FINAL BILL REPORT
SB 5999

C 83 L 14
Synopsis as Enacted

Brief Description: Concerning corporate entity conversions.

Sponsors: Senators Pedersen, O'Ban, Kline and Fain; by request of Washington State Bar Association.

Senate Committee on Law & Justice
House Committee on Judiciary

Background: Washington law authorizes organizations to be created in many forms. Examples of organizations include a partnership, limited partnership, corporation, limited liability corporations (LLCs), etc. Organizations may choose to restructure their form. A conversion is a statutorily authorized process that allows an organization to change its form though a single filing with the Secretary of State. The converted entity is the same entity with a new form. All property owned by the converting organizations remains vested with the converted organization. All debts, liabilities, and other obligations continue with the converted organization. All the rights, privileges, immunities, powers, and purposes continue with the converted organization.

Washington law authorizes an organization to convert to and from a limited partnership. This conversion process is specific to a limited partnership. Washington law does not authorize a similar conversion process specific to other organizations such as corporations and LLCs.

Summary: Conversion is authorized for an organization to and from an LLC, and also to and from a domestic corporation. The conversion provision excludes certain entities such as nonprofit corporations, miscellaneous corporations, and governmental or quasi-governmental organizations. Conversion is authorized in a single filing with the Secretary of State. A converted organization is the same entity that existed prior to the conversion and retains all of its assets, liabilities, debts, and obligations. For a converting LLC, a plan of conversion must be consented to by all members of the LLC. For a converting domestic corporation, a plan of conversion must be adopted by the corporation's board and approved by the corporation's shareholders entitled to vote. A voting shareholder may dissent from conversion and receive a fair-value payment for their shares when the shares in the newly converted organization are not as favorable in all material respects.

Votes on Final Passage:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Senate	48	0
House	97	0

Effective: June 12, 2014