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HOUSE BILL NO. 691

Offered January 12, 2022

Prefiled January 11, 2022

A BILL to amend and reenact §§ 13.1-803, 13.1-1002, and 13.1-1201 of the Code of Virginia, relating to business entities; conversion and domestication.

Patron—Keam

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:

1. That §§ 13.1-803, 13.1-1002, and 13.1-1201 of the Code of Virginia are amended and reenacted as follows:

§ 13.1-803. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Articles of incorporation" means all documents constituting, at any particular time, the charter of a corporation. It includes the original charter issued by the General Assembly, a court or the Commission and all amendments including certificates of merger, consolidation, or correction. When the articles of incorporation have been restated pursuant to any articles of restatement, amendment, domestication, or merger, it includes only the restated articles of incorporation without the accompanying articles of restatement, amendment, domestication, or merger. When used with respect to a foreign corporation, the "articles of incorporation" of such entity means the document that is equivalent to the articles of incorporation of a domestic corporation.

"Board of directors" means the group of persons vested with the management of the business of the corporation irrespective of the name by which such group is designated, and "director" means a member of the board of directors.

"Certificate," when relating to articles filed with the Commission, means the order of the Commission that makes the articles effective, together with the articles.

"Commission" means the State Corporation Commission of Virginia.

"Conspicuous" means so written, displayed, or presented that a reasonable person against whom the writing is to operate should have noticed it. For example, text that is italicized, is in boldface, contrasting colors, or capitals, or is underlined is conspicuous.

"Corporation" or "domestic corporation" means a corporation not authorized by law to issue shares, irrespective of the nature of the business to be transacted, organized under this chapter or existing pursuant to the laws of the Commonwealth on January 1, 1986, or that, by virtue of articles of incorporation, amendment, or merger, has become a domestic corporation of the Commonwealth, even though also being a corporation organized under laws other than the laws of the Commonwealth or that has become a domestic corporation of the Commonwealth pursuant to Article 11.1 (§ 13.1-898.1:1 et seq.).

"Deliver" or "delivery" means any method of delivery used in conventional commercial practice, including delivery by hand, mail, commercial delivery, and, if authorized in accordance with § 13.1-810, by electronic transmission.

"Disinterested director" means a director who, at the time action is to be taken under § 13.1-871, 13.1-878, or 13.1-880, does not have (i) a financial interest in a matter that is the subject of such action or (ii) a familial, financial, professional, employment, or other relationship with a person who has a financial interest in the matter, either of which would reasonably be expected to affect adversely the objectivity of the director when participating in the action, and if the action is to be taken under § 13.1-878 or 13.1-880, is also not a party to the proceeding. The presence of one or more of the following circumstances shall not by itself prevent a person from being a disinterested director: (a) nomination or election of the director to the current board by any person, acting alone or participating with others, who is so interested in the matter or (b) service as a director of another corporation of which an interested person is also a director.

"Document" means (i) any tangible medium on which information is inscribed, and includes any writing or written instrument, or (ii) an electronic record.

"Domestic," with respect to an entity, means an entity governed as to its internal affairs by the organic law of the Commonwealth.

"Domestic business trust" has the same meaning as specified in § 13.1-1201.

"Domestic limited liability company" has the same meaning as specified in § 13.1-1002.

"Domestic limited partnership" has the same meaning as specified in § 50-73.1.

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HB691

59 "Domestic partnership" means an association of two or more persons to carry on as co-owners of a
60 business for profit formed under § 50-73.88 or predecessor law of the Commonwealth and includes, for
61 all purposes of the laws of the Commonwealth, a registered limited liability partnership.

62 "Domestic stock corporation" has the same meaning as "domestic corporation" as specified in
63 § 13.1-603.

64 "Effective date," when referring to a document for which effectiveness is contingent upon issuance of
65 a certificate by the Commission, means the time and date determined in accordance with § 13.1-806.

66 "Effective date of notice" is defined in § 13.1-810.

67 "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical,
68 electromagnetic, or similar capabilities.

