

CERTIFICATION OF ENROLLMENT

**SENATE BILL 5999**

Chapter 83, Laws of 2014

63rd Legislature  
2014 Regular Session

CORPORATE ENTITIES--CONVERSIONS

EFFECTIVE DATE: 06/12/14

Passed by the Senate February 10, 2014  
YEAS 48 NAYS 0

BRAD OWEN

\_\_\_\_\_  
**President of the Senate**

Passed by the House March 6, 2014  
YEAS 97 NAYS 0

FRANK CHOPP

\_\_\_\_\_  
**Speaker of the House of Representatives**

Approved March 27, 2014, 10:29 a.m.

JAY INSLEE

\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5999** as passed by the Senate and the House of Representatives on the dates hereon set forth.

HUNTER G. GOODMAN

\_\_\_\_\_  
**Secretary**

FILED

March 27, 2014

**Secretary of State  
State of Washington**

---

**SENATE BILL 5999**

---

Passed Legislature - 2014 Regular Session

**State of Washington                      63rd Legislature                      2014 Regular Session**

**By** Senators Pedersen, O'Ban, Kline, and Fain; by request of Washington State Bar Association

Read first time 01/13/14. Referred to Committee on Law & Justice.

1            AN ACT Relating to corporate entity conversions; amending RCW  
2 25.15.085 and 23B.13.020; adding new sections to chapter 25.15 RCW; and  
3 adding new sections to chapter 23B.09 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            NEW SECTION.    **Sec. 1.** A new section is added to chapter 25.15 RCW  
6 under "ARTICLE XI. MERGERS" to read as follows:

7            DEFINITIONS. The definitions in this section apply throughout this  
8 article unless the context clearly requires otherwise.

9            (1) "Converted organization" means the organization into which a  
10 converting organization converts under sections 2 through 5 of this  
11 act.

12            (2) "Converting limited liability company" means a converting  
13 organization that is a limited liability company.

14            (3) "Converting organization" means an organization that converts  
15 into another organization pursuant to section 2 of this act.

16            (4) "Governing statute" of an organization means the statute that  
17 governs the organization's internal affairs.

18            (5) "Organization" means a general partnership, including a limited  
19 liability partnership; limited partnership, including a limited

1 liability limited partnership; limited liability company; business  
2 trust; corporation; or any other person having a governing statute.  
3 The term includes domestic and foreign organizations whether or not  
4 formed for profit.

5 (6) "Organizational documents" means:

6 (a) For a domestic or foreign general partnership, its partnership  
7 agreement;

8 (b) For a limited partnership or foreign limited partnership, its  
9 certificate of limited partnership and partnership agreement;

10 (c) For a domestic or foreign limited liability company, its  
11 certificate of formation and limited liability company agreement, or  
12 comparable records as provided in its governing statute;

13 (d) For a business trust, its agreement of trust and declaration of  
14 trust;

15 (e) For a domestic or foreign corporation for profit, its articles  
16 of incorporation, bylaws, and other agreements among its shareholders  
17 which are authorized by its governing statute, or comparable records as  
18 provided in its governing statute; and

19 (f) For any other organization, the basic records that create the  
20 organization and determine its internal governance and the relations  
21 among the persons that own it, have an interest in it, or are members  
22 of it.

23 (7) "Personal liability" means personal liability for a debt,  
24 liability, or other obligation of an organization which is imposed on  
25 a person that co-owns, has an interest in, or is a member of the  
26 organization:

27 (a) By the organization's governing statute solely by reason of the  
28 person co-owning, having an interest in, or being a member of the  
29 organization; or

30 (b) By the organization's organizational documents under a  
31 provision of the organization's governing statute authorizing those  
32 documents to make one or more specified persons liable for all or  
33 specified debts, liabilities, and other obligations of the organization  
34 solely by reason of the person or persons co-owning, having an interest  
35 in, or being a member of the organization.

36 NEW SECTION. **Sec. 2.** A new section is added to chapter 25.15 RCW  
37 under "ARTICLE XI. MERGERS" to read as follows:

1           CONVERSION. (1) An organization other than a limited liability  
2 company may convert into a limited liability company, and a limited  
3 liability company may convert into another organization pursuant to  
4 this section and sections 3 through 5 of this act and a plan of  
5 conversion, if:

6           (a) The other organization's governing statute authorizes the  
7 conversion;

8           (b) The conversion is not prohibited by the law of the jurisdiction  
9 that enacted the other organization's governing statute; and

10          (c) The other organization complies with its governing statute in  
11 effecting the conversion.

