

**[15 Pa. Cons. Stat. §§ 311 through 312, 351 through 356.]**

§§ 311 through 312, 351 through 356: Entity Transactions Law — Conversion

**§ 311. Short title of chapter.**

This chapter shall be known and may be cited as the Entity Transactions Law.

**§ 312. Definitions.**

(a) Definitions.--The following words and phrases when used in this chapter shall have the meanings given to them in this subsection unless the context clearly indicates otherwise:

"Acquired association." The domestic entity or foreign association, all of one or more classes or series of interests in which are acquired in an interest exchange.

"Acquiring association." The domestic entity or foreign association that acquires all of one or more classes or series of interests of the acquired association in an interest exchange.

"Conversion." A transaction authorized by Subchapter E (relating to conversion).

"Converted association." The converting association as it continues in existence after a conversion.

"Converting association." The domestic entity or domestic banking institution that approves a plan of conversion pursuant to section 353 (relating to approval of conversion) or the foreign association that approves a conversion pursuant to the laws of its jurisdiction of formation.

"Dividing association." The domestic entity that approves a plan of division pursuant to section 363 (relating to approval of division) or 364 (relating to division without interest holder approval) or the foreign association that approves a division pursuant to the laws of its jurisdiction of formation.

"Division." A transaction authorized by Subchapter F (relating to division).

"Domesticated entity." The domesticating entity as it continues in existence after a domestication.

"Domesticating entity." The domestic entity that approves a plan of domestication pursuant to section 373(a) (relating to approval of domestication) or the foreign entity that approves a domestication pursuant to section 373(b).

"Domestication." A transaction authorized by Subchapter G (relating to domestication).

"Interest exchange." A transaction authorized by Subchapter D (relating to interest exchange).

"Interest holder liability." Either of the following:

(1) Personal liability for a liability of an association that is imposed on a person either:

(i) Solely by reason of the status of the person as an interest holder.

(ii) By the organic rules of the association that make one or more specified interest holders or categories of interest holders liable in their capacity as interest holders for all or specified liabilities of the entity.

(2) An obligation of an interest holder under the organic rules of an association to contribute to the association.

"Merger." A transaction in which two or more merging associations are combined into a surviving association pursuant to a document filed by the department or similar office in another jurisdiction.

"Merging association." A domestic entity, domestic banking institution or foreign association that is a party to a merger under Subchapter C (relating to merger) and exists immediately before the merger becomes effective.

"New association." An association that is created by a division.

"Plan." A plan of merger, plan of interest exchange, plan of conversion, plan of division or plan of domestication, as applicable.

"Protected agreement." Either of the following:

(1) A record evidencing indebtedness and any related agreement in effect on July 1, 2015.

(2) A protected governance agreement.

"Protected governance agreement." Either of the following:

(1) The organic rules of a domestic entity or foreign association in effect on July 1, 2015.

(2) An agreement that is binding on any of the governors or interest holders of a domestic entity or foreign association on July 1, 2015.

"Registered office." In the case of a domestic banking institution that is a corporation, the principal place of business of the corporation set forth in its articles of incorporation as required by section 1004 of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965.

"Resulting association." A dividing association, if it survives the division, or a new association.

"Special treatment." A provision of a plan permitted by section 329 (relating to special treatment of interest holders).

"Surviving association." The domestic entity, domestic banking institution or foreign association that continues in existence after or is created by a merger under Subchapter C.

(b) Index of definitions.--Following is a nonexclusive list of definitions in section 102 (relating to definitions) that apply to this chapter:

"Act" or "action."

"Banking institution."

"Department."

"Dissenters rights."

"Domestic entity."

"Entity."

"Filing entity."

"Foreign entity."

"Governor."

"Interest."

"Interest holder."

"Obligation."

"Organic law."

"Organic rules."

"Private organic rules."

"Property."

"Public organic record."

"Record form."

"Registered foreign association."

"Representative."

"Sign."

"Transfer."

"Type."

