shall file the
45 statement and deliver a copy to the company by delivering the statement to

1 the address of the company's statutory agent or, if the company does not
2 have a statutory agent or the statutory agent's address is invalid, to the
3 company's principal address.

4 D. A limited liability company that is administratively dissolved
5 continues in existence as an entity but may not carry on any activities
6 except as necessary to wind up its activities and affairs and liquidate
7 its assets under sections 29-3702, 29-3704, 29-3705, 29-3706 and 29-3707
8 or to apply for reinstatement under section 29-3709.

9 E. The administrative dissolution of a limited liability company
10 does not terminate the authority of its statutory agent.

11 Sec. 11. Section 32-731, Arizona Revised Statutes, is amended to
12 read:

13 32-731. Certified public accountant firm registration
14 requirements; performance of attest services and
15 compilation services; definition

16 A. Except as provided in section 32-725, subsection G, once every
17 two years each of the following shall pay the registration fee pursuant to
18 section 32-729 and register with the board as a firm:

19 1. A business organization that meets all of the following
20 criteria:

21 (a) Has a simple majority of the ownership, in terms of direct and
22 indirect financial interests and voting rights, that belong to holders in
23 good standing of certificates or licenses as certified public accountants
24 in any jurisdiction.

25 (b) Has an office in this state.

26 (c) Either:

27 (i) Provides attest SERVICES or compilation services.

28 (ii) Uses the CPA designation in its firm name.

29 2. A sole proprietorship that meets all of the following criteria:

30 (a) Has an owner that is a certified public accountant in good
31 standing in this state.

32 (b) Has an office in this state.

33 (c) Either:

34 (i) Performs attest SERVICES or compilation services.

35 (ii) Uses the CPA designation in its firm name, unless the firm
36 name is the name of the sole proprietor as registered with the board.

37 3. An individual who meets both of the following criteria:

38 (a) Is a certified public accountant in good standing in this
39 state.

40 (b) Performs attest SERVICES or compilation services in this state,
41 other than as an owner or employee of a sole proprietorship or business
42 organization required to register under paragraph 1 or 2 of this
43 subsection or in the capacity as an employee of a governmental entity.

44 B. Attest SERVICES or compilation services shall be provided only
45 through a registered firm in good standing in this state. Any attest

1 SERVICES or compilation services reports issued by a firm must be signed
2 by a person who is certified pursuant to this chapter or qualified to
3 exercise the limited reciprocity privilege pursuant to section 32-725,
4 subsection G.

5 C. An application or registration pursuant to this section shall be
6 made by an owner of the firm who is a certified public accountant in good
7 standing. A firm that is registered pursuant to this section may use the
8 CPA designation in connection with its firm name as provided for by the
9 board in its rules.

10 D. A firm that applies or registers pursuant to this section shall
11 list in its application or registration all jurisdictions in which the
12 firm has any disciplinary actions, other than for failure to timely renew
13 a registration, license or permit, by any other jurisdiction.

14 E. Except as provided in subsection F of this section, an applicant
15 for registration or a firm registered pursuant to this section shall
16 notify the board in writing within one month of any change in owners that
17 results in less than a simple majority of the ownership in terms of direct
18 and indirect financial interests and voting rights that belong to holders
19 in good standing of certificates or licenses as certified public
20 accountants in any jurisdiction.

21 F. The board or the board's executive director may grant a
22 reasonable period of time for the firm to take corrective action to
23 maintain its qualifications as a firm.

24 G. Professional corporations composed of certified public
25 accountants shall meet the requirements of title 10, chapter 20 and any
26 additional nonconflicting requirements contained in this section.

27 H. Limited liability companies, professional limited liability
28 companies and limited liability partnerships composed of certified public
29 accountants shall meet the requirements of title 29, chapter ~~4-07~~ 5 OR 7
30 and any additional nonconflicting requirements contained in this section.