12          (2) A plan of conversion must be in a record and must include:

13           (a) The name and form of the organization before conversion;

14           (b) The name and form of the organization after conversion;

15           (c) The terms and conditions of the conversion, including the  
16 manner and basis for converting interests in the converting  
17 organization into any combination of the interests, shares,  
18 obligations, or other securities of the converted organization or any  
19 other organization, or into cash or other property in whole or part;  
20 and

21           (d) The organizational documents of the converted organization.

22          NEW SECTION. Sec. 3. A new section is added to chapter 25.15 RCW  
23 under "ARTICLE XI. MERGERS" to read as follows:

24          ACTION ON PLAN OF CONVERSION BY CONVERTING LIMITED LIABILITY  
25 COMPANY. (1) Subject to section 6 of this act, a plan of conversion  
26 must be consented to by all the members of a converting limited  
27 liability company.

28          (2) Subject to section 6 of this act and any contractual rights,  
29 after a conversion is approved, and at any time before a filing is made  
30 under section 4 of this act, a converting limited liability company may  
31 amend the plan or abandon the planned conversion:

32           (a) As provided in the plan; and

33           (b) Except as prohibited by the plan, by the same approval as was  
34 required to approve the plan.

35          NEW SECTION. Sec. 4. A new section is added to chapter 25.15 RCW  
36 under "ARTICLE XI. MERGERS" to read as follows:

1 FILINGS REQUIRED FOR CONVERSION; EFFECTIVE DATE. (1) After a plan  
2 of conversion is approved, the converting organization must make one of  
3 the following filings to complete the conversion:

4 (a) A converting limited liability company must deliver to the  
5 secretary of state for filing articles of conversion, which must  
6 include:

7 (i) A statement that the limited liability company has been  
8 converted into another organization;

9 (ii) The name and form of the converted organization and the  
10 jurisdiction of its governing statute;

11 (iii) The date the conversion is effective under the governing  
12 statute of the converted organization;

13 (iv) A statement that the conversion was approved as required by  
14 this chapter;

15 (v) A statement that the conversion was approved as required by the  
16 governing statute of the converted organization; and

17 (vi) If the converted organization is a foreign organization not  
18 authorized to transact business in this state, the street and mailing  
19 address of an office that the secretary of state may use for the  
20 purposes of section 5(3) of this act; or

21 (b) A converting organization that is not a limited liability  
22 company must deliver to the secretary of state for filing a certificate  
23 of formation, together with articles of conversion, which must include:

24 (i) A statement that the limited liability company was converted  
25 from another organization;

26 (ii) The name and form of the converting organization and the  
27 jurisdiction of its governing statute; and

28 (iii) A statement that the conversion was approved in a manner that  
29 complied with the converting organization's governing statute.

30 (2) The effective time of a conversion is either:

31 (a) If the converted organization is a limited liability company,  
32 when the certificate of formation takes effect; or

33 (b) If the converted organization is not a limited liability  
34 company, as provided by the governing statute of the converted  
35 organization.

36 (3) If the certificate of formation filed pursuant to this section  
37 does not specify a delayed effective date, it becomes effective upon  
38 filing. If the certificate of formation specifies a delayed effective

1 time and date, the certificate of formation becomes effective at the  
2 time and date specified. If the certificate of formation specifies a  
3 delayed effective date but no time is specified, the certificate of  
4 formation is effective at the close of business on that date. A  
5 delayed effective date for a certificate of formation may not be later  
6 than the ninetieth day after the date it is filed.

7 NEW SECTION. **Sec. 5.** A new section is added to chapter 25.15 RCW  
8 under "ARTICLE XI. MERGERS" to read as follows:

9 EFFECT OF CONVERSION. (1) An organization that has been converted  
10 pursuant to this article is for all purposes the same entity that  
11 existed before the conversion.

