

Introduced by Senator AckermanFebruary 21, 2001

An act to amend Sections 407, 601, 603, 1001, 2115, 15677.2, 15677.3, 15677.6, 15677.7, 15677.8, 15677.9, 16902, 16903, 16904, 16905, 16906, 16907, 16908, 16909, 17540.2, 17540.3, 17540.6, 17540.7, 17540.8, and 25005.1 of, to add Sections 161.9 and 1313 to, and to add Chapter 11.5 (commencing with Section 1150) to Division 1 of, the Corporations Code, relating to business organizations.

LEGISLATIVE COUNSEL'S DIGEST

SB 399, as introduced, Ackerman. Business organizations: conversions.

Existing law provides for the creation of various forms of business organizations, including various forms of partnerships, corporations, and limited liability companies, and provides for conversion of certain of these forms of business organizations, other than corporations, into other forms of business organizations.

This bill would establish procedures for the conversion of California corporations into foreign or domestic limited liability companies, limited partnerships or general partnerships. The bill would also establish procedures for the formation of a California corporation upon the conversion of a foreign or domestic limited liability company, limited partnership, or general partnership.

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



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

1 SECTION 1. Chapter 11.5 (commencing with Section 1150)
2 is added to Division 1 of the Corporations Code, to read:

3

4

CHAPTER 11.5. CONVERSIONS

5

6 1150. For purposes of this chapter, the following definitions
7 shall apply:

8 (a) “Converted corporation” means a corporation that results
9 from a conversion of an other business entity or a foreign other
10 business entity or a foreign corporation pursuant to Section 1157.

11 (b) “Converted entity” means the other business entity, a
12 foreign other business entity or foreign corporation that results
13 from a conversion of a corporation under this chapter.

14 (c) “Converting corporation” means a corporation that
15 converts into an other business entity or a foreign other business
16 entity or a foreign corporation pursuant to this chapter.

17 (d) “Converting entity” means an other business entity or a
18 foreign other business entity or foreign corporation that converts
19 into a corporation pursuant to Section 1157.

20 (e) “Foreign other business entity” has the meaning provided
21 in Section 171.07.

22 (f) “Other business entity” has the meaning provided in
23 Section 174.5.

24 1151. A corporation may be converted into an other business
25 entity or a foreign other business entity or a foreign corporation
26 pursuant to this chapter if, pursuant to the proposed conversion, (1)
27 each share of the same class or series of the converting corporation
28 shall, unless all the shareholders of the class or series consent, be
29 treated equally with respect to any cash, rights, securities, or other
30 property to be received by, or any obligations or restrictions to be
31 imposed on, the holder of that share, and (2) nonredeemable
32 common shares of the converting corporation shall be converted
33 only into nonredeemable equity securities of the converted entity
34 unless all of the shareholders of the class consent; provided,
35 however, that clause (1) shall not restrict the ability of the
36 shareholders of a converting corporation to appoint one or more
37 managers, if the converted entity is a limited liability company, or
38 one or more general partners, if the converted entity is a limited



1 partnership, in the plan of conversion or in the converted entity's
2 governing documents. Notwithstanding this section, the
3 conversion of a corporation into an other business entity or a
4 foreign other business entity or a foreign corporation may be
5 effected only if both of the following conditions are complied
6 with:

7 (a) The law under which the converted entity will exist
8 expressly permits the formation of that entity pursuant to a
9 conversion.

10 (b) The corporation complies with any and all other
11 requirements of any other law that applies to conversion to the
12 converted entity.

13 1152. (a) A corporation that desires to convert to an other
14 business entity or a foreign other business entity or a foreign
15 corporation shall approve a plan of conversion. The plan of
16 conversion shall state all of the following:

17 (1) The terms and conditions of the conversion.

18 (2) The jurisdiction of the organization of the converted entity
19 and of the converting corporation and the name of the converted
20 entity after conversion.

21 (3) The manner of converting the shares of each of the
22 shareholders of the converting corporation into securities of, or
23 interests in, the converted entity.

24 (4) The provisions of the governing documents for the
25 converted entity, including the articles or certificate of
26 incorporation, if the converted entity is a foreign corporation, or
27 the partnership agreement or limited liability company articles of
28 organization and operating agreement, to which the holders of
29 interests in the converted entity are to be bound.

30 (5) Any other details or provisions that are required by the laws
31 under which the converted entity is organized, or that are desired
32 by the converting corporation.

33 (b) The plan of conversion shall be approved by the board of
34 the converting corporation (Section 151), and the principal terms
35 of the plan of the conversion shall be approved by the outstanding
36 shares (Section 152) of each class of the converting corporation.
37 The approval of the outstanding shares may be given before or
38 after approval by the board. Notwithstanding the foregoing, if a
39 converting corporation is a close corporation, the conversion shall
40 be approved by the affirmative vote of at least two-thirds of each



1 class of outstanding shares of such converting corporation;
2 provided, however, that the articles may provide for a lesser vote,
3 but not less than a majority of the outstanding shares of each class.

4 (c) If the corporation is converting into a general or limited
5 partnership or into a limited liability company, then in addition to
6 the approval of the shareholders set forth in subdivision (b), the
7 plan of conversion shall be approved by each shareholder who will
8 become a general partner or manager, as applicable, of the
9 converted entity pursuant to the plan of conversion unless the
10 shareholders have dissenters' rights pursuant to Section 1159 and
11 Chapter 13 (commencing with Section 1300).

12 (d) Upon the effectiveness of the conversion, all shareholders
13 of the converting corporation, except those that exercise
14 dissenters' rights as provided in Section 1159 and Chapter 13
15 (commencing with Section 1300), shall be deemed parties to any
16 agreement or agreements constituting the governing documents
17 for the converted entity adopted as part of the plan of conversion,
18 irrespective of whether or not a shareholder has executed the plan
19 of conversion or those governing documents for the converted
20 entity. Any adoption of governing documents made pursuant
21 thereto shall be effective at the effective time or date of the
22 conversion.

23 (e) Notwithstanding its prior approval by the board and the
24 outstanding shares or either of them, a plan of conversion may be
25 amended before the conversion takes effect if the amendment is
26 approved by the board and, if it changes any of the principal terms
27 of the plan of conversion, by the shareholders of the converting
28 corporation in the same manner and to the same extent as was
29 required for approval of the original plan of conversion.

30 (f) A plan of conversion may be abandoned by the board of a
31 converting corporation, or by the shareholders of a converting
32 corporation if the abandonment is approved by the outstanding
33 shares, in each case in the same manner as required for approval
34 of the plan of conversion, subject to the contractual rights of third
35 parties, at any time before the conversion is effective.

36 (g) The converted entity shall keep the plan of conversion at (1)
37 the principal place of business of the converted entity if the
38 converted entity is a domestic partnership or foreign other business
39 entity or (2) at the office at which records are to be kept under
40 Section 15614 if the converted entity is a domestic limited



1 partnership or at the office at which records are to be kept under
2 Section 17057 if the converted entity is a domestic limited liability
3 company. Upon the request of a shareholder of a converting
4 corporation, the authorized person on behalf of the converted
5 entity shall promptly deliver to the shareholder, at the expense of
6 the converted entity, a copy of the plan of conversion. A waiver by
7 a shareholder of the rights provided in this subdivision shall be
8 unenforceable.

9 1153. (a) A conversion of a corporation into an other
10 business entity or a foreign other business entity or a foreign
11 corporation shall become effective upon the earliest date that all
12 of the following have occurred:

13 (1) The approval of the plan of conversion by the board and the
14 outstanding shares of the converting corporation as provided in
15 Section 1152.

16 (2) The filing of all documents required by law to effect the
17 conversion and create the converted entity, which documents shall
18 also contain a statement of conversion if required under Section
19 1155.

20 (3) The occurrence of the effective date, if set forth in the plan
21 of conversion.

22 (b) A copy of the statement of partnership authority, certificate
23 of limited partnership, or articles of organization complying with
24 Section 1155, duly certified by the Secretary of State on or after
25 the effective date, is conclusive evidence of the conversion of the
26 corporation.

27 1154. (a) The conversion of a corporation into a foreign other
28 business entity or a foreign corporation shall comply with Sections
29 1151 and 1152.

30 (b) If the corporation is converting into a foreign other business
31 entity or a foreign corporation, the conversion proceedings shall
32 be in accordance with the laws of the state or place of organization
33 of the foreign other business entity or foreign corporation, except
34 as otherwise provided in subdivision (a), and the conversion shall
35 become effective in accordance with that law.

36 (c) (1) To enforce an obligation of a corporation that has
37 converted to a foreign corporation or foreign other business entity,
38 the Secretary of State shall only be the agent for service of process
39 in an action or proceeding against that converted foreign entity if
40 the agent designated for the service of process for the entity is a



1 natural person and cannot be located with due diligence or if the
2 agent is a corporation and no person, to whom delivery may be
3 made, may be located with due diligence, or if no agent has been
4 designated and if no one of the officers, partners, managers,
5 shareholders, or agents of that entity may be located after diligent
6 search, and it is so shown by affidavit to the satisfaction of the
7 court. The court then may make an order that service be made by
8 personal delivery to the Secretary of State or to an assistant or
9 deputy Secretary of State of two copies of the process together
10 with two copies of the order, and the order shall set forth an address
11 to which the process shall be sent by the Secretary of State. Service
12 in this manner is deemed complete on the 10th day after delivery
13 of the process to the Secretary of State.

14 (2) Upon receipt of the process and order and the fee set forth
15 in Section 12197 of the Government Code, the Secretary of State
16 shall give notice to that entity of the service of the process by
17 forwarding by certified mail, return receipt requested, a copy of
18 the process and order to the address specified in the order.

19 (3) The Secretary of State shall keep a record of all process
20 served upon the Secretary of State and shall record therein the time
21 of service and the Secretary of State's action with respect thereto.
22 The certificate of the Secretary of State, under the Secretary of
23 State's official seal, certifying to the receipt of process, the giving
24 of notice thereof to that entity, and the forwarding of the process,
25 shall be competent and prima facie evidence of the matters stated
26 therein.

27 1155. (a) To convert a corporation:

28 (1) If the corporation is converting into a domestic limited
29 partnership, a statement of conversion shall be completed on the
30 certificate of limited partnership for the converted entity.

31 (2) If the corporation is converting into a domestic partnership,
32 a statement of conversion shall be completed on the statement of
33 partnership authority for the converted entity, or if no statement of
34 partnership authority is filed then a certificate of conversion shall
35 be filed separately.

