**How do I Convert My San Diego LLC into a San Diego Corporation?**

If you are currently operating your San Diego business as a California LLC, you may at some point wonder if you can convert to a corporation. The answer is "yes." There are various reasons that your business might want to do this:

* To increase the number of owners
* Obtaining new financing or other investment potentials
* To ease transferability of ownership interests
* To obtain potential individual tax benefits -- avoiding excessive self-employment taxes common with LLCs
* The desire to separate ownership from management

**California Corporate Forms: Converting From an LLC to a Corporation**

In California, converting from an LLC to a corporation is relatively straightforward. You file with the California Secretary of State a form called "Articles of Incorporation with Statement of Conversion." This is what is called a “statutory conversion.” See Cal. Corp. Code, § 17710.01 et seq. Not all states allow for this simple method of conversion. The fee (as of 2018) is $150 and, after the form is completed and filed, your LLC is converted into a corporation and all of the LLC’s assets and liabilities are automatically transferred to the new corporation. See Cal. Sec. of State quick information page [here](http://www.sos.ca.gov/business-programs/business-entities/conversion-information/).

However, before filing with the Secretary of State, the LLC must officially take two steps - create a "Plan of Conversion" and adopt the plan by the required vote of the members or managers of the LLC. See [Cal. Corp. Code, § 17710.03](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CORP&division=&title=2.6.&part=&chapter=&article=10.).

The key parts of the plan of conversion are stating the:

* Terms and conditions of the conversion
* The manner of converting the LLC membership interests of each of the members into securities of, shares of, or interests in, the new corporation
* The provisions of the articles of incorporation to which the holders of interests in the LLC are to be bound
* “Any other details or provisions that are required by the laws under which the converted entity is organized, or that are desired by the parties”

The plan of conversion must be voted upon and approved by the members of the LLC. Thus, any failure to fully explain how the conversion will be accomplished will either lead to a "no" vote or will lead to charges of misrepresentation or omission somewhere down the road. It is important, therefore, that all the details of the conversion be laid out plainly and clearly.

**California Corporate Forms: Who Must Approve the Conversion?**

As a reminder, under California law, there are three types of LLCs:

* Single-member LLCs
* Member managed LLCs
* and Manager managed LLCs

With respect to the first two, the plan of conversion must be signed and acknowledged by all members of the single-member or member-managed LLC. With regard to a manager-managed LLC, all managers must sign and acknowledge agreement with the plan of conversion. NOTE, however, that the operating agreement can modify the foregoing statements. Cal. Corp. Code, § 17710.06(b).

**California Corporate Forms: Additional Steps After Conversion**

After receiving the new articles of incorporation from the Secretary of State, there are a few other important steps to take such as:

* If any real property was owned by the LLC being converted, consideration should be made concerning filing documents with the county recorder's office as though a merger had occurred -- see Cal. Corp. Code, § 17710.18
* Same with respect to California taxing authorities and tax ID numbers -- see Cal. Corp. Code, § 17710.19
* Contact banks, insurance carriers, and similar other re: change in status
* Issue stock certificates
* Hold initial shareholders meeting to adopt bylaws and elect corporate directors
* Draft and adopt corporate bylaws -- needed for running board meetings, electing officers, etc.
* Hold initial board meeting -- elect officers
* Consult with your accounting and tax professionals with respect to tax consequences

**California Corporate Forms: Contact San Diego Corporate Law Today**

If you want more information or are interesting in converting your LLC to a California corporation or need other legal assistance with your business, contact attorney [Michael Leonard](https://sdcorporatelaw.com/), Esq., of [San Diego Corporate Law](http://www.sdcorporatelaw.com/). Mr. Leonard provides a full panoply of legal services for San Diego and California businesses. Mr. Leonard has been named a “Rising Star” three years running by SuperLawyers.com and “Best of the Bar” by the San Diego Business Journal. Mr. Leonard can be reached at (858) 483-9200 or via [email](https://sdcorporatelaw.com/contact/).

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