**§ 351. Conversion authorized.**

(a) Domestic converting associations.--Except as provided in section 318 (relating to excluded entities and transactions) or this section, by complying with this chapter:

- (1) A domestic entity may become a domestic entity of a different type or a domestic banking institution.
- (2) A domestic banking institution may become a domestic association of a different type.
- (3) A domestic entity may become a foreign association of a different type, if the conversion is authorized by the laws of the foreign jurisdiction.

(b) Foreign converting associations.--By complying with the applicable provisions of this subchapter, a foreign association may become a domestic entity of a different type if the conversion is authorized by the laws of the jurisdiction of formation of the foreign association.

(c) Protected governance agreements.--If a protected governance agreement that is binding on a domestic entity immediately before the effectiveness of a transaction under this chapter contains a provision that applies to a merger of the entity but does not refer to a conversion, the provision shall apply to a conversion of the entity as if the conversion were a merger until the provision is amended after July 1, 2015.

(d) Exceptions.--This subchapter may not be used to accomplish a transaction that has the same effect as a transaction under any of the following provisions:

- (1) Section 7104 (relating to election of an existing business corporation to become a cooperative corporation).
- (2) Section 7105 (relating to termination of status as a cooperative corporation for profit).
- (3) Section 7106 (relating to election of an existing nonprofit corporation to become a cooperative corporation).
- (4) Section 7107 (relating to termination of nonprofit cooperative corporation status).

(e) Cross reference.--See section 314 (relating to regulatory conditions and required notices and approvals).

Cross References. Section 351 is referred to in section 1106 of this title.

**§ 352. Plan of conversion.**

(a) General rule.--A domestic entity or domestic banking institution may be a party to a conversion by approving a plan of conversion. The plan shall be in record form and contain all of the following:

- (1) The name and type of the converting association.
- (2) The name, jurisdiction of formation and type of converted association.

(3) The manner of:

- (i) canceling, if desired, some, but less than all, of the interests in the converting association;
- (ii) converting at least some of the interests in the converting association into interests in the converted association; and
- (iii) converting the interests in the converting association not canceled under subparagraph (i) or converted under subparagraph (ii) into interests, securities, obligations, money, other property, rights to acquire interests or securities, or any combination of the foregoing.

(4) The proposed public organic record of the converted association if it will be a filing entity.

(5) The full text of the private organic rules of the converted association that are proposed to be in record form.

(6) Provisions, if any, providing special treatment of interests in the converting association held by any interest holder or group of interest holders as authorized by and subject to section 329 (relating to special treatment of interest holders).

(7) The other terms and conditions of the conversion.

(8) Any other provision required by:

- (i) the laws of this Commonwealth;
- (ii) the laws of the jurisdiction of formation of the converted association if it is to be a foreign association; or
- (iii) the organic rules of the converting association.

(b) Optional contents.--In addition to the requirements of subsection (a), a plan of conversion may contain any other provision not prohibited by law.

(c) Terms of interests.--The ownership, voting and other rights of the interest holders in the converted association shall be substantially the same as they were in the converting association except:

- (1) as provided in the plan of conversion pursuant to section 329;
- (2) as provided in the express terms of the organic rules of the converted association that are in record form; or
- (3) to the extent a difference in those rights is required by a provision of the organic law of the converted association that cannot be varied in its organic rules.

(d) Cross reference.--See section 316(c) (relating to contents of plan).

Cross References. Section 352 is referred to in sections 353, 356, 8415, 8615, 8815 of this title.

**§ 353. Approval of conversion.**

(a) Approval by domestic associations.--A plan of conversion in which the converting association is a domestic entity or domestic banking institution shall not be effective unless it has been approved in the following ways:

(1) In the case of a domestic entity, in accordance with the applicable provisions of Subchapter B (relating to approval of entity transactions).

(2) In the case of a domestic banking institution that is a corporation, by at least:

(i) In the case of a mutual savings bank:

(A) two-thirds of the trustees present at a meeting at which the plan is proposed; and

(B) two-thirds of all the trustees at a subsequent meeting held upon not less than ten days' notice to all the trustees.