69 "Electronic record" means information that is stored in an electronic or other medium and is
70 retrievable in paper form through an automated process used in conventional commercial practice, unless
71 otherwise authorized in accordance with subsection J of § 13.1-810.

72 "Electronic transmission" or "electronically transmitted" means any form or process of
73 communication, not directly involving the physical transfer of paper or other tangible medium, that (i) is
74 suitable for the retention, retrieval, and reproduction of information by the recipient, and (ii) is
75 retrievable in paper form by the recipient through an automated process used in conventional
76 commercial practice, unless otherwise authorized in accordance with subsection J of § 13.1-810.

77 "Eligible entity" means a domestic or foreign unincorporated entity or a domestic or foreign stock
78 corporation.

79 "Eligible interests" means interests or shares.

80 "Employee" includes, unless otherwise provided in the bylaws, an officer but not a director. A
81 director may accept duties that make the director also an employee.

82 "Entity" includes any domestic or foreign corporation; any domestic or foreign stock corporation; any
83 domestic or foreign unincorporated entity; any estate or trust; and any state, the United States, and any
84 foreign government.

85 "*Entity conversion*" means conversion. A certificate of entity conversion is the same as a certificate
86 of conversion.

87 "Foreign," with respect to an entity, means an entity governed as to its internal affairs by the organic
88 law of a jurisdiction other than the Commonwealth.

89 "Foreign business trust" has the same meaning as specified in § 13.1-1201.

90 "Foreign corporation" means a corporation not authorized by law to issue shares, organized under
91 laws other than the laws of the Commonwealth.

92 "Foreign limited liability company" has the same meaning as specified in § 13.1-1002.

93 "Foreign limited partnership" has the same meaning as specified in § 50-73.1.

94 "Foreign partnership" means an association of two or more persons to carry on as co-owners of a
95 business for profit formed under the laws of any state or jurisdiction other than the Commonwealth, and
96 includes, for all purposes of the laws of the Commonwealth, a foreign registered limited liability
97 partnership.

98 "Foreign registered limited liability partnership" has the same meaning as specified in § 50-73.79.

99 "Foreign stock corporation" has the same meaning as "foreign corporation" as specified in
100 § 13.1-603.

101 "Foreign unincorporated entity" means a foreign partnership, foreign limited liability company,
102 foreign limited partnership, or foreign business trust.

103 "Government subdivision" includes authority, county, district, and municipality.

104 "Includes" denotes a partial definition.

105 "*Incorporation surrender*" has the same meaning as specified in § 13.1-898.1:1. A certificate of
106 incorporation surrender is the same as a certificate of domestication.

107 "Individual" means a natural person.

108 "Interest" means either or both of the following rights under the organic law of a foreign or domestic
109 unincorporated entity:

110 1. The right to receive distributions from the entity either in the ordinary course or upon liquidation;
111 or

112 2. The right to receive notice or vote on issues involving its internal affairs, other than as an agent,
113 assignee, proxy, or person responsible for managing its business and affairs.

114 "Jurisdiction of formation" means the state or country the law of which includes the organic law
115 governing a domestic or foreign corporation or eligible entity.

116 "Means" denotes an exhaustive definition.

117 "Member" means one having a membership interest in a corporation in accordance with the
118 provisions of its articles of incorporation or bylaws.

119 "Membership interest" means the interest of a member in a domestic or foreign corporation,
120 including voting and all other rights associated with membership.

"Organic document" means the document, if any, that is filed of public record to create an unincorporated entity. Where an organic document has been amended or restated, the term means the organic document as last amended or restated.

"Organic law" means the statute governing the internal affairs of a domestic or foreign corporation or eligible entity.

"Person" includes an individual and an entity.

"Principal office" means the office, in or out of the Commonwealth, where the principal executive offices of a domestic or foreign corporation are located, or, if there are no such offices, the office, in or out of the Commonwealth, so designated by the board of directors. The designation of the principal office in the most recent annual report filed pursuant to § 13.1-936 shall be conclusive for purposes of this chapter.

