

Date of Hearing: January 12, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 683 (Davies) – As Amended April 21, 2025

SUBJECT: Business entities: limited liability companies

SUMMARY: This bill permits a limited liability company (LLC) involved in a real property transaction to establish its authority to transact by presenting a certification of LLC to all parties. The certification will identify all those with the authority to act on behalf of the LLC and may be recorded in the office of the county recorder where all or a portion of the LLC's real property is located. Specifically, this bill:

For the purpose of the sale or purchase of real property where one or more party is an LLC, this bill will provide the following provisions pertaining to the LLC(s):

- 1) Permit certification of LLC as competent evidence and authorization to complete a transaction for real property.
- 2) The certification must:
 - a) Provide the legal name of the LLC.
 - b) Identify the jurisdiction in which the LLC was formed.
 - c) Provide the date of filing of the LLC's articles of organization.
 - d) Contain a statement that the LLC is in good standing in the state of organization, and if applicable that it is properly registered to do business in the state where the certification is offered.
 - e) Identify persons with authority to act on behalf of the LLC as of the date of completion of the certification.
 - f) Indicate whether all, or less than all, of the currently acting authorized signers are required to sign in order to exercise various powers of the limited liability company, in the event of multiple authorized signers.
- 3) Permit recording of the certificate of LLC with the office of the county register where some or all of the real property which is the subject of the transaction is located.
- 4) Permits excerpts from the original operating agreement.
- 5) Permits a person whose interest is, or may be affected by the certification of LLC to rely on the representations therein, however this provision does not limit the person's right to request further evidence.
- 6) Relieves a person from resulting liability if they acted in reliance of the certificate of LLC and did not have actual knowledge that the representations it contained were incorrect.

EXISTING LAW:

- 1) Requires an LLC to form and maintain an operating agreement governing which governs:
 - a) Relations among the members as members and between the members and the limited liability company.
 - b) The rights and duties under this title of a person in the capacity of manager.
 - c) The activities of the limited liability company and the conduct of those activities.
 - d) The means and conditions for amending the operating agreement. Corporations Code Section 17701.10.
- 2) Requires the LLC organizer to file with the Secretary of State articles of organization. Corp. Code Section 17702.01(a).
- 3) Requires the articles of organization to contain all of the following:
 - a) A statement that the purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under this title.
 - b) The name of the limited liability company.
 - c) The street address of the initial principal office and the mailing address of the limited liability company if it is different from the street address of the initial principal office.
 - d) The name and street address of the initial agent for service of process of the limited liability company who meets specified qualifications. If a corporate agent is designated, the name of the agent alone is sufficient.
 - e) If the limited liability company is to be manager-managed, the articles of organization shall contain a statement to that effect.
 - f) If the limited liability company is to be managed by only one manager, the articles of organization shall contain a statement to that effect. Corp. Code Section 17702.01(b).
- 4) Permits amending or restating an LLC's articles of organization at any time. Corp. Code Section 17702.02(a).
- 5) Requires every LLC to file with the Secretary of State a statement of information within 90 days of formation and biennially thereafter.
 - a) The information in the statement of information is the same as the articles of organization with the exception of the additional requirement to provide 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. Corp. Code Section 17702.09(a)(5).

6) Permits an LLC to file with the Secretary of State a statement of no change in lieu of a statement of information if there has been no change to information contained in the last statement of information. Corp. Code Section 17702.09(b).

FISCAL EFFECT: State mandated local program.

COMMENTS:

Statement from the Author

Assembly Member Davies firmly believes in advancing and improving the business climate in the state. To that end, the bill would facilitate sharing needed information that sellers and buyers find important to them. It would standardize certain specific information that the parties would have at the inception of a sales transaction. The bottom line: Sellers and buyers do not like surprises during the pendency of a transaction.

Statement of Support

AB 683 will provide a uniform state-wide form for independent escrow companies, title companies, and real estate brokers. This bill will also statutorily standardize and stabilize essential information that escrow, and the public will turn to in connection with the transfer of real property. Of noteworthy importance is to assure the public involved in the transaction is aware of the managing agent of a LLC, the federal tax identification, and the LLC managing agent who states that the LLC is in good standing with the Secretary of State...

- There are many statutory forms in real estate transactions, amongst which include a trust certificate. This bill compliments those trust certificates which have been required for many years.
- EIC has worked with the California Escrow Association and the California Land Title Association who had a significant hand in crafting the bill.
- The information will only be used where an LLC is involved and will be disclosed to all parties as evidence of authority.
- The bill facilitates escrow transactions and ensures certainty, reliability, and uniformity within those transactions. –Escrow Institute of California

Background

An LLC is an entity distinct from its members.¹ The “separate entity” is a fundamental characteristic of an LLC.² A member is a person who maintains ownership interest in the LLC, akin to shareholders for a corporation.³ An LLC can have a single member, or multiple members.

¹ Cal. Corp. Code § 17701.04(a).