(ii) In the case of any other institution:

(A) a majority of the directors; and

(B) the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast thereon, and, if any class of shares is entitled to vote thereon as a class, the holders of at least two-thirds of the outstanding shares of such class, at a meeting held upon not less than ten days' notice to all shareholders.

(3) In record form, by each interest holder, if any, of the converting association that will have interest holder liability for debts, obligations and other liabilities that arise after the conversion becomes effective, unless, as to an interest holder that does not approve the plan, both of the following apply:

(i) The organic rules of the converting association provide in record form for the approval of a conversion or a merger in which some or all of its interest holders become subject to interest holder liability by the vote or consent of fewer than all of the interest holders.

(ii) The interest holder voted for or consented in record form to that provision of the organic rules or became an interest holder after the adoption of that provision.

(b) Approval by foreign associations.--A conversion in which the converting association is a foreign association shall not be effective unless it is approved by the foreign association in accordance with the laws of its jurisdiction of formation.

(c) Dissenters rights.--The following apply with respect to the rights of an interest holder of the converting association:

(1) A shareholder of a domestic business corporation that is to be a converting association shall be entitled to dissenters rights if:

(i) the shareholder objects to the plan of conversion and complies with Subchapter D of Chapter 15 (relating to dissenters rights); and

(ii) the conversion involves a change in the rights of the shareholder pursuant to section 352(c)(1) or (2) (relating to plan of conversion).

(2) A shareholder of a domestic banking institution that is to be a converting association shall be entitled to the rights provided in section 1222 of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, if:

(i) the shareholder objects to the plan of conversion and complies with section 1222 of the Banking Code of 1965; and

(ii) the conversion involves a change in the rights of the shareholder pursuant to section 352(c)(1) or (2).

(3) See sections 317 (relating to contractual dissenters rights in entity transactions) and 329 (relating to special treatment of interest holders).

Cross References. Section 353 is referred to in sections 312, 356, 1571, 8415, 8615, 8815 of this title.

**§ 354. Amendment or abandonment of plan of conversion.**

(a) Approval of amendment.--A plan of conversion in which the converting association is a domestic association may be amended in one of the following ways:

(1) In the same manner as the plan was approved, if the plan does not provide for the manner in which it may be amended.

(2) By its governors or interest holders in the manner provided in the plan, but an interest holder that was entitled to vote on or consent to approval of the plan is entitled to vote on or consent to any amendment of the plan that will change any of the following:

(i) The amount or kind of interests, securities, obligations, money, other property, rights to acquire interests or securities, or any combination of the foregoing, to be received by any of the interest holders of the converting association under the plan.

(ii) The public organic record, if any, or private organic rules of the converted association that will be in effect immediately after the conversion becomes effective, except for changes that do not require approval of the interest holders of the converted association under its organic law or organic rules.

(iii) Any other terms or conditions of the plan, if the change would:

(A) increase the interest holder liability to which the interest holder will be subject; or

(B) otherwise adversely affect the interest holder in any material respect.

(b) Approval of abandonment.--After a plan of conversion has been approved by a converting association that is a domestic association and before a statement of conversion becomes effective, the plan may be abandoned as provided in the plan. Unless prohibited by the plan, a domestic converting association may abandon the plan in the same manner as the plan was approved.

(c) Statement of abandonment.--If a plan of conversion is abandoned after a statement of conversion has been delivered to the department for filing and before the statement of conversion becomes effective, a statement of abandonment under section 141 (relating to abandonment of filing before effectiveness), signed by the converting association, must be delivered to the department for filing before the statement of conversion becomes effective.

**§ 355. Statement of conversion; effectiveness.**

(a) General rule.--A statement of conversion shall be signed by the converting association and delivered to the department for filing along with the certificates, if any, required by section 139 (relating to tax clearance of certain fundamental transactions).