"Proceeding" includes civil suit and criminal, administrative and investigatory action conducted by a governmental agency.

"Protected series" has the same meaning as specified in § 13.1-1002.

"Record date" means the date established under Article 7 (§ 13.1-837 et seq.) of this chapter on which a corporation determines the identity of its members and their membership interests for purposes of this chapter. The determination shall be made as of the close of business at the principal office of the corporation on the record date unless another time for doing so is specified when the record date is fixed.

"Registered limited liability partnership" has the same meaning as specified in § 50-73.79.

"Shares" has the same meaning as specified in § 13.1-603.

"Sign" or "signature" means, with present intent to authenticate or adopt a document: (i) to execute or adopt a tangible symbol to a document, and includes any manual, facsimile, or conformed signature; or (ii) to attach to or logically associate with an electronic transmission an electronic sound, symbol, or process, and includes an electronic signature in an electronic transmission.

"State" when referring to a part of the United States, includes a state, commonwealth, and the District of Columbia, and their agencies and governmental subdivisions; and a territory or insular possession, and their agencies and governmental subdivisions, of the United States.

"Transact business" includes the conduct of affairs by any corporation that is not organized for profit.

"Unincorporated entity" or "domestic unincorporated entity" means a domestic partnership, limited liability company, limited partnership, or business trust.

"United States" includes any district, authority, bureau, commission, department, or any other agency of the United States.

"Voting group" means all members of one or more classes that under the articles of incorporation or this chapter are entitled to vote and be counted together collectively on a matter at a meeting of members. All members entitled by the articles of incorporation or this chapter to vote generally on the matter are for that purpose a single voting group.

"Voting power" means the current power to vote in the election of directors.

"Writing" or "written" means any information in the form of a document.

§ 13.1-1002. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Articles of organization" means all documents constituting, at any particular time, the articles of organization of a limited liability company. The articles of organization include the original articles of organization, the original certificate of organization issued by the Commission, and all amendments to the articles of organization. When the articles of organization have been restated pursuant to any articles of restatement, amendment, domestication, or merger, the articles of organization include only the restated articles of organization without the articles of restatement, amendment, domestication, or merger.

"Assignee" means a person to which all or part of a membership interest has been transferred, whether or not the transferor is a member.

"Bankruptcy" means, with respect to any person, being the subject of an order for relief under Title 11 of the United States Code.

"Commission" means the State Corporation Commission of Virginia.

"Contribution" means any cash, property or services rendered, or a promissory note or other binding obligation to contribute cash or property or to perform services, which a member contributes to a limited liability company in his capacity as a member.

"Distribution" means a direct or indirect transfer of money or other property, or incurrence of indebtedness by a limited liability company, to or for the benefit of its members in respect of their interests.

"Domestic," with respect to an entity, means an entity governed as to its internal affairs by the organic law of the Commonwealth.

182 "Domestic business trust" has the same meaning as specified in § 13.1-1201.

183 "Domestic corporation" has the same meaning as specified in § 13.1-603.

184 "Domestic limited partnership" has the same meaning as specified in § 50-73.1.

185 "Domestic nonstock corporation" has the same meaning as "domestic corporation" as specified in
186 § 13.1-803.

187 "Domestic partnership" means an association of two or more persons to carry on as co-owners a
188 business for profit formed under § 50-73.88, or predecessor law of the Commonwealth, and includes,
189 for all purposes of the laws of the Commonwealth, a registered limited liability partnership.

190 "Domestic stock corporation" has the same meaning as "domestic corporation" as specified in
191 § 13.1-603.

192 "Effective date," when referring to a document for which effectiveness is contingent upon issuance of
193 a certificate by the Commission, means the time and date determined in accordance with § 13.1-1004.

194 "Electronic transmission" means any form of communication, not directly involving the physical
195 transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient
196 thereof, and that may be directly reproduced in paper form by the recipient through an automated
197 process. Any term used in this definition that is defined in § 59.1-480 of the Uniform Electronic
198 Transactions Act (§ 59.1-479 et seq.) shall have the meaning set forth in that section.