31 I. A registrant may not use any firm name other than the firm name
32 that is registered with the board.

33 J. For the purposes of this section, "good standing" means:

34 1. For an individual, a status that allows the individual to use
35 the CPA designation and to perform accounting services for a fee or other
36 compensation.

37 2. For a firm, a status that allows the firm to use the CPA
38 designation.

39 Sec. 12. Section 32-747, Arizona Revised Statutes, is amended to
40 read:

41 32-747. CPA designation; title; use; unlawful use

42 A. A registrant or an individual or firm that qualifies for the
43 limited reciprocity privilege under section 32-725 shall be known as a
44 certified public accountant or certified public accounting firm and may

1 use the CPA designation unless the status of the registrant, individual or
2 firm is canceled, expired, suspended, relinquished or revoked.

3 B. An individual or firm when referring to accounting or accounting
4 practices shall not assume or use the CPA designation unless the
5 individual or firm is qualified pursuant to subsection A of this section.

6 C. This section does not apply to or affect or limit the right to
7 continuous use of a firm name, or a modification of a firm name, by
8 successor firms formed by the remaining owner or owners or added owner or
9 owners even though the individuals whose names are included in the firm
10 name are not owners, but the successor firm shall conform to all other
11 provisions of this chapter. This section does not apply to or affect or
12 limit the right to continuous use of a professional corporation's name as
13 provided pursuant to this chapter or title 10, chapter 20 or a
14 professional limited liability company's name pursuant to this chapter or
15 title 29, ~~chapter 4~~.

16 D. The displaying or uttering by a registrant or an individual or
17 firm that qualifies for the limited reciprocity privilege under section
18 32-725 of any card, sign, advertisement or other printed, engraved or
19 written instrument or device bearing a name and intended to be confused
20 with the CPA designation is prima facie evidence in a prosecution,
21 proceeding or hearing brought under this section that the registrant,
22 individual or firm so displayed caused or procured the displaying or
23 uttering of the card, sign, advertisement or other printed, engraved or
24 written instrument or device.

25 E. A firm may not refer to itself as a CPA firm unless it has a
26 simple majority of the ownership in terms of direct and indirect financial
27 interests and voting rights that belong to holders in good standing of
28 certificates or licenses as certified public accountants in any
29 jurisdiction.

30 Sec. 13. Section 32-1213, Arizona Revised Statutes, is amended to
31 read:

32 32-1213. Business entities; registration; renewal; civil
33 penalty; exceptions

34 A. A business entity may not offer dental services pursuant to this
35 chapter unless:

36 1. The entity is registered with the board pursuant to this
37 section.

38 2. The services are conducted by a licensee pursuant to this
39 chapter.

40 B. The business entity must file a registration application on a
41 form provided by the board. The application must include:

42 1. A description of the entity's services offered to the public.

43 2. The name of any dentist who is authorized to provide and who is
44 responsible for providing the dental services offered at each office.

1 3. The names and addresses of the officers and directors of the
2 business entity.

3 4. A registration fee prescribed by the board in rule.

4 C. A business entity must file a separate registration application
5 and pay a fee for each branch office in this state.

6 D. A registration expires three years after the date the board
7 issues the registration. A business entity that wishes to renew a
8 registration must submit an application for renewal as prescribed by the
9 board on a triennial basis on a form provided by the board before the
10 expiration date. An entity that fails to renew the registration before
11 the expiration date is subject to a late fee as prescribed by the board by
12 rule. The board may stagger the dates for renewal applications.

13 E. The business entity must notify the board in writing within
14 thirty days after any change:

15 1. In the entity's name, address or telephone number.

16 2. In the officers or directors of the business entity.

17 3. In the name of any dentist who is authorized to provide and who
18 is responsible for providing the dental services in any facility.

19 F. The business entity shall establish a written protocol for the
20 secure storage, transfer and access of the dental records of the business
21 entity's patients. This protocol must include, at a minimum, procedures
22 for:

23 1. Notifying patients of the future locations of their records if
24 the business entity terminates or sells the practice.