36 (3) If the corporation is converting into a domestic limited
37 liability company, a statement of conversion shall be completed on
38 the articles of organization for the converted entity.



1 (4) If the corporation is converting into a foreign corporation
2 or foreign other business entity, a certificate of conversion shall be
3 filed with the Secretary of State.

4 (b) Any statement or certificate of conversion shall be executed
5 and acknowledged by those officers of the converting corporation
6 as would be required to sign an officers' certificate (Section 173),
7 and shall set forth all of the following:

8 (1) The name and the Secretary of State's file number of the
9 converting corporation.

10 (2) A statement of the total number of outstanding shares of
11 each class entitled to vote on the conversion, that the principal
12 terms of the plan of conversion were approved by a vote of the
13 number of shares of each class which equaled or exceeded the vote
14 required under Section 1152, specifying each class entitled to vote
15 and the percentage vote required of each class.

16 (3) The name and form and jurisdiction of organization of the
17 converted entity.

18 (c) The filing with the Secretary of State of a statement of
19 conversion on an organizational document or a certificate of
20 conversion as set forth in subdivision (a) shall have the effect of
21 the filing of a certificate of dissolution by the converting
22 corporation and no converting corporation that has made the filing
23 is required to file a certificate of election under Section 1901 or a
24 certificate of dissolution under Section 1905 as a result of that
25 conversion.

26 (d) No statement or certificate of conversion shall be filed with
27 the Secretary of State until there has been filed by or on behalf of
28 the converting corporation the certificate of satisfaction of the
29 Franchise Tax Board that all taxes imposed by the Bank and
30 Corporation Tax Law (Part 11 (commencing with Section 23001)
31 of Division 2 of the Revenue and Taxation Code) have been paid
32 or secured. Notwithstanding the foregoing, if the converted entity
33 is a domestic partnership, domestic limited partnership or
34 domestic limited liability company, the Secretary of State shall file
35 the statement or certificate of conversion without the certificate of
36 satisfaction of the Franchise Tax Board and shall notify the
37 Franchise Tax Board of the conversion. Upon the effectiveness of
38 a conversion pursuant to this chapter, a converted entity that is a
39 domestic partnership, domestic limited partnership or domestic
40 limited liability company shall be deemed to have assumed the



1 liability of the converting corporation (1) to prepare and file or
2 cause to be prepared and filed all tax and information returns
3 otherwise required of the converting corporation under the Bank
4 and Corporation Tax Law (Part 11 (commencing with Section
5 23001) of Division 2 of the Revenue and Taxation Code) and (2)
6 to pay any tax liability determined to be due pursuant to that law.
7 1156. (a) Whenever a corporation or other business entity
8 having any real property in this state converts into a corporation
9 or an other business entity pursuant to the laws of this state or of
10 the state or place in which the corporation or other business entity
11 was organized, and the laws of the state or place of organization,
12 including this state, of the converting corporation or other
13 converting entity provide substantially that the conversion vests in
14 the converted corporation or other converted entity all the real
15 property of the converting corporation or other converting entity,
16 the filing for record in the office of the county recorder of any
17 county in this state in which any of the real property of the
18 converting corporation or other converting entity is located of
19 either (1) a certificate of conversion or a statement of partnership
20 authority, certificate of limited partnership or articles of
21 organization containing a statement of conversion complying with
22 Section 1155 and certified on or after the effective date of the
23 conversion by the Secretary of State or (2) a copy of a certificate
24 of conversion or a statement of partnership authority, certificate of
25 limited partnership, articles of organization, articles of
26 incorporation, or other comparable organizing document
27 evidencing the creation of a foreign other business entity or foreign
28 corporation, containing a statement of conversion, meeting the
29 requirements of subdivision (b) and certified on or after the
30 effective date of the conversion by the Secretary of State or any
31 other authorized public official of the state or place pursuant to the
32 laws of which the converted entity is organized, shall evidence
33 record ownership in the converted corporation or other converted
34 entity of all interest of the converting corporation or other
35 converting entity in and to the real property located in that county.
36 (b) A filed and, if appropriate, recorded certificate of
37 conversion or a statement of partnership authority, certificate of
38 limited partnership, articles of organization, articles of
39 incorporation, or other comparable organizing document
40 evidencing the formation of a foreign other business entity or a



1 foreign corporation referred to in clause (2) of subdivision (a)
2 above which contains a statement of conversion, stating the name
3 of the converting corporation or other converting entity in whose
4 name property was held before the conversion and the name of the
5 converted entity or converted corporation, but not containing all
6 of the other information required by Section 1155, operates with
7 respect to the converted entity named to the extent provided in
8 subdivision (a).

9 (c) Recording of a certificate of conversion or a statement of
10 partnership authority, certificate of limited partnership, articles of
11 organization, articles of incorporation, or other comparable
12 organizing document evidencing the creation of an other business
13 entity or a corporation, containing a statement of conversion, in
14 accordance with subdivision (a), shall create, in favor of bona fide
15 purchasers or encumbrances for value, a conclusive presumption
16 that the conversion was validly completed.

17 1157. (a) An other business entity or a foreign other business
18 entity or a foreign corporation may be converted into a corporation
19 pursuant to this chapter only if the converting entity is authorized
20 by the laws under which it is organized to effect the conversion.

21 (b) An other business entity or a foreign other business entity
22 or a foreign corporation that desires to convert into a corporation
23 shall approve a plan of conversion or other instrument as is
24 required to be approved to effect the conversion pursuant to the
25 laws under which that entity is organized.

26 (c) The conversion of an other business entity or a foreign other
27 business entity or a foreign corporation shall be approved by the
28 number or percentage of the partners, members, shareholders, or
29 other holders of interest of the converting entity that is required by
30 the laws under which that entity is organized, or a greater or lesser
31 percentage, subject to applicable laws, as set forth in the
32 converting entity's partnership agreement, articles of
33 organization, operating agreement, articles of incorporation or
34 other governing document.

35 (d) The conversion by an other business entity or a foreign
36 other business entity or a foreign corporation shall be effective
37 under this chapter at the time the conversion is effective under the
38 laws under which the converting entity is organized as long as the
39 articles of incorporation of the converted corporation, containing
40 a statement of conversion, have been filed with the Secretary of



1 State. If the converting entity's governing law is silent as to the
2 time of effectiveness of the conversion, the conversion shall be
3 effective upon the filing of the articles of incorporation of the
4 converted corporation with the Secretary of State.

5 (e) The filing with the Secretary of State of a certificate of
6 conversion or articles of incorporation containing a statement
7 pursuant to subdivision (d) shall have the effect of the filing of a
8 certificate of cancellation by a converting foreign limited liability
9 company or foreign limited partnership, and no converting foreign
10 limited liability company or foreign limited partnership that has
11 made the filing is required to file a certificate of cancellation under
12 Section 15696 or 17455 as a result of that conversion. If a
13 converting entity is a foreign corporation qualified to transact
14 business in this state, the foreign corporation shall, by virtue of the
15 filing, automatically surrender its right to transact interstate
16 business.

17 1158. (a) An entity that converts into another entity pursuant
18 to this chapter is for all purposes the same entity that existed before
19 the conversion.

20 (b) Upon a conversion taking effect, all of the following apply:

21 (1) All the rights and property, whether real, personal, or
22 mixed, of the converting entity or converting corporation are
23 vested in the converted entity or converted corporation.

24 (2) All debts, liabilities, and obligations of the converting
25 entity or converting corporation continue as debts, liabilities, and
26 obligations of the converted entity or converted corporation.

27 (3) All rights of creditors and liens upon the property of the
28 converting entity or converting corporation shall be preserved
29 unimpaired and remain enforceable against the converted entity or
30 converted corporation to the same extent as against the converting
31 entity or converting corporation as if the conversion had not
32 occurred.

33 (4) Any action or proceeding pending by or against the
34 converting entity or converting corporation may be continued
35 against the converted entity or converted corporation as if the
36 conversion had not occurred.

37 (c) A shareholder of a converting corporation is liable for:

38 (1) All obligations of the converting corporation for which the
39 shareholder was personally liable before the conversion, but only



1 to the extent that the shareholder was personally liable for the
2 obligations of the converting corporation before the conversion.

3 (2) All obligations of the converted entity incurred after the
4 conversion takes effect if (A) the shareholder becomes a general
5 partner of a converted entity that is a general or limited partnership
6 and, as a general partner, has liability under the laws under which
7 the converted entity is organized or under the converted entity's
8 governing documents or (B) the shareholder becomes a holder of
9 other interests in the converted entity and, as a holder, has liability
10 under the laws under which the converted entity is organized or
11 under the converted entity's governing documents.

12 (d) A shareholder of a converted corporation remains liable for
13 any and all obligations of the converting entity for which the
14 shareholder was personally liable before the conversion, but only
15 to the extent that the shareholder was personally liable for the
16 obligations of the converting entity prior to the conversion.

17 (e) If a party to a transaction with a converted corporation that
18 converted from a partnership reasonably believes when entering
19 into the transaction that a shareholder of the converted corporation
20 continues to be a general partner of the converting entity after the
21 conversion is effective, and the shareholder was a general partner
22 of the partnership that converted into the converted corporation,
23 the shareholder is liable for an obligation incurred by the converted
24 corporation within 90 days after the conversion takes effect. The
25 shareholder's liability for all other obligations of the converted
26 corporation incurred after the conversion takes effect is that of a
27 shareholder of a corporation.

28 1159. The shareholders of a converting corporation shall have
29 all of the rights under Chapter 13 (commencing with Section 1300)
30 of the shareholders of a corporation involved in a reorganization
31 requiring the approval of its outstanding shares (Section 152), and
32 the converting corporation shall have all of the obligations under
33 Chapter 13 (commencing with Section 1300) of a corporation
34 involved in the reorganization. Solely for purposes of applying the
35 provisions of Chapter 13 (and not for purposes of Chapter 12), a
36 conversion pursuant to Section 1151 or 1157 shall be deemed to
37 constitute a reorganization.

38 SEC. 2. Section 161.9 is added to the Corporations Code, to
39 read:



1 161.9. “Conversion” means a conversion pursuant to
2 Chapter 11.5 (commencing with Section 1150).