199 "Eligible interests" means, as to a partnership, partnership interest as specified in § 50-73.79; as to a
200 limited partnership, partnership interest as specified in § 50-73.1; as to a business trust, the beneficial
201 interest of a beneficial owner as specified in § 13.1-1226; as to a stock corporation, shares as specified
202 in § 13.1-603; or, as to a nonstock corporation, membership interest as specified in § 13.1-803.

203 "Entity" includes any domestic or foreign limited liability company, any domestic or foreign other
204 business entity, any estate or trust, and any state, the United States, and any foreign government.

205 *"Entity conversion" means conversion. A certificate of entity conversion is the same as a certificate*
206 *of conversion.*

207 "Foreign," with respect to an entity, means an entity governed as to its internal affairs by the organic
208 law of a jurisdiction other than the Commonwealth.

209 "Foreign business trust" has the same meaning as specified in § 13.1-1201.

210 "Foreign corporation" has the same meaning as specified in § 13.1-603.

211 "Foreign limited liability company" means an entity, excluding a foreign business trust, that is an
212 unincorporated organization that is organized under laws other than the laws of the Commonwealth and
213 that is denominated by that law as a limited liability company, and that affords to each of its members,
214 pursuant to the laws under which it is organized, limited liability with respect to the liabilities of the
215 entity.

216 "Foreign limited partnership" has the same meaning as specified in § 50-73.1.

217 "Foreign nonstock corporation" has the same meaning as "foreign corporation" as specified in
218 § 13.1-803.

219 "Foreign partnership" means an association of two or more persons to carry on as co-owners a
220 business for profit formed under the laws of any state or jurisdiction other than the Commonwealth, and
221 includes, for all purposes of the laws of the Commonwealth, a foreign registered limited liability
222 partnership.

223 "Foreign protected series" means a protected series established by a foreign series limited liability
224 company and having attributes comparable to a protected series established under Article 16
225 (§ 13.1-1088 et seq.). The term applies whether or not the law under which the foreign series limited
226 liability company is organized refers to "protected series" or "series."

227 "Foreign registered limited liability partnership" has the same meanings as specified in §§ 50-2 and
228 50-73.79.

229 "Foreign series limited liability company" means a foreign limited liability company having at least
230 one foreign protected series.

231 "Foreign stock corporation" has the same meaning as "foreign corporation" as specified in
232 § 13.1-603.

233 "Jurisdiction," when used to refer to a political entity, means the United States, a state, a foreign
234 country, or a political subdivision of a foreign country.

235 "Jurisdiction of formation" means the state or country the law of which includes the organic law
236 governing a domestic or foreign limited liability company or other business entity.

237 "Limited liability company" or "domestic limited liability company" means an entity that is an
238 unincorporated organization organized and existing under this chapter, or that has become a domestic
239 limited liability company of the Commonwealth pursuant to § 13.1-1010.3 as it existed prior to its
240 repeal, even though also being a non-United States entity organized under laws other than the laws of
241 the Commonwealth, or that has become a domestic limited liability company of the Commonwealth
242 pursuant to § 56-1, even though also being a non-United States entity organized under laws other than
243 the laws of the Commonwealth, or that has become a domestic limited liability company of the

Commonwealth pursuant to § 13.1-1010.1 as it existed prior to its repeal, or that has become a domestic limited liability company of the Commonwealth pursuant to Article 12.2 (§ 13.1-722.8 et seq.) of Chapter 9, Article 17.1 (§ 13.1-944.1 et seq.) of Chapter 10, Article 14 (§ 13.1-1074 et seq.) or Article 15 (§ 13.1-1081 et seq.) of this chapter, or Article 12 (§ 13.1-1264 et seq.) of Chapter 14. A limited liability company's status for federal tax purposes shall not affect its status as a distinct entity organized and existing under this chapter.