12 (2) When a conversion takes effect:

13 (a) The title to all real estate and other property owned by the  
14 converting organization remains vested in the converted organization  
15 without reversion or impairment;

16 (b) All debts, liabilities, and other obligations of the converting  
17 organization continue as obligations of the converted organization;

18 (c) An action or proceeding pending by or against the converting  
19 organization may be continued as if the conversion had not occurred;

20 (d) Except as prohibited by other law, all of the rights,  
21 privileges, immunities, powers, and purposes of the converting  
22 organization remain vested in the converted organization;

23 (e) Except as otherwise provided in the plan of conversion, the  
24 terms and conditions of the plan of conversion take effect; and

25 (f) Except as otherwise agreed, the conversion does not dissolve a  
26 converting limited liability company for the purposes of Article VIII  
27 of this chapter.

28 (3) A converted organization that is a foreign organization  
29 consents to the jurisdiction of the courts of this state to enforce any  
30 obligation owed by the converting limited liability company if before  
31 the conversion the converting limited liability company was subject to  
32 suit in this state on the obligation. A converted organization that is  
33 a foreign organization and not authorized to transact business in this  
34 state appoints the secretary of state as its agent for service of  
35 process for purposes of enforcing an obligation under this subsection.  
36 Service on the secretary of state under this subsection is made in the  
37 same manner and with the same consequences as in RCW 25.15.025(3).

1        NEW SECTION.    **Sec. 6.** A new section is added to chapter 25.15 RCW  
2 under "ARTICLE XI. MERGERS" to read as follows:

3        RESTRICTIONS ON APPROVAL OF CONVERSIONS. If a member of a  
4 converting limited liability company will have personal liability with  
5 respect to a converted organization, then, in addition to the approval  
6 requirements in section 3(1) of this act, approval of a plan of  
7 conversion must also require the signing, by each such member, of a  
8 separate written consent to become subject to such personal liability.

9        **Sec. 7.** RCW 25.15.085 and 2010 c 196 s 3 are each amended to read  
10 as follows:

11        (1) Each document required by this chapter to be filed in the  
12 office of the secretary of state shall be executed in the following  
13 manner, or in compliance with the rules established to facilitate  
14 electronic filing under RCW 25.15.007, except as set forth in RCW  
15 25.15.105(4)(b):

16        (a) Each original certificate of formation must be signed by the  
17 person or persons forming the limited liability company;

18        (b) A reservation of name may be signed by any person;

19        (c) A transfer of reservation of name must be signed by, or on  
20 behalf of, the applicant for the reserved name;

21        (d) A registration of name must be signed by any member or manager  
22 of the foreign limited liability company;

23        (e) A certificate of amendment or restatement must be signed by at  
24 least one manager, or by a member if management of the limited  
25 liability company is reserved to the members;

26        (f) A certificate of dissolution must be signed by the person or  
27 persons authorized to wind up the limited liability company's affairs  
28 pursuant to RCW 25.15.295(3);

29        (g) If a surviving domestic limited liability company is filing  
30 articles of merger, the articles of merger must be signed by at least  
31 one manager, or by a member if management of the limited liability  
32 company is reserved to the members, or if the articles of merger are  
33 being filed by a surviving foreign limited liability company, limited  
34 partnership, or corporation, the articles of merger must be signed by  
35 a person authorized by such foreign limited liability company, limited  
36 partnership, or corporation; (~~and~~)

1 (h) A foreign limited liability company's application for  
2 registration as a foreign limited liability company doing business  
3 within the state must be signed by any member or manager of the foreign  
4 limited liability company; and

5 (i) If a converting limited liability company is filing articles of  
6 conversion, the articles of conversion must be signed by at least one  
7 manager, or by a member if management of the limited liability company  
8 is reserved to the members.

9 (2) Any person may sign a certificate, articles of merger, articles  
10 of conversion, limited liability company agreement, or other document  
11 by an attorney-in-fact or other person acting in a valid representative  
12 capacity, so long as each document signed in such manner identifies the  
13 capacity in which the signator signed.

14 (3) The person executing the document shall sign it and state  
15 beneath or opposite the signature the name of the person and capacity  
16 in which the person signs. The document must be typewritten or  
17 printed, and must meet such legibility or other standards as may be  
18 prescribed by the secretary of state.

19 (4) The execution of a certificate (~~(or)~~), articles of merger, or  
20 articles of conversion by any person constitutes an affirmation under  
21 the penalties of perjury that the facts stated therein are true.

22 NEW SECTION. Sec. 8. A new section is added to chapter 23B.09 RCW  
23 to read as follows:

24 DEFINITIONS. The definitions in this section apply throughout this  
25 chapter unless the context clearly requires otherwise.