3 SEC. 3. Section 407 of the Corporations Code is amended to
4 read:

5 407. A corporation may, but is not required to, issue fractions
6 of a share originally or upon transfer. If it does not issue fractions
7 of a share, it shall in connection with any original issuance of
8 shares (a) arrange for the disposition of fractional interests by
9 those entitled thereto, (b) pay in cash the fair value of fractions of
10 a share as of the time when those entitled to receive ~~such those~~
11 fractions are determined or (c) issue scrip or warrants in registered
12 form, as certificated securities or uncertificated securities, or
13 bearer form as certificated securities, which shall entitle the holder
14 to receive a certificate for a full share upon the surrender of ~~such~~
15 *the scrip or warrants aggregating a full share*; provided, however,
16 that, if the fraction of a share ~~which that~~ any person would
17 otherwise be entitled to receive in a merger, *conversion*, or
18 reorganization is less than one-half of 1 percent of the total shares
19 ~~such that~~ person is entitled to receive, a merger, *conversion*, or
20 reorganization agreement may provide that fractions of a share
21 will be disregarded or that shares issuable in the merger *or*
22 *conversion* will be rounded off to the nearest whole share; and
23 provided, further, that a corporation may not pay cash for
24 fractional shares if ~~such that~~ action would result in the cancellation
25 of more than 10 percent of the outstanding shares of any class. A
26 determination by the board of the fair value of fractions of a share
27 shall be conclusive in the absence of fraud. A certificate for a
28 fractional share shall, but scrip or warrants shall not unless
29 otherwise provided therein, entitle the holder to exercise voting
30 rights, to receive dividends thereon and to participate in any of the
31 assets of the corporation in the event of liquidation. The board may
32 cause scrip or warrants to be issued subject to the condition that
33 they shall become void if not exchanged for full shares before a
34 specified date or that the shares for which scrip or warrants are
35 exchangeable may be sold by the corporation and the proceeds
36 thereof distributed to the holder of the scrip or warrants or any
37 other condition ~~which that~~ the board may impose.

38 SEC. 4. Section 601 of the Corporations Code is amended to
39 read:



1 601. (a) Whenever shareholders are required or permitted to
2 take any action at a meeting a written notice of the meeting shall
3 be given not less than 10 (or, if sent by third-class mail, 30) nor
4 more than 60 days before the date of the meeting to each
5 shareholder entitled to vote thereat. ~~Such~~ That notice shall state
6 the place, date and hour of the meeting and (1) in the case of a
7 special meeting, the general nature of the business to be transacted,
8 and no other business may be transacted, or (2) in the case of the
9 annual meeting, those matters ~~which~~ that the board, at the time of
10 the mailing of the notice, intends to present for action by the
11 shareholders, but subject to the provisions of subdivision (f) any
12 proper matter may be presented at the meeting for ~~such~~ that action.
13 The notice of any meeting at which directors are to be elected shall
14 include the names of nominees intended at the time of the notice
15 to be presented by the board for election.

16 (b) Notice of a shareholders' meeting or any report shall be
17 given either personally or by first-class mail, or, in the case of a
18 corporation with outstanding shares held of record by 500 or more
19 persons (determined as provided in Section 605) on the record date
20 for the shareholders' meeting, notice may be sent third-class mail,
21 or other means of written communication, addressed to the
22 shareholder at the address of ~~such~~ that shareholder appearing on
23 the books of the corporation or given by the shareholder to the
24 corporation for the purpose of notice; or if no ~~such~~ address appears
25 or is given, at the place where the principal executive office of the
26 corporation is located or by publication at least once in a
27 newspaper of general circulation in the county in which the
28 principal executive office is located. The notice or report shall be
29 deemed to have been given at the time when delivered personally
30 or deposited in the mail or sent by other means of written
31 communication. An affidavit of mailing of any notice or report in
32 accordance with the provisions of this division, executed by the
33 secretary, assistant secretary or any transfer agent, shall be prima
34 facie evidence of the giving of the notice or report.

35 If any notice or report addressed to the shareholder at the
36 address of ~~such~~ that shareholder appearing on the books of the
37 corporation is returned to the corporation by the United States
38 ~~postal service~~ *Postal Service* marked to indicate that the United
39 States ~~postal service~~ *Postal Service* is unable to deliver the notice
40 or report to the shareholder at ~~such~~ that address, all future notices



1 or reports shall be deemed to have been duly given without further
2 mailing if the same shall be available for the shareholder upon
3 written demand of the shareholder at the principal executive office
4 of the corporation for a period of one year from the date of the
5 giving of the notice or report to all other shareholders.

6 (c) Upon request in writing to the chairman of the board,
7 president, vice president or secretary by any person (other than the
8 board) entitled to call a special meeting of shareholders, the officer
9 forthwith shall cause notice to be given to the shareholders entitled
10 to vote that a meeting will be held at a time requested by the person
11 or persons calling the meeting, not less than 35 nor more than 60
12 days after the receipt of the request. If the notice is not given within
13 20 days after receipt of the request, the persons entitled to call the
14 meeting may give the notice or the superior court of the proper
15 county shall summarily order the giving of the notice, after notice
16 to the corporation giving it an opportunity to be heard. The
17 procedure provided in subdivision (c) of Section 305 shall apply
18 to ~~such~~ that application. The court may issue ~~such~~ orders as may
19 be appropriate, including, without limitation, orders designating
20 the time and place of the meeting, the record date for determination
21 of shareholders entitled to vote and the form of notice.

22 (d) When a shareholders' meeting is adjourned to another time
23 or place, unless the bylaws otherwise require and except as
24 provided in this subdivision, notice need not be given of the
25 adjourned meeting if the time and place thereof are announced at
26 the meeting at which the adjournment is taken. At the adjourned
27 meeting the corporation may transact any business ~~which~~ that
28 might have been transacted at the original meeting. If the
29 adjournment is for more than 45 days or if after the adjournment
30 a new record date is fixed for the adjourned meeting, a notice of
31 the adjourned meeting shall be given to each shareholder of record
32 entitled to vote at the meeting.

33 (e) The transactions of any meeting of shareholders, however
34 called and noticed, and wherever held, are as valid as though had
35 at a meeting duly held after regular call and notice, if a quorum is
36 present either in person or by proxy, and if, either before or after
37 the meeting, each of the persons entitled to vote, not present in
38 person or by proxy, signs a written waiver of notice or a consent
39 to the holding of the meeting or an approval of the minutes thereof.
40 All ~~such~~ those waivers, consents and approvals shall be filed with



1 the corporate records or made a part of the minutes of the meeting.
2 Attendance of a person at a meeting shall constitute a waiver of
3 notice of and presence at ~~such~~ *the* meeting, except when the person
4 objects, at the beginning of the meeting, to the transaction of any
5 business because the meeting is not lawfully called or convened
6 and except that attendance at a meeting is not a waiver of any right
7 to object to the consideration of matters required by this division
8 to be included in the notice but not so included, if ~~such~~ *the*
9 objection is expressly made at the meeting. Neither the business to
10 be transacted at nor the purpose of any regular or special meeting
11 of shareholders need be specified in any written waiver of notice,
12 consent to the holding of the meeting or approval of the minutes
13 thereof, unless otherwise provided in the articles or bylaws, except
14 as provided in subdivision (f).

15 (f) Any shareholder approval at a meeting, other than
16 unanimous approval by those entitled to vote, pursuant to Section
17 310, 902, *1152*, 1201, 1900 or 2007 shall be valid only if the
18 general nature of the proposal so approved was stated in the notice
19 of meeting or in any written waiver of notice.

20 SEC. 5. Section 603 of the Corporations Code is amended to
21 read:

22 603. (a) Unless otherwise provided in the articles, any action
23 ~~which~~ *that* may be taken at any annual or special meeting of
24 shareholders may be taken without a meeting and without prior
25 notice, if a consent in writing, setting forth the action so taken,
26 shall be signed by the holders of outstanding shares having not less
27 than the minimum number of votes that would be necessary to
28 authorize or take ~~such~~ *that* action at a meeting at which all shares
29 entitled to vote thereon were present and voted.

30 (b) Unless the consents of all shareholders entitled to vote have
31 been solicited in writing,

32 (1) Notice of any shareholder approval pursuant to Section
33 310, 317, *1152*, 1201 or 2007 without a meeting by less than
34 unanimous written consent shall be given at least 10 days before
35 the consummation of the action authorized by ~~such~~ *that*
36 approval, and

37 (2) Prompt notice shall be given of the taking of any other
38 corporate action approved by shareholders without a meeting by
39 less than unanimous written consent,



1 to those shareholders entitled to vote who have not consented in
2 writing. Subdivision (b) of Section 601 applies to ~~such~~ *that* notice.

3 (c) Any shareholder giving a written consent, or the
4 shareholder's proxyholders, or a transferee of the shares or a
5 personal representative of the shareholder or their respective
6 proxyholders, may revoke the consent by a writing received by the
7 corporation prior to the time that written consents of the number
8 of shares required to authorize the proposed action have been filed
9 with the secretary of the corporation, but may not do so thereafter.
10 ~~Such~~ *The* revocation is effective upon its receipt by the secretary
11 of the corporation.

12 (d) Notwithstanding subdivision (a), directors may not be
13 elected by written consent except by unanimous written consent of
14 all shares entitled to vote for the election of directors; provided that
15 the shareholders may elect a director to fill a vacancy, other than
16 a vacancy created by removal, by the written consent of a majority
17 of the outstanding shares entitled to vote.

18 SEC. 6. Section 1001 of the Corporations Code is amended to
19 read:

20 1001. (a) A corporation may sell, lease, convey, exchange,
21 transfer, or otherwise dispose of all or substantially all of its assets
22 when the principal terms are approved by the board, and, unless the
23 transaction is in the usual and regular course of its business,
24 approved by the outstanding shares (Section 152), either before or
25 after approval by the board and before or after the transaction. A
26 transaction constituting a reorganization (Section 181) is subject
27 to the provisions of Chapter 12 (commencing with Section 1200)
28 and not this section (other than subdivision (d)). *A transaction*
29 *constituting a conversion (Section 161.9) is subject to the*
30 *provisions of Chapter 11.5 (commencing with Section 1150) and*
31 *not this section.*

32 (b) Notwithstanding approval of the outstanding shares
33 (Section 152), the board may abandon the proposed transaction
34 without further action by the shareholders, subject to the
35 contractual rights, if any, of third parties.

36 (c) The sale, lease, conveyance, exchange, transfer or other
37 disposition may be made upon those terms and conditions and for
38 that consideration as the board may deem in the best interests of
39 the corporation. The consideration may be money, securities, or
40 other property.