25 2. Disposing of unclaimed dental records.

26 3. The timely response to requests by patients for copies of their
27 records.

28 G. The business entity must notify the board within thirty days
29 after the dissolution of any registered business entity or the closing or
30 relocation of any facility and must disclose to the board the entity's
31 procedure by which its patients may obtain their records.

32 H. The board may do any of the following pursuant to its
33 disciplinary procedures if an entity violates the board's statutes or
34 rules:

35 1. Refuse to issue a registration.

36 2. Suspend or revoke a registration.

37 3. Impose a civil penalty of not more than ~~two thousand dollars~~
38 \$2,000 for each violation.

39 4. Enter a decree of censure.

40 5. Issue an order prescribing a period and terms of probation that
41 are best adapted to protect the public welfare and that may include a
42 requirement for restitution to a patient for a violation of this chapter
43 or rules adopted pursuant to this chapter.

44 6. Issue a letter of concern if a business entity's actions may
45 cause the board to take disciplinary action.

1 I. The board shall deposit, pursuant to sections 35-146 and 35-147,
2 civil penalties collected pursuant to this section in the state general
3 fund.

4 J. This section does not apply to:

5 1. A sole proprietorship or partnership that consists exclusively
6 of dentists who are licensed pursuant to this chapter.

7 2. Any of the following entities licensed under title 20:

8 (a) A service corporation.

9 (b) An insurer authorized to transact disability insurance.

10 (c) A prepaid dental plan organization that does not provide
11 directly for prepaid dental services.

12 (d) A health care services organization that does not provide
13 directly for dental services.

14 3. A professional corporation or professional limited liability
15 company, the shares of which are exclusively owned by dentists who are
16 licensed pursuant to this chapter and that is formed to engage in the
17 practice of dentistry pursuant to title 10, chapter 20 or
18 title 29, ~~chapter 4, article 11~~ RELATING TO PROFESSIONAL LIMITED LIABILITY
19 COMPANIES.

20 4. A facility regulated by the federal government or a state,
21 district or territory of the United States.

22 5. An administrator or executor of the estate of a deceased dentist
23 or a person who is legally authorized to act for a dentist who has been
24 adjudicated to be mentally incompetent for not more than one year ~~from~~
25 AFTER the date the board receives notice of the dentist's death or
26 incapacitation pursuant to section 32-1270.

27 K. A facility that offers dental services to the public by persons
28 licensed under this chapter shall be registered by the board unless the
29 facility is any of the following:

30 1. Owned by a dentist who is licensed pursuant to this chapter.

31 2. Regulated by the federal government or a state, district or
32 territory of the United States.

33 L. Except for issues relating to insurance coding and billing that
34 require the name, signature and license number of the dentist providing
35 treatment, this section does not:

36 1. Authorize a licensee in the course of providing dental services
37 for an entity registered pursuant to this section to disregard or
38 interfere with a policy or practice established by the entity for the
39 operation and management of the business.

40 2. Authorize an entity registered pursuant to this section to
41 establish or enforce a business policy or practice that may interfere with
42 the clinical judgment of the licensee in providing dental services for the
43 entity or may compromise a licensee's ability to comply with this chapter.

44 M. The board shall adopt rules that provide a method for the board
45 to receive the assistance and advice of business entities licensed

1 pursuant to this chapter in all matters relating to the regulation of
2 business entities.

3 N. ~~NO~~ AN individual currently holding a surrendered or revoked
4 license to practice dentistry or dental hygiene in any state or
5 jurisdiction in the United States may NOT have a majority ownership
6 interest in the business entity registered pursuant to this section.
7 Revocation and surrender of licensure shall be limited to disciplinary
8 actions resulting in loss of license or surrender of license instead of
9 disciplinary action. Dentists or dental hygienists affected by this
10 subsection shall have one year ~~from~~ AFTER the surrender or revocation to
11 divest themselves of their ownership interest. This subsection does not
12 apply to publicly held companies. For the purposes of this subsection,
13 "majority ownership interest" means an ownership interest greater than
14 fifty ~~per cent~~ PERCENT.