26 (1) "Converting entity" means the domestic corporation that adopts  
27 a plan of entity conversion or the other entity converting to a  
28 domestic corporation.

29 (2) "Domestic other entity" means an other entity organized under  
30 the laws of this state.

31 (3) "Foreign other entity" means an other entity organized under a  
32 law other than the laws of this state.

33 (4) "Interest holder" means a person who holds of record:

34 (a) A right to receive distributions from an other entity either in  
35 the ordinary course of business or upon liquidation, other than as an  
36 assignee; or



1 (b) A right to vote on issues involving an other entity's internal  
2 affairs, other than as an agent, assignee, proxy, or person responsible  
3 for managing its business and affairs.

4 (5) "Interests" means the interests in an other entity held by its  
5 interest holders.

6 (6) "Organic document" means a public organic document or a private  
7 organic document.

8 (7) "Organic law" means the statute governing the internal affairs  
9 of a domestic corporation or other entity.

10 (8) "Other entity" means any association or entity other than a  
11 domestic corporation, a domestic or foreign nonprofit corporation, a  
12 domestic or foreign mutual corporation or miscellaneous corporation, or  
13 a governmental or quasi-governmental organization. The term includes,  
14 but is not limited to, foreign corporations, limited partnerships,  
15 general partnerships, limited liability partnerships, limited liability  
16 companies, joint ventures, joint stock companies, business trusts, and  
17 profit unincorporated associations.

18 (9) "Owner liability" means personal liability for a debt,  
19 obligation, or liability of an entity that is imposed on a person:

20 (a) Solely by reason of the person's status as a shareholder or  
21 interest holder; or

22 (b) By the articles of incorporation, bylaws, or an organic  
23 document under a provision of the organic law of an entity authorizing  
24 the articles of incorporation, bylaws, or an organic document to make  
25 one or more specified shareholders, members, or interest holders liable  
26 in their capacity as shareholders, members, or interest holders for all  
27 or specified debts, obligations, or liabilities of the entity.

28 (10) "Private organic document" means any document, other than the  
29 public organic document, if any, that determines the internal  
30 governance of an other entity.

31 (11) "Public organic document" means the document, if any, that is  
32 filed of public record to create an other entity, including amendments  
33 and restatements thereof.

34 (12) "Surviving entity" means the domestic corporation or other  
35 entity that is in existence immediately after consummation of an entity  
36 conversion pursuant to this chapter.

1        NEW SECTION.    **Sec. 9.**    A new section is added to chapter 23B.09 RCW  
2 to read as follows:

3        ENTITY CONVERSION.    (1) A domestic corporation may become an other  
4 entity pursuant to a plan of entity conversion if the entity conversion  
5 is permitted by the organic law of the other entity by:

6            (a) Complying with section 11 of this act; and

7            (b) Filing articles of entity conversion with the secretary of  
8 state.

9        (2) An other entity may become a domestic corporation if the entity  
10 conversion is permitted by the organic law of the other entity by:

11            (a) Complying with the procedures for the approval of an entity  
12 conversion provided in the organic law of the other entity; and

13            (b) Filing articles of entity conversion with the secretary of  
14 state.

15        NEW SECTION.    **Sec. 10.**    A new section is added to chapter 23B.09  
16 RCW to read as follows:

17        PLAN OF ENTITY CONVERSION.    A plan of entity conversion must be in  
18 a record and must include:

19            (1) The name of the domestic corporation before conversion;

20            (2) The name and form of the surviving entity after conversion;

21            (3) The terms and conditions of the conversion, including the  
22 manner and basis for converting interests in the domestic corporation  
23 into any combination of the interests, shares, obligations, or other  
24 securities of the surviving entity or any other entity or into cash or  
25 other property in whole or part; and

26            (4) The organic documents of the surviving entity as they will be  
27 in effect immediately after consummation of the conversion.

28        NEW SECTION.    **Sec. 11.**    A new section is added to chapter 23B.09  
29 RCW to read as follows:

30        APPROVAL OF A PLAN OF ENTITY CONVERSION.    In the case of an entity  
31 conversion of a domestic corporation to an other entity:

32            (1) The plan of entity conversion must be adopted by the board of  
33 directors of the converting entity and the shareholders entitled to  
34 vote must approve the plan.