1 (d) If the acquiring party in a transaction pursuant to
2 subdivision (a) of this section or subdivision (g) of Section 2001
3 is in control of or under common control with the disposing
4 corporation, the principal terms of the sale must be approved by
5 at least 90 percent of the voting power of the disposing corporation
6 unless the disposition is to a domestic or foreign corporation or
7 other business entity in consideration of the nonredeemable
8 common shares or nonredeemable equity securities of the
9 acquiring party or its parent.

10 (e) Subdivision (d) does not apply to any transaction if the
11 Commissioner of Corporations, the Commissioner of Financial
12 Institutions, the Insurance Commissioner or the Public Utilities
13 Commission has approved the terms and conditions of the
14 transaction and the fairness of those terms and conditions pursuant
15 to Section 25142, Section 696.5 of the Financial Code, Section
16 838.5 of the Insurance Code, or Section 822 of the Public Utilities
17 Code.

18 SEC. 7. Section 1313 is added to the Corporations Code, to
19 read:

20 1313. A conversion pursuant to Chapter 11.5 (commencing
21 with Section 1150) shall be deemed to constitute a reorganization
22 for purposes of applying the provisions of this chapter, in
23 accordance with and to the extent provided in Section 1159.

24 SEC. 8. Section 2115 of the Corporations Code is amended to
25 read:

26 2115. (a) A foreign corporation (other than a foreign
27 association or foreign nonprofit corporation but including a
28 foreign parent corporation even though it does not itself transact
29 intrastate business) is subject to the requirements of subdivision
30 (b) commencing on the date specified in subdivision (d) and
31 continuing until the date specified in subdivision (e) if:

32 (1) the average of the property factor, the payroll factor, and the
33 sales factor (as defined in Sections 25129, 25132, and 25134 of the
34 Revenue and Taxation Code) with respect to it is more than 50
35 percent during its latest full income year and

36 (2) more than one-half of its outstanding voting securities are
37 held of record by persons having addresses in this state appearing
38 on the books of the corporation on the record date for the latest
39 meeting of shareholders held during its latest full income year or,
40 if no meeting was held during that year, on the last day of the latest



1 full income year. The property factor, payroll factor, and sales
2 factor shall be those used in computing the portion of its income
3 allocable to this state in its franchise tax return or, with respect to
4 corporations the allocation of whose income is governed by
5 special formulas or that are not required to file separate or any tax
6 returns, which would have been so used if they were governed by
7 this three-factor formula. The determination of these factors with
8 respect to any parent corporation shall be made on a consolidated
9 basis, including in a unitary computation (after elimination of
10 intercompany transactions) the property, payroll, and sales of the
11 parent and all of its subsidiaries in which it owns directly or
12 indirectly more than 50 percent of the outstanding shares entitled
13 to vote for the election of directors, but deducting a percentage of
14 the property, payroll, and sales of any subsidiary equal to the
15 percentage minority ownership, if any, in the subsidiary. For the
16 purpose of this subdivision, any securities held to the knowledge
17 of the issuer in the names of broker-dealers, nominees for
18 broker-dealers (including clearing corporations), or banks,
19 associations, or other entities holding securities in a nominee name
20 or otherwise on behalf of a beneficial owner (collectively
21 “Nominee Holders”), shall not be considered outstanding.
22 However, if the foreign corporation requests all Nominee Holders
23 to certify, with respect to all beneficial owners for whom securities
24 are held, the number of shares held for those beneficial owners
25 having addresses (as shown on the records of the Nominee Holder)
26 in this state and outside of this state, then all shares so certified
27 shall be considered outstanding and held of record by persons
28 having addresses either in this state or outside of this state as so
29 certified, provided that the certification so provided shall be
30 retained with the record of shareholders and made available for
31 inspection and copying in the same manner as is provided in
32 Section 1600 with respect to that record. A current list of beneficial
33 owners of a foreign corporation’s securities provided to the
34 corporation by one or more Nominee Holders or their agent
35 pursuant to the requirements of Rule 14b-1(b)(3) or 14b-2(b)(3)
36 as adopted on January 6, 1992, promulgated under the Securities
37 Exchange Act of 1934, shall constitute an acceptable certification
38 with respect to beneficial owners for the purposes of this
39 subdivision.



1 (b) Except as provided in subdivision (c), the following
2 chapters and sections of this division shall apply to a foreign
3 corporation as defined in subdivision (a) (to the exclusion of the
4 law of the jurisdiction in which it is incorporated):
5 Chapter 1 (general provisions and definitions), to the extent
6 applicable to the following provisions;
7 Section 301 (annual election of directors);
8 Section 303 (removal of directors without cause);
9 Section 304 (removal of directors by court proceedings);
10 Section 305, subdivision (c) (filling of director vacancies where
11 less than a majority in office elected by shareholders);
12 Section 309 (directors' standard of care);
13 Section 316 (excluding paragraph (3) of subdivision (a) and
14 paragraph (3) of subdivision (f)) (liability of directors for unlawful
15 distributions);
16 Section 317 (indemnification of directors, officers, and others);
17 Sections 500 to 505, inclusive (limitations on corporate
18 distributions in cash or property);
19 Section 506 (liability of shareholder who receives unlawful
20 distribution);
21 Section 600, subdivisions (b) and (c) (requirement for annual
22 shareholders' meeting and remedy if same not timely held);
23 Section 708, subdivisions (a), (b), and (c) (shareholder's right
24 to cumulate votes at any election of directors);
25 Section 710 (supermajority vote requirement);
26 Section 1001, subdivision (d) (limitations on sale of assets);
27 Section 1101 (provisions following subdivision (e))
28 (limitations on mergers);
29 *Section 1151 (first sentence only) (limitations on conversions);*
30 *Section 1152 (requirements of conversions);*
31 Chapter 12 (commencing with Section 1200) (reorganizations);
32 Chapter 13 (commencing with Section 1300) (dissenters'
33 rights);
34 Sections 1500 and 1501 (records and reports);
35 Section 1508 (action by Attorney General);
36 Chapter 16 (commencing with Section 1600) (rights of
37 inspection).
38 (c) This section does not apply to any corporation (1) with
39 outstanding securities listed on the New York Stock Exchange or
40 the American Stock Exchange, or (2) with outstanding securities



1 designated as qualified for trading on the Nasdaq National Market
2 (or any successor thereto) of the Nasdaq Stock Market operated by
3 the Nasdaq Stock Market Inc., or (3) if all of its voting shares
4 (other than directors' qualifying shares) are owned directly or
5 indirectly by a corporation or corporations not subject to this
6 section.

7 (d) For purposes of subdivision (a), the requirements of
8 subdivision (b) shall become applicable to a foreign corporation
9 only upon the first day of the first income year of the corporation
10 (i) commencing on or after the 135th day of the income year
11 immediately following the latest income year with respect to
12 which the tests referred to in subdivision (a) have been met or (ii)
13 commencing on or after the entry of a final order by a court of
14 competent jurisdiction declaring that those tests have been met.

15 (e) For purposes of subdivision (a), the requirements of
16 subdivision (b) shall cease to be applicable to a foreign corporation
17 (i) at the end of the first income year of the corporation
18 immediately following the latest income year with respect to
19 which at least one of the tests referred to in subdivision (a) is not
20 met or (ii) at the end of the income year of the corporation during
21 which a final order has been entered by a court of competent
22 jurisdiction declaring that one of those tests is not met, provided
23 that a contrary order has not been entered before the end of the
24 income year.

25 (f) Any foreign corporation that is subject to the requirements
26 of subdivision (b) shall advise any shareholder of record, any
27 officer, director, employee, or other agent (within the meaning of
28 Section 317) and any creditor of the corporation in writing, within
29 30 days of receipt of written request for that information, whether
30 or not it is subject to subdivision (b) at the time the request is
31 received. Any party who obtains a final determination by a court
32 of competent jurisdiction that the corporation failed to provide to
33 the party information required to be provided by this subdivision
34 or provided the party information of the kind required to be
35 provided by this subdivision that was incorrect, then the court, in
36 its discretion, shall have the power to include in its judgment
37 recovery by the party from the corporation of all court costs and
38 reasonable attorneys' fees incurred in that legal proceeding to the
39 extent they relate to obtaining that final determination.



1 SEC. 9. Section 15677.2 of the Corporations Code is
2 amended to read:

3 15677.2. A limited partnership may be converted into an
4 other business entity or a foreign other business entity or a foreign
5 limited partnership pursuant to this article if, (1) pursuant to ~~the~~
6 ~~proposed~~ *a conversion into a domestic or foreign partnership or*
7 *limited liability company or into a foreign limited partnership,*
8 each of the partners of the converting limited partnership receives
9 a percentage interest in the profits and capital of the converted
10 entity equal to that partner's percentage interest in profits and
11 capital of the converting limited partnership as of the effective
12 time of the conversion, *and (2) pursuant to a conversion into an*
13 *other business entity or foreign other business entity not specified*
14 *in clause (1) above, (a) each limited partnership interest of the*
15 *same class is treated equally with respect to any distribution of*
16 *cash, property, rights, interests, or securities of the converted*
17 *entity, unless all limited partners of the class consent, and (b) the*
18 *nonredeemable limited partnership interests of the converting*
19 *limited partnership are converted only into nonredeemable*
20 *interests or securities of the converted entity, unless all holders of*
21 *the nonredeemable interests consent.* The conversion of a limited
22 partnership to an other business entity or a foreign other business
23 entity or a foreign limited partnership may be effected only if both
24 of the following conditions are satisfied:

25 (a) The law under which the converted entity will exist
26 expressly permits the formation of that entity pursuant to a
27 conversion.

28 (b) The limited partnership complies with all other
29 requirements of any other law that applies to conversion to the
30 converted entity.

31 SEC. 10. Section 15677.3 of the Corporations Code is
32 amended to read:

33 15677.3. (a) A limited partnership that desires to convert to
34 an other business entity or a foreign other business entity or a
35 foreign limited partnership shall approve a plan of conversion. The
36 plan of conversion shall state all of the following:

- 37 (1) The terms and conditions of the conversion.
38 (2) The place of the organization of the converted entity and of
39 the converting limited partnership and the name of the converted
40 entity after conversion.



1 (3) The manner of converting the limited and general
2 partnership interests of each of the partners into *shares of*,
3 securities of, or interests in, the converted entity.

4 (4) The provisions of the governing documents for the
5 converted entity, including the partnership agreement ~~or~~, limited
6 liability company articles of organization and operating
7 agreement, *or articles or certificate of incorporation if the*
8 *converted entity is a corporation*, to which the holders of interests
9 in the converted entity are to be bound.