² Rev. Unif. Ltd. Liab. Co. Act § 104(a) (2006) cmt

³ The statutory definition is not demonstrative of the concept. However, for curious minds, Cal. Corp. Code § 17701.02(p) defines “member” to mean “a person that has become a member of a limited liability company under Section 17704.01 and has not dissociated under Section 17706.02.” A “person” includes a natural person and entity. Cal. Corp. Code § 17701.02(v).

Similar to corporations, LLC members may enjoy different rights, such as voting and non-voting rights.

Helpful tip if one could use more information to conceptualize the full impact of separate and distinct entity status: Think of forming an LLC as creating a brand new 18 year old person— they are separate from its parent (the member or members), but they are still an adult subject to taxes, binding contracts, and following the law or facing the consequences (liability shield for members). The parents must set the rules (operating agreement) for this 18 year old to operate legally and successfully (profitably) in society. The parents cannot work against the 18 year old’s financial interest or use it to gain an unfair advantage (member’s fiduciary duties). In the same way the parent and child are two different people subject to laws and taxes, an LLC is a different “person” from its members onto itself.

An operating agreement is a binding contract between members of the organization that governs the operation and management of the LLC. While it is an internal document, a well-maintained, and adhered to operating agreement is essential. A skeleton contract risks having its validity questioned which would result in ultimately eliminating the benefit of indemnification for the members. Functionally, an operating agreement is required for most transactions binding the LLC, such as opening a bank account. An operating agreement, articles of organization, and tax employer identification number (EIN) are typically used to verify identification for an LLC in such transactions.

Among many, many other aspects, a well contemplated operating agreement provides the names and addresses and rights of all members, information for the LLC’s registered agent, processes for decision-making, and binding authority. Calling back to the helpful tip above, the more robust the operating agreement, the more clear the personhood of the entity. Otherwise the operating agreement must be amended and consented to by all parties before any action outside of the operating agreement can be taken.

Currently Available information

Both the articles of organization and statement of information are simplified, single page forms designed for user ease and statutory compliance—most businesses in California are small and micro businesses⁴ that may self-file. While the law provides detail about the contents of an operating agreement, the only documents required to be filed with the Secretary of State for an LLC are the articles of organization⁵ and subsequent, biennial statements of information. The LLC documents filed with the Secretary of State are publicly available online, but the information contained therein is scant; helpful to verify the existence, standing, and agent for service of process for a business but not much else, especially for a real property transaction.

⁴ <https://advocacy.sba.gov/wp-content/uploads/2024/11/California.pdf>

⁵ A limited liability company is formed when the Secretary of State has filed the articles of organization. Cal. Corp. Code § 17701.02(d).

Information Required for Real Property Sale and Purchase

Fundamentally, to sell property, the seller must prove ownership over the subject property. A natural person would prove ownership with title records, tax identification and proof of identity. An LLC, must do the same, however to prove identification, specific information is required. Similarly, to bind an LLC in a property purchase, authorized members, whether all or some, as determined by the operating agreement, must agree to the transaction. Sponsors of the bill describe a growing frustration among buyers and sellers of real property where one or more party is an LLC and an LLC fails to provide necessary facts which results in delaying the conveyance of property to be sold.

Permissive Certification

Permissive certification to address this narrow issue specific to LLCs in real property purchases is a measured solution to a unique problem. Considerations and comments:

- The LLC is not absolved of any existing duties, and the party relying on the certificate does not lose the right to request further documentation.
- The permissiveness aspect raises the question “why do we need a law if it is optional?” Without the law, such a certification could not legally be relied upon to bind the LLC, thus permissiveness does not mean powerlessness.
- Would creating a “fastpass” for land purchase create an avenue for fraud? Perhaps. Fraud is incredibly prevalent, however it should also be considered that escrow is a non-instant transaction, even without delays. There are multiple opportunities for fraud check points among different parties. In short, a certificate of LLC is only one layer of a multi-tiered process making fraud from this doctoring this document alone very difficult to accomplish.

AMENDMENTS FOR CONSIDERATION

1. To maintain the intended narrow scope of application, change “any person” to “a licensed escrow agent, as described in Chapter 2 (commencing with Section 17200) of Division 6 of the Financial Code, a licensed real estate broker, as defined in Section 10015 of the Business and Professions Code, and a title insurance company or underwritten title company, as described in Section 12400.5 of the Insurance Code”

A limited liability company may present a certification of limited liability company existence and authority to any person to a licensed escrow agent, as described in Chapter 2 (commencing with Section 17200) of Division 6 of the Financial Code, a licensed real estate broker, as defined in Section 10015 of the Business and Professions Code, and a title insurance company or underwritten title company, as described in Section 12400.5 of the Insurance Code to establish the present existence of the limited liability company and to identify those with authority to act on behalf of the limited liability company.

REGISTERED SUPPORT / OPPOSITION:

Support

Escrow Institute of California
Verified 1/8/2026

Opposition

None received.
Verified 1/8/2026

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