"Manager" or "managers" means a person or persons designated by the members of a limited liability company to manage the limited liability company as provided in the articles of organization or an operating agreement.

"Manager-managed limited liability company" means a limited liability company that is managed by a manager or managers as provided for in its articles of organization or an operating agreement.

"Member" means a person that has been admitted to membership in a limited liability company as provided in § 13.1-1038.1 and that has not ceased to be a member.

"Member-managed limited liability company" means a limited liability company that is not a manager-managed limited liability company.

"Membership interest" or "interest" means a member's share of the profits and the losses of the limited liability company and the right to receive distributions of the limited liability company's assets.

"Non-United States entity" means a foreign limited liability company (other than one formed under the laws of a state), or a corporation, business trust or association, real estate investment trust, common-law trust, or any other unincorporated business, including a partnership, formed, incorporated, organized, created or that otherwise came into being under the laws of any foreign country or other foreign jurisdiction (other than any state).

"Operating agreement" means an agreement of the members as to the affairs of a limited liability company and the conduct of its business, or a writing or agreement of a limited liability company with one member that satisfies the requirements of subdivision A 2 of § 13.1-1023.

"Organic law" means the statute governing the internal affairs of a domestic or foreign limited liability company or other business entity.

"Organization surrender" has the same meaning as specified in § 13.1-1074. A certificate of organization surrender is the same as a certificate of domestication.

"Other business entity" means a domestic or foreign partnership, limited partnership, business trust, stock corporation, or nonstock corporation.

"Person" has the same meaning as specified in § 13.1-603. "Person" includes a protected series.

"Principal office" means the office, in or out of the Commonwealth, where the principal executive offices of a domestic or foreign limited liability company are located or, if there are no such offices, the office, in or out of the Commonwealth, so designated by the limited liability company. The designation of the principal office in the most recent statement of change filed pursuant to § 13.1-1018.1 shall be conclusive for the purpose of this chapter.

"Property" means all property, whether real, personal, or mixed or tangible or intangible, or any right or interest therein.

"Protected series," except in the term "foreign protected series," means a person established under § 13.1-1095.

"Record," when used as a noun, means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"Registered limited liability partnership" has the same meaning as specified in § 50-73.79.

"Series limited liability company," except in the term "foreign series limited liability company," means a limited liability company having at least one protected series.

"Sign" means, with present intent to authenticate or adopt a record, to execute or adopt a tangible symbol or to attach to or logically associate with the record an electronic symbol, sound, or process.

"State," when referring to a part of the United States, includes a state, commonwealth and the District of Columbia, and their agencies and governmental subdivisions; and a territory or insular possession, and their agencies and governmental subdivisions, of the United States.

"Transfer" includes an assignment, a conveyance, a sale, a lease, an encumbrance including a mortgage or security interest, a gift, and a transfer by operation of law.

"United States" includes a district, authority, bureau, commission, department, and any other agency of the United States.

§ 13.1-1201. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Articles of trust" means all documents constituting, at any particular time, the articles of trust of a business trust. "Articles of trust" includes the original articles of trust, the original certificate of trust issued by the Commission, and all amendments to the articles of trust. When the articles of trust have been restated pursuant to any articles of amendment, the articles of trust includes only the restated

articles of trust and any subsequent amendments to the restated articles of trust, but does not include the articles of amendment accompanying the restated articles of trust. When used with respect to a foreign business trust, the "articles of trust" of such entity means the document that is equivalent to the articles of trust of a domestic business trust.

"Beneficial owner" means any owner of a beneficial interest in a business trust, the fact of ownership to be determined and evidenced, whether by means of registration, the issuance of certificates or otherwise, in conformity to the applicable provisions of the governing instrument of the business trust.