(b) Contents.--A statement of conversion shall contain all of the following:

(1) With respect to the converting association:

(i) its name;

(ii) its jurisdiction of formation;

(iii) its type;

(iv) the date on which it was first created, incorporated, formed or otherwise came into existence;

(v) if it is a domestic filing association, the statute under which it was first created, incorporated, formed or otherwise came into existence;

(vi) if it is a domestic filing association, domestic limited liability partnership or registered foreign association:

(A) the address of its registered office, including street and number, if any, in this Commonwealth, subject to section 109 (relating to name of commercial registered office provider in lieu of registered address); or

(B) if it is not required to maintain a registered office in this Commonwealth, the address, including street and number, if any, of its principal office;

(vii) if it is a domestic association that is not a domestic filing association or limited liability partnership, the address, including street and number, if any, of its principal office; and

(viii) if it is a nonregistered foreign association, the address, including street and number, if any, of:

(A) its registered or similar office, if any, required to be maintained by the laws of its jurisdiction of formation;  
or



- (B) if it is not required to maintain a registered or similar office, its principal office.
- (2) With respect to the converted association:
  - (i) its name;
  - (ii) its jurisdiction of formation;
  - (iii) its type;
  - (iv) if it is a domestic filing association, domestic limited liability partnership or registered foreign association:
    - (A) the address of its registered office, including street and number, if any, in this Commonwealth, subject to section 109; or
    - (B) if it is not required to maintain a registered office in this Commonwealth, the address, including street and number, if any, of its principal office;
    - (v) if it is a domestic association that is not a domestic filing association or limited liability partnership, the address, including street and number, if any, of its principal office; and
    - (vi) if it is a nonregistered foreign association, the address, including street and number, if any, of:
      - (A) its registered or similar office, if any, required to be maintained by the laws of its jurisdiction of formation; or
      - (B) if it is not required to maintain a registered or similar office, its principal office.
  - (3) If the statement of conversion is not to be effective on filing, the later date or date and time on which it will become effective.
  - (4) If the converting association is a domestic association, a statement that the plan of conversion was approved in accordance with this chapter or, if the converting association is a foreign association, a statement that the conversion was approved by the foreign association in accordance with the laws of its jurisdiction of formation.
  - (5) If the converted association is a domestic filing entity or domestic banking institution, its public organic record as an attachment. The public organic record does not need to state the name or address of an incorporator of a corporation, organizer of a limited liability company or similar person with respect to any other type of entity.
  - (6) If the converted association is a domestic limited liability partnership or a domestic limited liability limited partnership that is not using the alternative procedure in section 8201(f) (relating to scope), its statement of registration as an attachment.
  - (7) If the converted association is a domestic electing partnership, its statement of election as an attachment.

- (8) If the converted association is a nonregistered foreign association, one of the following:
- (i) The street and mailing addresses of its registered agent and registered office in its jurisdiction of formation if it is a filing entity.
  - (ii) The street and mailing address of its principal office if it is not a filing entity.
  - (c) Other provisions.--In addition to the requirements of subsection (b), a statement of conversion may contain any other provision not prohibited by law.
  - (d) Domestic converted association.--If the converted association is a domestic association, its public organic record, if any, must satisfy the requirements of the laws of this Commonwealth, except that the public organic record does not need to be signed and may omit any provision that is not required to be included in a restatement of the public organic record.
  - (e) Filing of plan.--A plan of conversion that is signed by the converting association and meets all the requirements of subsection (b) may be delivered to the department for filing instead of a statement of conversion and on filing has the same effect. If a plan of conversion is filed as provided in this subsection, references in this chapter to a statement of conversion refer to the plan of conversion filed under this subsection.
  - (f) Effectiveness of statement of conversion.--A statement of conversion is effective as provided in section 136(c) (relating to processing of documents by Department of State).
  - (g) Effectiveness of conversion.--If the converted association is a domestic association, the conversion is effective when the statement of conversion is effective. If the converted association is a foreign association, the conversion is effective on the later of:
    - (1) the date and time provided by the organic law of the converted association; or
    - (2) when the statement of conversion is effective.
  - (h) Cross references.--See sections 134 (relating to docketing statement) and 135 (relating to requirements to be met by filed documents).

**§ 356. Effect of conversion.**

- (a) General rule.--When a conversion becomes effective, all of the following apply:
- (1) The converted association is:
    - (i) Organized under and subject to the organic law of the converted association.
    - (ii) The same association without interruption as the converting association.