15 Sec. 14. Section 32-2125, Arizona Revised Statutes, is amended to
16 read:

17 32-2125. Licenses for corporations, limited liability
18 companies or partnerships

19 A. A corporation, limited liability company or partnership applying
20 for a broker's license for the entity shall designate a natural person who
21 is licensed as a broker and who is an officer of the corporation, manager
22 of the limited liability company if management of the limited liability
23 company is vested in one or more managers, member of the limited liability
24 company if management is vested in the members or partner of the
25 partnership who shall act as designated broker. The license shall extend
26 no authority to act as designated broker to any other person. This
27 subsection does not apply to a corporation or limited liability company
28 applying for a license under subsection B of this section. An entity's
29 broker's license issued pursuant to this subsection shall run concurrently
30 with the corporation's, limited liability company's or partnership's
31 designated broker's license.

32 B. An employing broker may engage the services of salespersons and
33 associate brokers who act through and on behalf of professional
34 corporations or professional limited liability companies that are licensed
35 by the department. A designated broker who acts on behalf of an employing
36 real estate entity is ~~permitted~~ ALLOWED to become a professional
37 corporation or a professional limited liability ~~corporation~~ COMPANY. Any
38 person so engaged shall be separately licensed. The department shall
39 issue to or renew a license under this subsection only for a professional
40 corporation or a professional limited liability ~~corporation~~ COMPANY whose
41 shareholders, members or managers hold active real estate licenses. A
42 corporation licensed under this subsection shall meet the requirements of
43 title 10, chapter 20. A limited liability company licensed under this
44 subsection shall meet the requirements of title 29, chapter ~~4~~ 7,

1 article 11. A professional corporation or professional limited liability
2 company shall not be licensed as an employing broker.

3 C. The license of a corporation or limited liability company
4 licensed under subsection B of this section terminates only ~~upon~~ ON the
5 death of a shareholder, member or manager or any other change of
6 shareholders, members or managers, except that any remaining shareholder,
7 member or manager who was an authorized officer and shareholder prior to
8 the change remains authorized to continue business under the corporation's
9 or limited liability company's license for up to an additional ninety days
10 pending the issuance of a new license.

11 D. The commissioner may suspend, revoke or deny renewal or the
12 right of renewal of the license of a corporation, limited liability
13 company or partnership licensed under this section if the corporation,
14 limited liability company or partnership or any shareholder, officer,
15 agent, partner or member of a corporation, limited liability company or
16 partnership violates any of the provisions of this chapter.

17 E. ~~Nothing in~~ This section ~~shall be construed to~~ DOES NOT enlarge
18 the functions of salespersons, ~~to permit~~ ALLOW salespersons to assume any
19 of the responsibilities or functions of brokers or ~~to~~ relieve the
20 commissioner of any regulatory power or authority over salespersons or
21 brokers.

22 F. A corporation, limited liability company or partnership licensed
23 under subsection A of this section or a professional corporation or
24 professional limited liability company licensed under subsection B of this
25 section is exempt from the education requirements imposed pursuant to this
26 chapter. The commissioner shall not charge a license fee or a renewal fee
27 pursuant to section 32-2132 to a corporation, professional corporation,
28 limited liability company, professional limited liability company or
29 partnership licensed or approved under this section.

30 G. A corporation, limited liability company or partnership licensed
31 under this section shall report to the department within ten days:

32 1. Any change in officers, directors, members, managers or partners
33 or any change of control of the entity.

34 2. Any amendment to its articles of incorporation or organization
35 or to its partnership agreement.

36 3. If a corporation, when a person becomes an owner of ten ~~per cent~~
37 PERCENT or more of the stock in the corporation.

38 4. The dissolution of the corporation, limited liability company or
39 partnership.

40 Sec. 15. Effective date

41 This act is effective from and after August 31, 2020.