35            (2) After adopting a plan of entity conversion, the board of

1 directors of the converting entity must submit the plan of entity  
2 conversion for approval by its shareholders.

3 (3) The board of directors must recommend the plan of entity  
4 conversion to the shareholders, unless (a) the board of directors makes  
5 a determination that because of conflicts of interest or other special  
6 circumstances it should not make such a recommendation; or (b) RCW  
7 23B.08.245 applies, and in either case the board of directors  
8 communicates the basis for so proceeding to the shareholders.

9 (4) The board of directors may condition its submission of the plan  
10 of entity conversion on any basis, including the affirmative vote of  
11 holders of a specified percentage of shares held by any group of  
12 shareholders not otherwise entitled to vote as a separate voting group  
13 on the plan of entity conversion.

14 (5) In the case of an entity conversion of a domestic corporation  
15 to a foreign corporation, in addition to any other voting conditions  
16 imposed by the board of directors acting pursuant to subsection (4) of  
17 this section, approval of the plan of entity conversion requires the  
18 affirmative vote of shareholders that would be required to approve a  
19 plan of merger under RCW 23B.11.030, and of each other voting group  
20 entitled under RCW 23B.11.035 or the articles of incorporation to vote  
21 separately on a plan of merger. Separate voting by additional voting  
22 groups is required on a plan of entity conversion if such voting group  
23 or groups would be entitled to vote on a plan of merger under the  
24 circumstances described in RCW 23B.11.035. The articles of  
25 incorporation may require a greater or lesser vote to approve a plan of  
26 entity conversion than that provided in this subsection, or a greater  
27 or lesser vote by separate voting groups, so long as the required vote  
28 is not less than a majority of all the votes entitled to be cast on the  
29 plan of entity conversion and of each other voting group entitled to  
30 vote separately on the plan.

31 (6) In the case of an entity conversion of a domestic corporation  
32 to an other entity that is not a foreign corporation, approval of the  
33 plan of entity conversion requires the approval of all shareholders of  
34 the domestic corporation, whether or not entitled to vote under this  
35 title or the articles of incorporation.

36 (7) If as a result of the conversion one or more shareholders of  
37 the domestic corporation would become subject to owner liability for  
38 the debts, obligations, or liabilities of any other person or entity,

1 in addition to the approval requirements under subsections (5) and (6)  
2 of this section, approval of the plan of entity conversion must also  
3 require each such shareholder to execute a separate record consenting  
4 to become subject to such owner liability.

5 (8) If the approval of the shareholders is to be given at a  
6 meeting, the domestic corporation must notify each shareholder, whether  
7 or not entitled to vote, of the proposed meeting of shareholders at  
8 which the plan of entity conversion is to be submitted for approval in  
9 accordance with RCW 23B.07.050. The notice must state that the  
10 purpose, or one of the purposes, of the meeting is to consider the plan  
11 of entity conversion and must contain or be accompanied by a copy or  
12 summary of the plan of entity conversion. The notice must include or  
13 be accompanied by a copy of the organic documents of the surviving  
14 entity as they will be in effect immediately after the conversion.

15 (9) If any provision of the articles of incorporation, bylaws, or  
16 an agreement to which any of the directors or shareholders of the  
17 domestic corporation are parties, adopted, or entered into before the  
18 effective date of this section applies to a merger of the domestic  
19 corporation, other than a provision that limits or eliminates voting or  
20 dissenters' rights, and the document does not refer to an entity  
21 conversion of the domestic corporation, the provision is deemed to  
22 apply to an entity conversion of the domestic corporation until the  
23 provision is subsequently amended.

24 NEW SECTION. **Sec. 12.** A new section is added to chapter 23B.09  
25 RCW to read as follows:

26 ARTICLES OF ENTITY CONVERSION. (1) After a plan of entity  
27 conversion by a domestic corporation converting into an other entity  
28 has been adopted and approved as required by this chapter, articles of  
29 entity conversion must be signed on behalf of the domestic corporation  
30 by any officer or other duly authorized representative and must be  
31 delivered to the secretary of state for filing.

32 (2) After the conversion of an other entity into a domestic  
33 corporation has been adopted and approved as required by the organic  
34 law of the converting entity, articles of entity conversion must be  
35 signed on behalf of the converting entity by any officer or other duly  
36 authorized representative and must be delivered to the secretary of  
37 state for filing.