10 (5) Any other details or provisions that are required by the laws
11 under which the converted entity is organized, or that are desired
12 by the parties.

13 (b) The plan of conversion shall be approved by all general
14 partners of the converting limited partnership and by a majority in
15 interest of each class of limited partners of the converting limited
16 partnership, unless a greater or lesser approval is required by the
17 partnership agreement of the converting limited partnership.
18 However, if the limited partners of the limited partnership would
19 become personally liable for any obligations of the converted
20 entity as a result of the conversion, the plan of conversion shall be
21 approved by all of the limited partners of the converting limited
22 partnership, unless the plan of conversion provides that all limited
23 partners will have dissenters' rights as provided in Article 7.6
24 (commencing with Section 15679.1).

25 (c) Upon the effectiveness of the conversion, all partners of the
26 converting limited partnership, except those that exercise
27 dissenters' rights as provided in Article 7.6 (commencing with
28 Section 15679.1), shall be deemed parties to any governing
29 documents for the converted entity adopted as part of the plan of
30 conversion, irrespective of whether or not the partner has executed
31 the plan of conversion or the governing documents for the
32 converted entity. Any adoption of governing documents made
33 pursuant thereto shall be effective at the effective time or date of
34 the conversion.

35 (d) Notwithstanding its prior approval, a plan of conversion
36 may be amended before the conversion takes effect if the
37 amendment is approved by all general partners of the converting
38 limited partnership and, if the amendment changes any of the
39 principal terms of the plan of conversion, the amendment is
40 approved by the limited partners of the converting limited



1 partnership in the same manner and to the same extent as required
2 for the approval of the original plan of conversion.

3 (e) The general partners of a converting limited partnership
4 may, by unanimous approval at any time before the conversion is
5 effective, in their discretion, abandon a conversion, without
6 further approval by the limited partners, subject to the contractual
7 rights of third parties other than limited partners.

8 (f) The converted entity shall keep the plan of conversion at the
9 principal place of business of the converted entity if the converted
10 entity is a domestic partnership or foreign other business entity, *at*
11 *the principal executive office of, or registrar or transfer agent of,*
12 *the converted entity, if the converted entity is a domestic*
13 *corporation, or at the office at which records are to be kept under*
14 Section 17057 if the converted entity is a domestic limited liability
15 company. Upon the request of a partner of a converting limited
16 partnership, the authorized person on behalf of the converted
17 entity shall promptly deliver to the partner or the holder of *shares,*
18 interests, or other securities, at the expense of the converted entity,
19 a copy of the plan of conversion. A waiver by a partner of the rights
20 provided in this subdivision shall be unenforceable.

21 SEC. 11. Section 15677.6 of the Corporations Code is
22 amended to read:

23 15677.6. (a) Upon conversion of a limited partnership one of
24 the following applies:

25 (1) If the limited partnership is converting into a domestic
26 limited liability company, a statement of conversion shall be
27 completed on the articles of organization for the converted entity.

28 (2) If the limited partnership is converting into a domestic
29 partnership, a statement of conversion shall be completed on the
30 statement of partnership authority for the converted entity, or if no
31 statement of partnership authority is filed, then a certificate of
32 conversion shall be filed separately.

33 (3) *If the limited partnership is converting into a domestic*
34 *corporation, a statement of conversion shall be completed on the*
35 *articles of incorporation for the converted entity.*

36 (4) If the limited partnership is converting to a foreign limited
37 partnership or foreign other business entity, a certificate of
38 conversion shall be filed with the Secretary of State.

39 (b) Any certificate or statement of conversion shall be executed
40 and acknowledged by all general partners, unless a lesser number



1 is provided in the certificate of limited partnership, and shall set
2 forth all of the following:

3 (1) The name and the Secretary of State's file number of the
4 converting limited partnership.

5 (2) A statement that the principal terms of the plan of
6 conversion were approved by a vote of the partners, which equaled
7 or exceeded the vote required under Section 15677.3, specifying
8 each class entitled to vote and the percentage vote required of each
9 class.

10 (3) The form of organization of the converted entity.

11 (4) The mailing address of the converted entity's agent for
12 service of process and the chief executive office of the converted
13 entity.

14 (c) The filing with the Secretary of State of a certificate of
15 conversion or a statement of partnership authority ~~or~~, articles of
16 organization, *or articles or certificate of incorporation* containing
17 a statement of conversion as set forth in subdivision (a) shall have
18 the effect of the filing of a certificate of cancellation by the
19 converting limited partnership and no converting limited
20 partnership that has made the filing is required to file a certificate
21 of dissolution or a certificate of cancellation under Section 15623
22 as a result of that conversion.

23 SEC. 12. Section 15677.7 of the Corporations Code is
24 amended to read:

25 15677.7. (a) Whenever a limited partnership or other
26 business entity having any real property in this state converts into
27 a limited partnership or an other business entity pursuant to the
28 laws of this state or of the state or place in which the limited
29 partnership or other business entity was organized, and the laws of
30 the state or place of organization, including this state, of the
31 converting limited partnership or other converting entity provide
32 substantially that the conversion vests in the converted limited
33 partnership or other converted entity all the real property of the
34 converting limited partnership or other converting entity, the filing
35 for record in the office of the county recorder of any county in this
36 state in which any of the real property of the converting limited
37 partnership or other converting entity is located of either (1) a
38 certificate of conversion or statement of partnership authority, ~~or~~
39 a certificate of limited partnership ~~or~~, *articles of incorporation*, or
40 articles of organization complying with Section 15677.6, in the



1 form prescribed and certified by the Secretary of State, or (2) a
2 copy of a certificate of conversion or a statement of partnership
3 authority, certificate of limited partnership, articles of
4 organization, *articles or certificate of incorporation*, or other
5 certificate *or document* evidencing the creation of a foreign other
6 business entity or foreign limited partnership by conversion,
7 containing a statement of conversion, certified by the Secretary of
8 State or an authorized public official of the state or place pursuant
9 to the laws of which the conversion is effected, shall evidence
10 record ownership in the converted limited partnership or other
11 converted entity of all interest of the converting limited
12 partnership or other converting entity in and to the real property
13 located in that county.

14 (b) A filed and, if appropriate, recorded certificate of
15 conversion or a statement of partnership authority, certificate of
16 limited partnership, articles of organization, *articles or certificate*
17 *of incorporation*, or other certificate evidencing the creation of a
18 foreign other business entity or foreign limited partnership by
19 conversion, containing a statement of conversion, filed pursuant
20 to subdivision (a) of Section 15677.6, stating the name of the
21 converting limited partnership or other converting entity in whose
22 name property was held before the conversion and the name of the
23 converted entity or converted limited partnership, but not
24 containing all of the other information required by Section
25 15677.6, operates with respect to the entities named to the extent
26 provided in subdivision (a).

27 (c) Recording of a certificate of conversion, or a statement of
28 partnership authority, certificate of limited partnership, articles of
29 organization, *articles or certificate of incorporation*, or other
30 certificate evidencing the creation of an other business entity or a
31 limited partnership by conversion, containing a statement of
32 conversion, in accordance with subdivision (a), shall create, in
33 favor of bona fide purchasers or encumbrances for value, a
34 conclusive presumption that the conversion was validly
35 completed.

36 SEC. 13. Section 15677.8 of the Corporations Code is
37 amended to read:

38 15677.8. (a) An other business entity or a foreign other
39 business entity or a foreign limited partnership may be converted
40 to a domestic limited partnership pursuant to this article only if the



1 converting entity is authorized by the laws under which it is
2 organized to effect the conversion.

3 (b) An other business entity or a foreign other business entity
4 or a foreign limited partnership that desires to convert into a
5 domestic limited partnership shall approve a plan of conversion or
6 an other instrument as is required to be approved to effect the
7 conversion pursuant to the laws under which that entity is
8 organized.

9 (c) The conversion of an other business entity or a foreign other
10 business entity or a foreign limited partnership into a domestic
11 limited partnership shall be approved by the number or percentage
12 of the partners, members, *shareholders*, or holders of interest of
13 the converting entity as is required by the laws under which that
14 entity is organized, or a greater or lesser percentage, subject to
15 applicable laws, as set forth in the converting entity's partnership
16 agreement, articles of organization, operating agreement, *articles*
17 *or certificate of incorporation*, or other governing document.

18 (d) The conversion by an other business entity or a foreign
19 other business entity or a foreign limited partnership into a
20 domestic limited partnership shall be effective under this article at
21 the time the conversion is effective under the laws under which the
22 converting entity is organized as long as a certificate of limited
23 partnership containing a statement of conversion has been filed
24 with the Secretary of State. If the converting entity's governing
25 law is silent as to the effectiveness of the conversion, the
26 conversion shall be effective upon the completion of all acts
27 required under this title to form a limited partnership.

28 (e) The filing with the Secretary of State of a certificate of
29 conversion or a certificate of limited partnership containing a
30 statement of conversion pursuant to subdivision (a) shall have the
31 effect of the filing of a certificate of cancellation by the converting
32 foreign limited partnership or foreign limited liability company
33 and no converting foreign limited partnership or foreign limited
34 liability company that has made the filing is required to file a
35 certificate of cancellation under Section 15696 or 17455 as a result
36 of that conversion. If a converting other business entity is a foreign
37 corporation qualified to transact business in this state, the foreign
38 corporation shall, by virtue of the filing, automatically surrender
39 its right to transact intrastate business.



1 SEC. 14. Section 15677.9 of the Corporations Code is
2 amended to read:

3 15677.9. (a) An entity that converts into another entity
4 pursuant to this article is for all purposes the same entity that
5 existed before the conversion.

6 (b) Upon a conversion taking effect, all of the following apply:

7 (1) All the rights and property, whether real, personal, or
8 mixed, of the converting entity or converting limited partnership
9 are vested in the converted entity or converted limited partnership.

10 (2) All debts, liabilities, and obligations of the converting
11 entity or converting limited partnership continue as debts,
12 liabilities, and obligations of the converted entity or converted
13 limited partnership.

14 (3) All rights of creditors and liens upon the property of the
15 converting entity or converting limited partnership shall be
16 preserved unimpaired and remain enforceable against the
17 converted entity or converted limited partnership to the same
18 extent as against the converting entity or converting limited
19 partnership as if the conversion had not occurred.

20 (4) Any action or proceeding pending by or against the
21 converting entity or converting limited partnership may be
22 continued against the converted entity or converted limited
23 partnership as if the conversion had not occurred.

24 (c) A partner of a converting limited partnership is liable for:

25 (1) All obligations of the converting limited partnership for
26 which the partner was personally liable before the conversion.