- (iii) Deemed to have commenced its existence on the date the converting association commenced its existence in the jurisdiction in which the converting association was first created, incorporated, formed or otherwise came into existence, except for purposes of determining how the converted association is taxed.
- (2) All property of the converting association continues to be vested in the converted association without reversion or impairment, and the conversion shall not constitute a transfer of any of that property.
- (3) All debts, obligations and other liabilities of the converting association continue as debts, obligations and other liabilities of the converted association.
- (4) Except as provided by law, all of the rights, privileges, immunities and powers of the converting association continue to be vested without change in the converted association.
- (5) Liens on the property of the converting association shall not be impaired by the conversion.
- (6) A claim existing or an action or a proceeding pending by or against the converting association may be prosecuted to judgment as if the conversion had not taken place, and the name of the converted association may be substituted for the name of the converting association in any pending action or proceeding.
- (7) If a converted association is a filing association, its public organic record is effective.
- (8) If the converted association is a limited liability partnership or a limited liability limited partnership that is not using the alternative procedure in section 8201(f) (relating to scope), its statement of registration is effective.
- (9) If the converted association is an electing partnership, its statement of election is effective.
- (10) Any private organic rules of the converted association that are to be in record form and were approved as part of the plan of conversion are effective.
- (11) The interests in the converting association are converted or canceled in accordance with and as provided in the plan of conversion, and the interest holders of the converting association are entitled only to the rights provided to them under the plan and to any dissenters rights they have pursuant to section 317 (relating to contractual dissenters rights in entity transactions) or 353(c) (relating to approval of conversion).
- (12) Except as otherwise provided in the plan of conversion or organic rules pursuant to section 352(c) (relating to plan of conversion), the conversion does not constitute and shall not be deemed to result in a change of control of the converting association, and the converted association shall remain under the control of the same persons that controlled the converting association immediately before the conversion.
- (b) No other rights.--The conversion does not give rise to any rights:
- (1) that a third party would have upon a transfer of assets, merger, dissolution, liquidation or winding up of the converting association, except as provided in subsection (a)(11); or

- (2) that an interest holder or governor would have upon a dissolution, liquidation or winding up of the converting association, except as provided in the organic law or organic rules of the converting association.
- (c) New interest holder liability.--When a conversion becomes effective, a person that becomes subject to interest holder liability with respect to a domestic association as a result of the conversion has interest holder liability only to the extent provided by the organic law of the association and only for those debts, obligations and other liabilities that arise after the conversion becomes effective.
- (d) Prior interest holder liability.--When a conversion becomes effective, the interest holder liability of a person that ceases to hold an interest in a domestic converting association with respect to which the person had interest holder liability is as follows:
- (1) The conversion does not discharge any interest holder liability under the organic law of the domestic converting association to the extent the interest holder liability arose before the conversion became effective.
  - (2) The person does not have interest holder liability under the organic law of the domestic converting association for any debt, obligation or other liability that arises after the conversion becomes effective.
  - (3) The organic law of the domestic converting association continues to apply to the release, collection or discharge of any interest holder liability preserved under paragraph (1) as if the conversion had not occurred.
  - (4) The person has whatever rights of contribution from any other person as are provided by other law or the organic law or organic rules of the domestic converting association with respect to any interest holder liability preserved under paragraph (1) as if the conversion had not occurred.
- (e) Foreign converted association.--When a conversion becomes effective, a foreign association that is the converted association may be served with process in this Commonwealth for the collection and enforcement of any of its debts, obligations and other liabilities in accordance with applicable law.
- (f) Association not dissolved.--A conversion does not require a domestic converting association to liquidate, dissolve or wind up its affairs and does not constitute or cause the liquidation or dissolution of the association.
- (g) Taxes.--Any taxes, interest, penalties and public accounts of the Commonwealth claimed against the converting association that are settled, assessed or determined prior to or after the conversion shall be the liability of the converted association and, together with interest thereon, shall be a lien against the franchises and property of the converted association.
- (h) Cross references.--See sections 416 (relating to withdrawal deemed on certain transactions) and 417 (relating to required withdrawal on certain transactions).