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Connecticut Adopts the Model Entity Transactions Act

Cross-entity mergers will be permitted in Connecticut pursuant to a "junction box" statute adopted by the Connecticut General Assembly on the last night of its session and signed by Governor Malloy on July 13. However, the law will not become effective until October 1, 2014, at the request of the Office of the Secretary of the State, to permit the upgrade of the office's computer system to accommodate this law and the other functions of the secretary of the state. The state may seek an interim software solution to permit the act to become effective more quickly. The Connecticut Model Entity Transactions Act ("META") is based on a model act adopted by the American Bar Association and the National Conference of Commissioners on Uniform State Laws. META will permit the following:

- Mergers, consolidations and interest exchange transactions among entities of different forms (i.e., corporations, general partnerships, limited liability companies, limited liability partnerships, associations and other forms of unincorporated for-profit entities). Under current law, many of these transactions cannot be accomplished in Connecticut and thus require a multistep process, including cumbersome, expensive and time-consuming procedures involving interim mergers with entities formed in other jurisdictions such as Delaware to achieve the desired result. Frequently, after such transactions, the companies remain domiciled in the other jurisdiction rather than returning to Connecticut.
- Conversion from one form of entity to another. META would permit the conversion of a corporation to a limited liability company, for example, by simply filing a certificate with the secretary of the state and paying a filing fee. Again, in many cases, current Connecticut statutes do not permit this type of transaction and thus require Connecticut companies to resort to a multistep, multijurisdictional process.
- Domestication of entities to or from Connecticut. For example, a corporation organized in another state could become a Connecticut corporation under META by filing a certificate with the Connecticut secretary of the state and making an appropriate filing in the other state. There currently is no Connecticut statutory authority to permit domestication.

Comprehensive legislation governing the above areas has become particularly desirable as new forms of entities such as limited liability companies, limited liability partnerships and limited liability limited partnerships have become more prevalent across the last three decades. While not impacting the tax consequences of a transaction, META will enhance the efficiency and flexibility of dissimilar entity transactions under Connecticut law. Mark Sklarz, a partner in the Day Pitney LLP New Haven office, served as the chair of a Joint Committee of the Business Law and Tax Sections of the Connecticut Bar Association, which drafted the legislation. He provided testimony to advance the act through the legislative process.
CONCLUSION Connecticut businesses will benefit from the clarity, efficiency and comprehensive structure of META. The current "patchwork authority" of the Connecticut statutes, which permit some cross-entity mergers but not others, and which allow some entity conversions but not others, has been confusing for business owners. META has been specifically designed to remedy these issues and will provide Connecticut with a best-practices statute to assist businesses of all sizes to compete in a favorable environment.