27 (2) All obligations of the converted entity incurred after the
28 conversion takes effect, but those obligations may be satisfied only
29 out of property of the entity if that partner is a limited partner, *or*
30 a shareholder in a corporation, or unless expressly provided
31 otherwise in the articles of organization or other governing
32 documents, a member of a limited liability company, or a holder
33 of equity securities in an other converted entity if the holders of
34 equity securities in that entity are not personally liable for the
35 obligations of that entity under the law under which the entity is
36 organized or its governing documents.

37 (d) A partner of a converted limited partnership remains liable
38 for any and all obligations of the converting entity for which the
39 partner was personally liable before the conversion, but only to the



1 extent that the partner was liable for the obligations of the
2 converting entity prior to the conversion.

3 (e) If the other party to a transaction with the limited
4 partnership reasonably believes when entering the transaction that
5 the limited partner is a general partner, the limited partner is liable
6 for an obligation incurred by the limited partnership within 90
7 days after the conversion takes effect. The limited partner's
8 liability for all other obligations of the limited partnership incurred
9 after the conversion takes effect is that of a limited partner.

10 SEC. 15. Section 16902 of the Corporations Code is amended
11 to read:

12 16902. A partnership, other than a registered limited liability
13 partnership, may be converted into a domestic ~~limited partnership~~
14 ~~or limited liability company~~ *other business entity* or a foreign other
15 business entity pursuant to this article if, (1) pursuant to ~~the~~
16 ~~proposed~~ *a conversion into a domestic or foreign limited*
17 *partnership or limited liability company*, each of the partners of the
18 converting partnership would receive a percentage interest in the
19 profits and capital of the converted other business entity equal to
20 the partner's percentage interest in profits and capital of the
21 converting partnership as of the effective time of the conversion,
22 *and (2) pursuant to a conversion into an other business entity or*
23 *foreign other business entity not specified in clause (1) above, each*
24 *of the partnership interests of the same class is treated equally with*
25 *respect to any distribution of cash, property, rights, interests, or*
26 *securities of the converted other business entity unless all partners*
27 *of the same class consent. Notwithstanding this section, the*
28 *conversion of a partnership to a domestic ~~limited partnership or~~*
29 *limited liability company or foreign other business entity may be*
30 *effected only if: (1) the law under which that domestic ~~limited~~*
31 *partnership or limited liability company or foreign other business*
32 *entity will exist expressly permits the formation of that other entity*
33 *pursuant to a conversion; and (2) the partnership complies with*
34 *any and all other requirements of ~~such~~ that other law that applies*
35 *to conversion of the other business entity.*

36 SEC. 16. Section 16903 of the Corporations Code is amended
37 to read:

38 16903. (a) A partnership that desires to convert to a domestic
39 ~~limited partnership or limited liability company~~ or foreign other



1 business entity shall approve a plan of conversion. The plan of
2 conversion shall state the following:

3 (1) The terms and conditions of the conversion.

4 (2) The place of the organization of the converted entity and of
5 the converting partnership and the name of the converted entity
6 after conversion, if different from that of the converting
7 partnership.

8 (3) The manner of converting the partnership interests of each
9 of the partners into *shares of*, securities of, or interests in the
10 converted entity.

11 (4) The provisions of the governing ~~document~~ *documents* for
12 the converted entity, ~~such as a~~ *including the* limited partnership
13 agreement ~~or~~, limited liability company articles of organization
14 and operating agreement, *or articles or certificate of*
15 *incorporation if the converted entity is a corporation*, to which the
16 holders of interest in the converted entity are to be bound.

17 (5) Any other details or provisions as are required by laws
18 under which the converted entity is organized.

19 (6) Any other details or provisions that are desired.

20 (b) The plan of conversion shall be approved by that number or
21 percentage of partners required by the partnership agreement to
22 approve a conversion of the partnership as set forth in the
23 partnership agreement. If the partnership agreement fails to
24 specify the required partner approval for a conversion of the
25 partnership, the plan of conversion shall be approved by that
26 number or percentage of partners required by the partnership
27 agreement to approve an amendment to the partnership agreement
28 unless the conversion effects a change for which the partnership
29 agreement requires a greater number or percentage of partners
30 than that required to amend the partnership agreement, in which
31 case the plan of conversion shall be approved by that greater
32 number or percentage. If the partnership agreement fails to specify
33 the vote required to amend the partnership agreement, the plan of
34 conversion shall be approved by all partners.

35 (c) If the partnership is converting into a limited partnership, in
36 addition to the approval of the partners as set forth in subdivision
37 (b), the plan of conversion shall be approved by all partners who
38 will become general partners of the converted limited partnership
39 pursuant to the plan of conversion.



1 (d) All partners of the converting partnership except those that
2 dissociate upon effectiveness of the conversion pursuant to
3 subdivision (e) of Section 16909 shall be deemed parties to any
4 partnership or operating *agreement, articles or certificate of*
5 *incorporation*, or organic document for the converted entity
6 adopted as part of the plan of conversion, regardless of whether
7 that partner has executed the plan of conversion or the operating
8 ~~or~~ *agreement, articles or certificate of incorporation*, partnership
9 agreement, or other organic document for the converted entity.
10 Any adoption of a new partnership; *or* operating agreement,
11 *articles or certificate of incorporation*, or other organic document
12 made pursuant to the foregoing sentence shall be effective at the
13 effective time or date of the conversion.

14 (e) Notwithstanding its prior approval, a plan of conversion
15 may be amended before the conversion takes effect if the
16 amendment is approved by the partnership in the same manner,
17 and by the same number or percentage of partners, as was required
18 for approval of the original plan of conversion.

19 (f) The partners of a converting partnership may, at any time
20 before the conversion is effective, in their discretion, abandon a
21 conversion, without further approval by the partners, in the same
22 manner, and by the same number or percentage of partners, as was
23 required for approval of the original plan of conversion at any time
24 before the conversion is effective, subject to the contractual rights
25 of third parties.

26 (g) The converted entity shall keep the plan of conversion at:
27 (1) the principal place of business of the converted entity, if the
28 converted entity is a foreign other business entity *or a corporation*;
29 or (2) the office at which records are to be kept under Section
30 15614 if the converted entity is a domestic limited partnership, or
31 at the office at which records are to be kept under Section 17057
32 if the converted entity is a domestic limited liability company.
33 Upon the request of a partner of a converting partnership, the
34 authorized person on behalf of the converted entity shall promptly
35 deliver to the partner or the holder of interests or other securities,
36 at the expense of the converted entity, a copy of the plan of
37 conversion. A waiver by a partner of the rights provided in this
38 subdivision shall be unenforceable.

39 SEC. 17. Section 16904 of the Corporations Code is amended
40 to read:



1 16904. (a) A conversion into a domestic ~~limited partnership~~
2 ~~or limited liability company~~ *other business entity* shall become
3 effective upon the earliest date that all of the following shall have
4 occurred:

5 (1) The approval of the plan of conversion by the partners of the
6 converting partnership as provided in Section 16903.

7 (2) The filing of all documents required by law to create the
8 converted ~~limited partnership or limited liability company~~ *other*
9 *business entity*, which documents shall also contain a statement of
10 conversion, if required under Section 16906.

11 (3) The effective date, if set forth in the plan of conversion,
12 shall have occurred.

13 (b) A copy of the certificate of limited partnership ~~or~~, articles
14 of organization, *or articles of incorporation*, complying with
15 Section 16906, if applicable, duly certified by the Secretary of
16 State, is conclusive evidence of the conversion of the partnership.

17 SEC. 18. Section 16905 of the Corporations Code is amended
18 to read:

19 16905. (a) The conversion of a partnership into a foreign
20 other business entity shall comply with Section 16902.

21 (b) If the partnership is converting into a foreign other business
22 entity, then the conversion proceedings shall be in accordance with
23 the laws of the state or place of organization of the foreign other
24 business entity and the conversion shall become effective in
25 accordance with that law.

26 (c) (1) Unless a statement of conversion has been filed to effect
27 the conversion, the converted ~~foreign partnership or~~ foreign other
28 business entity shall promptly notify the Secretary of State of the
29 mailing address of its agent for service of process, its chief
30 executive office, and of any change of address. To enforce an
31 obligation of a partnership that has converted to a ~~foreign~~
32 ~~partnership or~~ foreign other business entity, the Secretary of State
33 shall only be the agent for service of process in an action or
34 proceeding against the converted foreign ~~partnership or foreign~~
35 other business entity, if the agent designated for the service of
36 process for that entity is a natural person and cannot be found with
37 due diligence or if the agent is a corporation and no person, to
38 whom delivery may be made, may be located with due diligence,
39 or if no agent has been designated and if no one of the officers,
40 partners, managers, members, or agents of that entity may be



1 located after diligent search, and it is so shown by affidavit to the
2 satisfaction of the court. The court then may make an order that
3 service be made by personal delivery to the Secretary of State or
4 to an assistant or deputy Secretary of State of two copies of the
5 process together with two copies of the order, and the order shall
6 set forth an address to which the process shall be sent by the
7 Secretary of State. Service in this manner is deemed complete on
8 the 10th day after delivery of the process to the Secretary of State.

9 (2) Upon receipt of the process and order and the fee set forth
10 in Section 12206 of the Government Code, the Secretary of State
11 shall provide notice to the entity of the service of the process by
12 forwarding by certified mail, return receipt requested, a copy of
13 the process and order to the address specified in the order.

14 (3) The Secretary of State shall keep a record of all process
15 served upon the Secretary of State and shall record therein the time
16 of service and the Secretary of State's action with respect thereto.
17 The certificate of the Secretary of State, under the Secretary of
18 State's official seal, certifying to the receipt of process, the
19 providing of notice thereof to the entity, and the forwarding of the
20 process, shall be competent and prima facie evidence of the
21 matters stated therein.

22 SEC. 19. Section 16906 of the Corporations Code is amended
23 to read:

24 16906. (a) If the converting partnership has filed a statement
25 of partnership authority under Section 16303 that is effective at the
26 time of the conversion, then upon conversion to a domestic limited
27 partnership ~~or~~, limited liability company, *or corporation*, the
28 certificate of limited partnership ~~or~~, articles of organization, *or*
29 *articles of incorporation* filed by the converted entity, as
30 applicable, shall contain a statement of conversion, in that form as
31 may be prescribed by the Secretary of State. If the converting
32 partnership has not filed a statement of partnership authority under
33 Section 16303 that is effective at the time of the conversion, upon
34 conversion to a domestic limited partnership ~~or~~, limited liability
35 company, *or corporation*, the converted entity may, but is not
36 required to file, on its certificate of limited partnership ~~or~~, articles
37 of organization, *or articles of incorporation*, a statement of
38 conversion. A statement of conversion shall set forth all of the
39 following:



1 (1) The name and the Secretary of State’s file number, if any,
2 of the converting partnership.