1 (3) The articles of entity conversion must set forth:

2 (a) A statement that the converting entity has been converted into  
3 the surviving entity;

4 (b) The name and form of the converting entity before conversion;

5 (c) The name and form of the surviving entity after conversion,  
6 which must be a name that satisfies the requirements of RCW 23B.04.010  
7 if the surviving entity after conversion is a domestic corporation;

8 (d) Articles of incorporation that comply with RCW 23B.02.020 if  
9 the surviving entity after conversion is a domestic corporation;

10 (e) The date the conversion is effective under the organic law of  
11 the surviving entity;

12 (f) If the converting entity is a domestic corporation, a statement  
13 that the conversion was duly approved by the shareholders of the  
14 domestic corporation pursuant to section 11 of this act;

15 (g) If the converting entity is an other entity, a statement that  
16 the conversion was duly approved as required by the organic law of the  
17 converting entity; and

18 (h) If the surviving entity is a foreign other entity not  
19 authorized to transact business in this state: (i) A statement that  
20 the surviving entity appoints the secretary of state as its agent for  
21 service of process in a proceeding to enforce any obligation or the  
22 rights of dissenting shareholders of the domestic corporation; and (ii)  
23 the street and mailing address of an office which the secretary of  
24 state may use for the purposes of RCW 23B.15.100.

25 (4) The articles of entity conversion take effect at the effective  
26 time provided in RCW 23B.01.230. Articles of entity conversion under  
27 subsection (1) or (2) of this section may be combined with any required  
28 conversion filing under the organic law of the other entity if the  
29 combined filing satisfies the requirements of both this section and the  
30 organic law of the other entity.

31 NEW SECTION. **Sec. 13.** A new section is added to chapter 23B.09  
32 RCW to read as follows:

33 EFFECT OF ENTITY CONVERSION. (1) An entity that has been converted  
34 pursuant to this chapter is, for all purposes of the laws of the state  
35 of Washington, deemed to be the same entity that existed before the  
36 conversion and, unless otherwise agreed or as required under applicable  
37 non-Washington law, the converting entity is not required to wind up

1 its affairs or pay its liabilities and distribute its assets, and the  
2 conversion is not deemed to constitute a dissolution of the converting  
3 entity.

4 (2) When any conversion becomes effective under this chapter:

5 (a) The title to all real estate and other property, both tangible  
6 and intangible, owned by the converting entity remains vested in the  
7 surviving entity without reversion or impairment;

8 (b) All rights of creditors and all liens upon any property of the  
9 converting entity must be preserved unimpaired, and all debts,  
10 liabilities, and other obligations of the converting entity continue as  
11 obligations of the surviving entity, remain attached to the surviving  
12 entity, and may be enforced against it to the same extent as if the  
13 debts, liabilities, and other obligations had originally been incurred  
14 or contracted by it in its capacity as the surviving entity;

15 (c) An action or proceeding pending by or against the converting  
16 entity may be continued by or against the surviving entity as if the  
17 conversion had not occurred;

18 (d) Except as prohibited by other law, all of the rights,  
19 privileges, immunities, powers, and purposes of the converting entity  
20 remain vested in the surviving entity; and

21 (e) Except as otherwise provided in the plan of entity conversion,  
22 the terms and conditions of the plan of entity conversion take effect.

23 (3) When a conversion of a domestic corporation to a foreign other  
24 entity becomes effective, the surviving entity is deemed:

25 (a) To consent to the jurisdiction of the courts of this state to  
26 enforce any obligation owed by the converting entity, if before the  
27 conversion the converting entity was subject to suit in this state on  
28 the obligation;

29 (b) To appoint the secretary of state as its agent for service of  
30 process in a proceeding to enforce any obligation or the rights of  
31 dissenting shareholders of the domestic corporation in connection with  
32 the conversion; and

33 (c) To agree that it will promptly pay to the dissenting  
34 shareholders of the domestic corporation the amount, if any, to which  
35 they are entitled under chapter 23B.13 RCW.

36 (4) Service of process on the secretary of state under this section  
37 is made in the same manner and with the same consequences as in RCW  
38 23B.15.100.