"Business trust" or "domestic business trust" means an unincorporated business, trust, or association that:

1. Is governed by a governing instrument under which:

a. Property is or will be held, managed, administered, controlled, invested, reinvested, or operated by a trustee for the benefit of persons as are or may become entitled to a beneficial interest in the trust property; or

b. Business or professional activities for profit are carried on or will be carried on by one or more trustees for the benefit of persons as are or may become entitled to a beneficial interest in the trust property; and

2. Files articles of trust under § 13.1-1212.

"Business trust" includes, without limitation, any of the following entities that conform with subdivisions 1 and 2 of this definition:

(1) A trust of the type known at common law as a "business trust" or "Massachusetts trust";

(2) A trust qualifying as a real estate mortgage investment conduit under § 860 D of the United States Internal Revenue Code of 1986, as amended, or under any successor provision;

(3) A trust qualifying as a real estate investment trust under §§ 856 through 859 of the United States Internal Revenue Code of 1986, as amended, or under any successor provision; or

(4) A "real estate investment trust" or "trust" created under former Chapter 9 (§ 6-577 et seq.) of Title 6 or former Chapter 9 (§ 6.1-343 et seq.) of Title 6.1.

"Commission" means the State Corporation Commission of Virginia.

"Domestic," with respect to an entity, means an entity governed as to its internal affairs by the organic law of the Commonwealth.

"Domestic corporation" has the same meaning as specified in § 13.1-603.

"Domestic limited partnership" has the same meaning as specified in § 50-73.1.

"Domestic nonstock corporation" has the same meaning as "domestic corporation" as specified in § 13.1-803.

"Domestic partnership" means an association of two or more persons to carry on as co-owners a business for profit formed under § 50-73.88, or predecessor law of the Commonwealth, and includes, for all purposes of the laws of the Commonwealth, a registered limited liability partnership.

"Domestic stock corporation" has the same meaning as "domestic corporation" as specified in § 13.1-603.

"Effective date," when referring to a document for which effectiveness is contingent upon issuance of a certificate by the Commission, means the time and date determined in accordance with § 13.1-1203.

"Entity" includes any domestic or foreign business trust or other business entity, any estate or trust, and any state, the United States, and any foreign government.

"Entity conversion" means conversion. A certificate of entity conversion is the same as a certificate of conversion.

"Foreign" with respect to an entity, means an entity governed as to its internal affairs by the organic law of a jurisdiction other than the Commonwealth.

"Foreign business trust" means a trust formed under the law of a jurisdiction other than the Commonwealth that would be a business trust if formed under the law of the Commonwealth.

"Foreign limited liability company" has the same meaning as specified in § 13.1-1002.

"Foreign limited partnership" has the same meaning as specified in § 50-73.1.

"Foreign nonstock corporation" has the same meaning as "foreign corporation" as specified in § 13.1-803.

"Governing instrument" means a trust instrument that creates a business trust and provides for the governance of the affairs of the business trust and the conduct of its business, including, without limitation, a declaration of trust.

"Jurisdiction of formation" means the state or country the law of which includes the organic law governing a domestic or foreign business trust or other business entity.

"Organic law" means the statute governing the internal affairs of a domestic or foreign business trust or other business entity.

"Other business entity" means a domestic or foreign stock corporation, a nonstock corporation, limited liability company, partnership, or limited partnership.

"Person" has the same meaning as specified in § 13.1-603.

367 "Protected series" has the same meaning as specified in § 13.1-1002.

368 "Registered limited liability partnership" has the same meaning as specified in § 50-73.79.

369 "State," when referring to a part of the United States, includes a state and commonwealth, and their
370 agencies and governmental subdivisions; and a territory and insular possession, and their agencies and
371 governmental subdivisions, of the United States.

372 ~~"Trust" includes~~ *"Trust" includes* a common law trust, business trust, and foreign business trust.

373 *"Trust surrender" has the same meaning as specified in § 13.1-1264. A certificate of trust surrender*
374 *is the same as a certificate of domestication.*

375 "Trustee" means a person appointed as a trustee in accordance with the governing instrument of a
376 business trust. "Trustee" may include a beneficial owner of a business trust.

377 "United States" includes any district, authority, bureau, commission, department, or other agency of
378 the United States.