3 (2) A statement that the principal terms of the plan of
4 conversion were approved by a vote of the partners, which equaled
5 or exceeded the vote required under Section 16903.

6 (b) A partnership converting to a foreign other business entity
7 that has filed a statement of partnership authority under Section
8 16303 that is effective at the time of conversion may file a
9 certificate of conversion with the Secretary of State. The
10 certificate of conversion shall contain the following:

11 (1) The names of the converting partnership and the converted
12 entity.

13 (2) The street address of the converted entity’s chief executive
14 office and of an office in this state, if any.

15 (3) The form of organization of the converted entity.

16 (c) The filing with the Secretary of State of a certificate of
17 limited partnership ~~or~~, articles of organization, *or articles of*
18 *incorporation* containing a statement of conversion as set forth in
19 subdivision (a) or a certificate of conversion filed pursuant to
20 subdivision (b) shall have the effect of the filing of a cancellation
21 by the converting partnership of any statement of partnership
22 authority filed by it.

23 SEC. 20. Section 16907 of the Corporations Code is amended
24 to read:

25 16907. (a) Whenever a partnership or other business entity
26 having any real property in this state converts into a partnership or
27 an other business entity pursuant to the laws of this state or of the
28 state or place in which the other business entity was organized, and
29 the laws of the state or place of organization (including this state)
30 of the converting partnership or other business entity provide
31 substantially that the conversion of a converting entity vests in the
32 converted partnership or other business entity all the real property
33 of the converting partnership or converting other business entity,
34 the filing for record in the office of the county recorder of any
35 county in this state in which any of the real property of the
36 converting partnership or converting other business entity is
37 located of either (1) a certificate of conversion or a certificate of
38 limited partnership ~~or~~, articles of organization, *or articles of*
39 *incorporation*, complying with Section 16906, in ~~such the form as~~
40 prescribed by the Secretary of State, certified by the Secretary of



1 State, or (2) a copy of a certificate of conversion, or a certificate
2 of limited partnership, articles of organization, *articles or*
3 *certificate of incorporation*, or other certificate evidencing the
4 creation of a foreign other business entity by conversion,
5 containing a statement of conversion, certified by the Secretary of
6 State or an authorized public official of the state or place pursuant
7 to the laws of which the conversion is effected, shall evidence
8 record ownership in the converted partnership or converted other
9 business entity of all interest of the converting partnership or
10 converting other business entity in and to the real property located
11 in that county.

12 (b) A filed and, if appropriate, recorded certificate of
13 conversion, certificate of limited partnership, articles of
14 organization, *articles or certificate of incorporation*, or other
15 certificate evidencing the creation of an other business entity by
16 conversion, containing a statement of conversion, executed and
17 declared to be accurate pursuant to subdivision (c) of Section
18 16105, stating the name of the converting partnership or
19 converting other business entity in whose name property was held
20 before the conversion and the name of the converted entity, but not
21 containing all of the other information required by Section 16906,
22 operates with respect to the entities named to the extent provided
23 in subdivision (a).

24 (c) Recording of a certificate of conversion, ~~or~~ a certificate of
25 limited partnership, articles of organization, *articles or certificate*
26 *of incorporation*, or other certificate evidencing the creation of
27 another business entity by conversion, containing a statement of
28 conversion, in accordance with paragraph (1) of Section 16902
29 shall create, in favor of bona fide purchasers or encumbrancers for
30 value, a conclusive presumption that the conversion was validly
31 completed.

32 SEC. 21. Section 16908 of the Corporations Code is amended
33 to read:

34 16908. (a) A domestic limited partnership ~~or~~, limited
35 liability company, *or corporation*, or a foreign other business
36 entity may be converted to a domestic partnership pursuant to this
37 article, but only if the converting entity is authorized by the laws
38 under which it is organized to effect the conversion.

39 (b) An entity that desires to convert into a domestic partnership
40 shall approve a plan of conversion or the instrument that is



1 required to be approved to effect the conversion pursuant to the
2 laws under which the entity is organized.

3 (c) The conversion of a domestic limited partnership ~~or~~,
4 limited liability company, *or corporation*, or foreign other
5 business entity shall be approved by the number or percentage of
6 the partners, members, *shareholders*, or holders of interest of the
7 converting entity as is required by the law under which the entity
8 is organized, or a greater or lesser percentage (subject to applicable
9 laws) as set forth in the limited partnership agreement, articles of
10 organization, ~~or~~ operating agreement, *or articles or certificate of*
11 *organization*, or other governing document for the converting
12 entity.

13 (d) The conversion by a domestic limited partnership ~~or~~,
14 limited liability company, *or corporation*, or a foreign other
15 business entity into a partnership shall be effective under this
16 article at the time that the conversion is effective under the laws
17 under which the converting entity is organized.

18 (e) The filing with the Secretary of State of a certificate of
19 conversion or a statement of partnership authority containing a
20 statement of conversion pursuant to subdivision (a) shall have the
21 effect of the filing of a certificate of cancellation by the converting
22 foreign limited partnership or foreign limited liability company,
23 and no converting foreign limited partnership or foreign limited
24 liability company that has made the filing is required to file a
25 certificate of cancellation under Section 15696 or 17455 as a result
26 of that conversion. If a converting other business entity is a foreign
27 corporation qualified to transact business in this state, the foreign
28 corporation shall, by virtue of the filing, automatically surrender
29 its right to transact intrastate business.

30 SEC. 22. Section 16909 of the Corporations Code is amended
31 to read:

32 16909. (a) An entity that converts into another entity
33 pursuant to this article is for all purposes the same entity that
34 existed before the conversion.

35 (b) When a conversion takes effect, all of the following apply:

36 (1) All the rights and property, whether real, personal, or
37 mixed, of the converting entity remains vested in the converted
38 entity.



1 (2) All debts, liabilities, and obligations of the converting
2 entity continue as debts, liabilities, and obligations of the
3 converted entity.

4 (3) All rights of creditors and liens upon the property of the
5 converting entity shall be preserved unimpaired and remain
6 enforceable against the converted entity to the same extent as
7 against the converting entity as if the conversion had not occurred.

8 (4) Any action or proceeding pending by or against the
9 converting entity may be continued against the converted entity as
10 if the conversion had not occurred.

11 (c) A partner of a converting partnership is liable for:

12 (1) All obligations of the converting partnership for which the
13 partner was personally liable before the conversion.

14 (2) All obligations of the converted entity incurred after the
15 conversion takes effect, but those obligations may be satisfied only
16 out of property of the entity if (A) the converted other business
17 entity is a limited partnership and the partner becomes a limited
18 partner or, (B) the converted other business entity is a limited
19 liability company and the partner becomes a member, unless the
20 articles of organization or the operating agreement of the limited
21 liability company provide otherwise, or (C) *the converted other*
22 *business entity is a corporation and the partner becomes a*
23 *shareholder.*

24 (d) A partner of a partnership that converted from an other
25 business entity is liable for any and all obligations of the
26 converting other business entity for which the partner was
27 personally liable before the conversion, but only to the extent the
28 partner was liable for the obligation of the converting entity prior
29 to the conversion.

30 (e) A partner of a converting partnership, who does not vote in
31 favor of the conversion and does not agree to become a partner,
32 member, *shareholder*, or holder of interest of the converted other
33 business entity shall have the right to dissociate from the
34 partnership, as of the date the conversion takes effect. Within 10
35 days after the approval of the conversion by the partners as
36 required under this article, the converting partnership shall send
37 notice of the approval of the conversion to each partner that has not
38 approved the conversion, accompanied by copies of Section 16701
39 and a brief description of the procedure to be followed under that
40 section if the partner wishes to dissociate from the partnership. A



1 partner that desires to dissociate from the converting partnership
2 shall send written notice of ~~such~~ *that* dissociation within 30 days
3 after the date of the notice of the approval of the conversion. The
4 converting partnership shall cause the partner's interest in the
5 entity to be purchased under Section 16701. The converting
6 partnership is bound under Section 16702 by an act of a general
7 partner dissociated under this subdivision, and the partner is liable
8 under Section 16703 for transactions entered into by the converted
9 entity after the conversion takes effect. The dissociation of a
10 partner in connection with a conversion pursuant to the terms of
11 this subdivision shall not be deemed to be a wrongful dissociation
12 under Section 16602.

13 SEC. 23. Section 17540.2 of the Corporations Code is
14 amended to read:

15 17540.2. A limited liability company may be converted into
16 an other business entity or a foreign other business entity or a
17 foreign limited liability company pursuant to this chapter if, (1)
18 pursuant to ~~the proposed~~ *a conversion into a domestic or foreign*
19 *general partnership or limited partnership or into a foreign limited*
20 *liability company*, each of the members of the converting limited
21 liability company would receive a percentage interest in profits
22 and capital of the converted entity equal to that member's
23 percentage interest in profits and capital of the converting limited
24 liability company as of the effective time of the conversion, *and*
25 *(2) pursuant to a conversion into an other business entity or*
26 *foreign other business entity not specified in clause (1) above, (a)*
27 *each of the membership interests of the same class is treated*
28 *equally with respect to any distribution of cash, property, rights,*
29 *interests, or securities of the converted entity, unless all members*
30 *of the class consent, and (b) the nonredeemable membership*
31 *interests of the converting limited liability company are converted*
32 *only into nonredeemable interests or securities of the converted*
33 *entity, unless all holders of the nonredeemable interests consent.*

34 Notwithstanding this section, the conversion of a limited liability
35 company to an other business entity or a foreign other business
36 entity or a foreign limited liability company may be effected only
37 if both of the following conditions are complied with:

38 (a) The law under which the converted entity will exist
39 expressly permits the formation of that entity pursuant to a
40 conversion.



1 (b) The limited liability company complies with any and all
2 other requirements of any other law that applies to conversion to
3 the converted entity.

4 SEC. 24. Section 17540.3 of the Corporations Code is
5 amended to read:

6 17540.3. (a) A limited liability company that desires to
7 convert to an other business entity or a foreign other business
8 entity or a foreign limited liability company shall approve a plan
9 of conversion.

