



Ohio Revised Code Section 1701.22 Conversion rights.

Effective: July 30, 1984

Legislation: House Bill 250 - 115th General Assembly

(A) Unless the articles otherwise provide, a corporation by its directors may, subject to the provisions of this section, confer on the holder of any obligations of the corporation the right to convert such obligations into shares of any authorized class or series, on such terms as are set forth in the instrument evidencing such conversion rights. Such terms may include any statements not repugnant to law for the protection of such conversion rights, including, but without limiting the generality of such authority: restrictions upon the authorization or issuance of additional shares; provisions for the adjustment of the conversion price or ratio; provisions concerning rights in the event of reorganization, merger, consolidation, or lease, sale, exchange, transfer, or other disposition of all, or substantially all, of the assets of the corporation; provisions for the reservation of authorized but unissued shares to satisfy such conversion rights; and restrictions upon the declaration or payment of dividends or distributions. Such terms may also include statements, not inconsistent with the provisions of section 1701.30 of the Revised Code, to provide that upon the exercise of conversion rights the stated capital of the corporation shall be created or increased in the manner, at the rate, or to the extent provided therein.

(B) If the shares into which such obligations are convertible would be subject to pre-emptive rights if issued for cash, the conferring of the conversion rights must be authorized by such vote or consent of the shareholders or holders of shares of particular classes as would then be required to waive or release such pre-emptive rights; and such vote or consent shall release the pre-emptive rights to the shares required to satisfy such conversion rights if and when exercised.

(C) If at the time of conferring such conversion rights the corporation does not have authorized and unissued shares sufficient to satisfy such rights if and when exercised, the conferring of such rights must be authorized by such vote of the shareholders or holders of shares of particular classes as would then be required to adopt an amendment to the articles for the purpose of increasing the authorized number of such shares, and the shares required to be issued upon the exercise of such conversion rights shall be provided by an amendment concurrently or thereafter adopted by the shareholders or the directors.



(D) The corporation shall not issue any obligations which are convertible into shares having an aggregate par value greater than the principal amount of such obligations, unless in each case immediately after the issuing of any of the convertible obligations, the corporation will have a surplus not less in amount than the excess of the aggregate par value of all the shares into which such convertible obligations may be converted over the aggregate principal amount of the outstanding convertible obligations; and during the entire period that such conversion rights may be exercised, the corporation shall reserve, from its surplus, solely for transfer to stated capital upon the exercise of such conversion rights an amount equal at the time to the excess of the aggregate par value of all the shares into which the then outstanding convertible obligations may be converted over the aggregate principal amount of such convertible obligations; provided that the failure or inability of the corporation to maintain such reserve shall not affect the conversion rights of any outstanding convertible obligations.