

Subsidiaries Domestic Or Foreign?

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Yesterday's [post](#) parsed the definition of "subsidiary" in Corporations Code Section 189. Because a subsidiary must be a corporation as defined in Section 162, a subsidiary cannot be a foreign corporation, as defined in Section 171. The legislature seemed to recognize this fact in some provisions of the General Corporation Law.

Section 1602, for example, provides that a director has the absolute right to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation of which such person is a director and also of its subsidiary corporations, *domestic or foreign*. This explicit reference contrasts with other provisions of the GCL that refer only to "subsidiaries" (e.g., Corp. Code §§ 114, 408, 501, & 703).

Strictly interpreting Section 189 undoubtedly leads to absurd results. For example, did the legislature really intend to exclude foreign subsidiaries from a corporation's consolidated financial statements in Section 114?

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