10 The plan of conversion shall state all of the following:

11 (1) The terms and conditions of the conversion.

12 (2) The place of the organization of the converted entity and of
13 the converting limited liability company and the name of the
14 converted entity after conversion.

15 (3) The manner of converting the membership interests of each
16 of the members into securities of, *shares of*, or interests in, the
17 converted entity.

18 (4) The provisions of the governing documents for the
19 converted entity, including *the articles or certificate of*
20 *incorporation if the converted entity is a domestic or foreign*
21 *corporation, the partnership agreement, or the limited liability*
22 *company articles of organization and operating agreement*, to
23 which the holders of interests in the converted entity are to be
24 bound.

25 (5) Any other details or provisions that are required by the laws
26 under which the converted entity is organized, or that are desired
27 by the parties.

28 (b) The plan of conversion shall be approved by a vote of a
29 majority in interest of the members of the converting limited
30 liability company, or a greater percentage of the voting interests of
31 members as may be specified in the articles of organization or
32 written operating agreement of the converting limited liability
33 company. However, if the members of the limited liability
34 company would become personally liable for any obligations of
35 the converted entity as a result of the conversion, the plan of
36 conversion shall be approved by all of the members of the
37 converting limited liability company, unless the plan of
38 conversion provides that all members will have dissenters' rights
39 as provided in Chapter 13 (commencing with Section 17600).



1 (c) If the limited liability company is converting into a limited
2 partnership, then in addition to the approval of the members set
3 forth in subdivision (b), the plan of conversion shall be approved
4 by those members who will become general partners of the
5 converted limited partnership pursuant to the plan of conversion.

6 (d) Upon the effectiveness of the conversion, all members of
7 the converting limited liability company, except those that
8 exercise dissenters' rights as provided in Chapter 13 (commencing
9 with Section 17600) shall be deemed parties to any governing
10 documents for the converted entity adopted as part of the plan of
11 conversion, irrespective of whether or not a member has executed
12 the plan of conversion or ~~such~~ *the* governing documents for the
13 converted entity. Any adoption of governing documents made
14 pursuant thereto shall be effective at the effective time or date of
15 the conversion.

16 (e) Notwithstanding its prior approval, a plan of conversion
17 may be amended before the conversion takes effect if the
18 amendment is approved by the members of the converting limited
19 liability company in the same manner as was required for approval
20 of the original plan of conversion.

21 (f) A plan of conversion may be abandoned by the members of
22 a converting limited liability company in the manner as required
23 for approval of the plan of conversion, subject to the contractual
24 rights of third parties, at any time before the conversion is
25 effective.

26 (g) The converted entity shall keep the plan of conversion at the
27 principal place of business of the converted entity if the converted
28 entity is a domestic partnership or foreign other business entity ~~or~~,
29 *at the principal executive office of or registrar or transfer agent of,*
30 *the converted entity, if the converted entity is a domestic*
31 *corporation, or at the office at which records are to be kept under*
32 Section 15614 if the converted entity is a domestic limited
33 partnership. Upon the request of a member of a converting limited
34 liability company, the authorized person on behalf of the converted
35 entity shall promptly deliver to the member or the holder of
36 interests, *shares*, or other securities, at the expense of the
37 converted entity, a copy of the plan of conversion. A waiver by a
38 member of the rights provided in this subdivision shall be
39 unenforceable.



1 SEC. 25. Section 17540.6 of the Corporations Code is
2 amended to read:

3 17540.6. (a) Upon conversion of a limited liability company:

4 (1) If the limited liability company is converting into a
5 domestic limited partnership, a statement of conversion shall be
6 completed on the certificate of limited partnership for the
7 converted entity.

8 (2) If the limited liability company is converting into a
9 domestic partnership, a statement of conversion shall be
10 completed on the statement of partnership authority for the
11 converted entity, or if no statement of partnership authority is filed
12 then a certificate of conversion shall be filed separately.

13 (3) *If the limited liability company is converting to a domestic*
14 *corporation, a statement of conversion shall be completed on the*
15 *articles of incorporation for the converted entity.*

16 (4) If the limited liability company is converting into a foreign
17 limited liability company or foreign other business entity, a
18 certificate of conversion shall be filed with the Secretary of State.

19 (b) Any certificate or statement of conversion shall be executed
20 and acknowledged by all of the managers, unless a lesser number
21 is provided in the articles of organization or the operating
22 agreement of the converting limited liability company, and shall
23 set forth all of the following:

24 (1) The name and the Secretary of State's file number of the
25 converting limited liability company.

26 (2) A statement that the principal terms of the plan of
27 conversion were approved by a vote of the members, which
28 equaled or exceeded the vote required under Section 17540.3,
29 specifying each class entitled to vote and the percentage vote
30 required of each class.

31 (3) The form of organization of the converted entity.

32 (c) The filing with the Secretary of State of a certificate of
33 conversion or an organizational document containing a statement
34 of conversion as set forth in subdivision (a) shall have the effect
35 of the filing of a certificate of cancellation by the converting
36 limited liability company and no converting limited liability
37 company that has made the filing is required to file a certificate of
38 dissolution or a certificate of cancellation under Section 17356 as
39 a result of that conversion.



1 SEC. 26. Section 17540.7 of the Corporations Code is
2 amended to read:

3 17540.7. (a) Whenever a limited liability company or other
4 business entity having any real property in this state converts into
5 a limited liability company or an other business entity pursuant to
6 the laws of this state or of the state or place in which the limited
7 liability company or other business entity was organized, and the
8 laws of the state or place of organization, including this state, of
9 the converting limited liability company or other converting entity
10 provide substantially that the conversion vests in the converted
11 limited liability company or other converted entity all the real
12 property of the converting limited liability company or other
13 converting entity, the filing for record in the office of the county
14 recorder of any county in this state in which any of the real property
15 of the converting limited liability company or other converting
16 entity is located of either (1) a certificate of conversion, statement
17 of partnership authority, certificate of limited partnership, or
18 articles of organization complying with Section 17540.6, in the
19 form prescribed and certified by the Secretary of State, or (2) a
20 copy of a certificate of conversion, or a statement of partnership
21 authority, certificate of limited partnership, articles of
22 organization, *articles or certificate of incorporation*, or other
23 certificate *or document* evidencing the creation of a foreign other
24 business entity or foreign limited liability company by conversion,
25 containing a statement of conversion, certified by the Secretary of
26 State or an authorized public official of the state or place pursuant
27 to the laws of which the conversion is effected, shall evidence
28 record ownership in the converted limited liability company or
29 other converted entity of all interest of the converting limited
30 liability company or other converting entity in and to the real
31 property located in that county.

32 (b) A filed and, if appropriate, recorded certificate of
33 conversion, or a statement of partnership authority, certificate of
34 limited partnership—~~or~~, articles of organization *articles or*
35 *certificate of incorporation*, or other certificate evidencing the
36 formation of a foreign other business entity or a foreign limited
37 liability company filed pursuant to Section 17540.6 containing a
38 statement of conversion, stating the name of the converting limited
39 liability company or other converting entity in whose name
40 property was held before the conversion and the name of the



1 converted entity or converted limited liability company, but not
2 containing all of the other information required by Section
3 17540.6, operates with respect to the converted entities named to
4 the extent provided in subdivision (a).

5 (c) Recording of a certificate of conversion or a statement of
6 partnership authority, certificate of limited partnership ~~or~~, articles
7 of organization, *or articles or certificate of incorporation*, or other
8 certificate evidencing the creation of an other business entity or a
9 limited liability company by conversion, containing a statement of
10 conversion, in accordance with subdivision (a), shall create, in
11 favor of bona fide purchasers or encumbrances for value, a
12 conclusive presumption that the conversion was validly
13 completed.

14 SEC. 27. Section 17540.8 of the Corporations Code is
15 amended to read:

16 17540.8. (a) An other business entity or a foreign other
17 business entity or a foreign limited liability company may be
18 converted to a domestic limited liability company pursuant to this
19 chapter only if the converting entity is authorized by the laws
20 under which it is organized to effect the conversion.

21 (b) An other business entity or a foreign other business entity
22 or a foreign limited liability company that desires to convert into
23 a domestic limited liability company shall approve a plan of
24 conversion or an other instrument as is required to be approved to
25 effect the conversion pursuant to the laws under which that entity
26 is organized.

27 (c) The conversion of an other business entity or a foreign other
28 business entity or a foreign limited liability company into a
29 domestic limited liability company shall be approved by that
30 number or percentage of the partners, members, *shareholders*, or
31 holders of interest of the converting entity as is required by the
32 laws under which that entity is organized, or a greater or lesser
33 percentage, subject to applicable laws, as set forth in the
34 converting entity's partnership agreement, articles of
35 organization, operating agreement, *articles or certificate of*
36 *incorporation*, or other governing document.

37 (d) The conversion by an other business entity or a foreign
38 other business entity or a foreign limited liability company into a
39 domestic limited liability company shall be effective under this
40 chapter at the time the conversion is effective under the laws under



1 which the converting entity is organized as long as the articles of
2 organization containing a statement of conversion have been filed
3 with the Secretary of State. If the converting entity's governing
4 law is silent as to the effectiveness of the conversion, the
5 conversion shall be effective upon the completion of all acts
6 required under this title to form a limited liability company.

7 (e) The filing with the Secretary of State of a certificate of
8 conversion or articles of organization containing a statement of
9 conversion pursuant to subdivision (a) shall have the effect of the
10 filing of a certificate of cancellation by the converting foreign
11 limited liability company or foreign limited partnership, and no
12 converting foreign limited liability company or foreign limited
13 partnership that has made the filing is required to file a certificate
14 of cancellation under Section 15696 or 17455 as a result of that
15 conversion. If a converting other business entity is a foreign
16 corporation qualified to transact business in this state, the foreign
17 corporation shall, by virtue of the filing, automatically surrender
18 its right to transact intrastate business.

19 SEC. 28. Section 25005.1 of the Corporations Code is
20 amended to read:

21 25005.1. "Entity conversion transaction" means a
22 conversion pursuant to Section 1151, 1157, 15677.2, 15677.8,
23 16902, 16908, 17540.2, or 17540.8 unless the interests in the entity
24 resulting from the conversion to be held by the equity holders of
25 the entity being converted as a result of the conversion are not
26 securities. For purposes of Sections 25103 and 25120 an entity
27 conversion transaction is not a change in the rights, preferences,
28 privileges, or restrictions of or on outstanding securities or an
29 exchange of securities by the issuer with its existing security
30 holders exclusively.

