

Senate Bill No. 1493

CHAPTER 381

An act to amend Section 1107 of the Corporations Code, relating to corporate mergers.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1493, Rosenthal. Corporate mergers.

Existing provisions of the General Corporation Law provide that upon a merger of two or more corporations the separate existence of the disappearing corporations ceases and the surviving corporation succeeds, without other transfer, to all the rights and property of each of the disappearing corporations and is subject to all the debts and liabilities of each in the same manner as if the surviving corporation had incurred them.

This bill would additionally provide for those purposes that the surviving corporation may succeed without the payment of any local agency transfer fee to all licenses, permits, registrations, and other privileges granted by any local agency, provided the merger does not result in a change of ownership, as specified.

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

SECTION 1. Section 1107 of the Corporations Code is amended to read:

1107. (a) Upon merger pursuant to this chapter the separate existence of the disappearing corporations ceases and the surviving corporation shall succeed, without other transfer, to all the rights and property of each of the disappearing corporations and shall be subject to all the debts and liabilities of each in the same manner as if the surviving corporation had itself incurred them.

(b) For purposes of subdivision (a), a surviving corporation may succeed without the payment of any local agency transfer fee to all licenses, permits, registrations, and other privileges granted by any local agency provided the merger does not result in a change of ownership. Examples of mergers that do not result in a change of ownership are mergers between any of the following: (1) a corporation and its wholly owned subsidiary; (2) a corporation and the wholly owned subsidiary of that corporation's wholly owned subsidiary; or (3) two wholly owned subsidiaries of the same parent corporation. The surviving corporation shall be subject to the same duties and obligations in connection with the license, permit,



registration, or other privileges acquired from the disappearing corporations.

(c) All rights of creditors and all liens upon the property of each of the constituent corporations shall be preserved unimpaired, provided that any liens upon property of a disappearing corporation shall be limited to the property affected thereby immediately prior to the time the merger is effective.

(d) Any action or proceeding pending by or against any disappearing corporation may be prosecuted to judgment, which shall bind the surviving corporation, or the surviving corporation may be proceeded against or substituted in its place.

(e) Nothing in subdivision (b) shall limit or restrict a tax assessor from reassessing real property upon transfer of title. Privileges granted by any local agency do not include property tax assessments.

(f) Nothing in subdivision (b) shall limit or restrict a local agency from reevaluating privileges received by a successor corporation from disappearing corporations if the local agency determines in its sole discretion that the reevaluation is necessary for public health, safety, or welfare purposes.

(g) For purposes of this section, "local agency" means a county, city, city and county, political subdivision, district, or municipal corporation.