1        NEW SECTION.    **Sec. 14.**    A new section is added to chapter 23B.09  
2    RCW to read as follows:

3        ABANDONMENT OF ENTITY CONVERSION.    (1) Unless otherwise provided in  
4    a plan of entity conversion of a domestic corporation, after the plan  
5    of entity conversion has been adopted and approved as required by this  
6    chapter, and at any time before the articles of entity conversion have  
7    become effective, the planned conversion may be abandoned by the board  
8    of directors without action by the shareholders.

9        (2) If any entity conversion is abandoned after articles of entity  
10    conversion have been filed with the secretary of state but before the  
11    entity conversion has become effective, a statement that the entity  
12    conversion has been abandoned in accordance with this section, signed  
13    by an officer or other duly authorized representative, must be  
14    delivered to the secretary of state for filing prior to the effective  
15    date of the entity conversion. Upon filing, the statement takes effect  
16    and the entity conversion is deemed abandoned and may not become  
17    effective.

18        **Sec. 15.**    RCW 23B.13.020 and 2013 c 97 s 1 are each amended to read  
19    as follows:

20        (1) A shareholder is entitled to dissent from, and obtain payment  
21    of the fair value of the shareholder's shares in the event of, any of  
22    the following corporate actions:

23        (a) A plan of merger, which has become effective, to which the  
24    corporation is a party (i) if shareholder approval was required for the  
25    merger by RCW 23B.11.030, 23B.11.080, or the articles of incorporation,  
26    and the shareholder was entitled to vote on the merger, or (ii) if the  
27    corporation was a subsidiary and the plan of merger provided for the  
28    merger of the subsidiary with its parent under RCW 23B.11.040;

29        (b) A plan of share exchange, which has become effective, to which  
30    the corporation is a party as the corporation whose shares have been  
31    acquired, if the shareholder was entitled to vote on the plan;

32        (c) A sale or exchange, which has become effective, of all, or  
33    substantially all, of the property of the corporation other than in the  
34    usual and regular course of business, if the shareholder was entitled  
35    to vote on the sale or exchange, including a sale in dissolution, but  
36    not including a sale pursuant to court order or a sale for cash

1 pursuant to a plan by which all or substantially all of the net  
2 proceeds of the sale will be distributed to the shareholders within one  
3 year after the date of sale;

4 (d) An amendment of the articles of incorporation, whether or not  
5 the shareholder was entitled to vote on the amendment, if the amendment  
6 effects a redemption or cancellation of all of the shareholder's shares  
7 in exchange for cash or other consideration other than shares of the  
8 corporation;

9 (e) Any action described in RCW 23B.25.120; (~~or~~)

10 (f) Any corporate action approved pursuant to a shareholder vote to  
11 the extent the articles of incorporation, bylaws, or a resolution of  
12 the board of directors provides that voting or nonvoting shareholders  
13 are entitled to dissent and obtain payment for their shares; or

14 (g) A plan of entity conversion in the case of a conversion of a  
15 domestic corporation to a foreign corporation, which has become  
16 effective, to which the domestic corporation is a party as the  
17 converting entity, if: (i) The shareholder was entitled to vote on the  
18 plan; and (ii) the shareholder does not receive shares in the surviving  
19 entity that have terms as favorable to the shareholder in all material  
20 respects and that represent at least the same percentage interest of  
21 the total voting rights of the outstanding shares of the surviving  
22 entity as the shares held by the shareholder before the conversion.

23 (2) A shareholder entitled to dissent and obtain payment for the  
24 shareholder's shares under this chapter may not challenge the corporate  
25 action creating the shareholder's entitlement unless the action fails  
26 to comply with the procedural requirements imposed by this title, RCW  
27 25.10.831 through 25.10.886, the articles of incorporation, or the  
28 bylaws, or is fraudulent with respect to the shareholder or the  
29 corporation.

30 (3) The right of a dissenting shareholder to obtain payment of the  
31 fair value of the shareholder's shares shall terminate upon the  
32 occurrence of any one of the following events:

33 (a) The proposed corporate action is abandoned or rescinded;

34 (b) A court having jurisdiction permanently enjoins or sets aside  
35 the corporate action; or

36 (c) The shareholder's demand for payment is withdrawn with the



1 written consent of the corporation.

Passed by the Senate February 10, 2014.

Passed by the House March 6, 2014.

Approved by the Governor March 27, 2014.

Filed in Office of Secretary of State March 27, 2014.