



House of Representatives

General Assembly

File No. 412

February Session, 2014

Substitute House Bill No. 5513

House of Representatives, April 7, 2014

The Committee on Banks reported through REP. TONG of the 147th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE MODERNIZATION OF CONNECTICUT CORPORATION LAW.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2014*) (a) There is established a
2 Commission on Connecticut's Leadership in Corporation and Business
3 Law, which shall be part of the Legislative Department.

4 (b) The commission shall consist of:

5 (1) The chairperson of the business law section of the Connecticut
6 Bar Association;

7 (2) The Commissioner of Economic and Community Development,
8 or a designee;

9 (3) The Chief Court Administrator, or a designee;

10 (4) The chairpersons of the joint standing committee of the General
11 Assembly having cognizance of matters relating to banks, or their

12 designees chosen from among the members of such committee;

13 (5) The chairpersons of the joint standing committee of the General
14 Assembly having cognizance of matters relating to the judiciary, or
15 their designees chosen from among the members of such committee;

16 (6) The chairpersons of the joint standing committee of the General
17 Assembly having cognizance of matters relating to commerce, or their
18 designees chosen from among the members of such committee;

19 (7) Six members appointed one each by the president pro tempore
20 of the Senate, the speaker of the House of Representatives, the majority
21 leader of the Senate, the majority leader of the House of
22 Representatives, the minority leader of the Senate and the minority
23 leader of the House of Representatives; and

24 (8) Two members appointed by the Governor.

25 (b) The members of the commission shall elect a chairperson of the
26 commission from among its members. The commission shall meet at
27 such times as it deems necessary.

28 (c) The commission shall:

29 (1) Develop and recommend policies to establish the state as a
30 leading and highly desirable jurisdiction in which to organize a
31 business entity and to adjudicate matters related to corporation and
32 business law;

33 (2) Develop and recommend policies to attract, encourage and
34 retain business entities that organize under Connecticut law and
35 establish their headquarters and significant business operations in
36 Connecticut;

37 (3) Examine the impact of statutory provisions and the common law
38 in this state, the state of Delaware and other states on business
39 formation and retention in this state and recommend legislation or
40 other changes to the Governor and the General Assembly to encourage

41 business entities to organize under Connecticut law, and to increase
42 and accelerate the rate and number of business entities that are
43 organized under Connecticut law, including, but not limited to:

44 (A) The impact of the Connecticut Business Corporation Act, section
45 33-600, et seq., of the general statutes;

46 (B) The impact of state business taxes, including, but not limited to,
47 the franchise tax and the corporation business tax;

48 (C) The impact of the Judicial Branch on business operations,
49 including, but not limited to, the rules of the Superior Court, statutory
50 provisions concerning civil procedure and the complex litigation
51 docket, and the composition of the Judicial Branch in general;

52 (D) The impact of the office of the Secretary of the State and the
53 state's procedures concerning business formation and filing, including,
54 but not limited to, the state's electronic and accelerated formation and
55 filing capabilities; and

56 (E) The impact of the Delaware General Corporation Law, title 8 of
57 the Delaware Code, the Delaware Court of Chancery, and other
58 statutory and administrative provisions in Delaware law on the
59 economy and economic development in the state of Delaware, and on
60 adjudication of corporate and business disputes in Connecticut courts;

61 (4) Develop and recommend policies to establish the Business
62 Organizations and Transactions Court, in accordance with section 2 of
63 this act, with exclusive jurisdiction over all matters concerning
64 business formation, shareholders, stock and securities, and business
65 transactions involving the transfer of ownership interests; and

66 (5) Develop and recommend policies to assist the Secretary of the
67 State to develop best-in-the-nation business services and support,
68 including, but not limited to, a state-of-the-art business formation and
69 filing system that enables accelerated access to business services
70 twenty-four hours a day.

71 (d) The commission shall develop and submit to the General
72 Assembly, not later than October 1, 2015, a ten-year plan of action to
73 establish Connecticut's leadership in corporation and business
74 organizations law, and to attract, encourage and retain business
75 entities that organize under Connecticut law and establish their
76 headquarters and significant business operations in Connecticut.

77 Sec. 2. (NEW) (*Effective October 1, 2014*) (a) As used in this section,
78 "corporation law case" means any case arising from a claim made
79 under title 33, 34, 35 or 36b of the general statutes and all other matters
80 concerning business formation, shareholders, stock and securities and
81 business transactions involving the transfer of ownership interests.

82 (b) The Chief Court Administrator shall establish in not less than
83 three judicial districts a docket separate from other civil matters for the
84 hearing and expedited resolution of corporation law cases, which shall
85 be known as the Business Organizations and Transactions Court.

86 (c) The Governor shall appoint, on an as-needed basis, judges to the
87 Business Organizations and Transactions Court with demonstrated
88 experience and expertise in corporate and business law in the state.

89 (d) The Chief Court Administrator shall establish policies and
90 procedures to implement the provisions of this section. Such policies
91 and procedures shall include, but not be limited to, (1) an individual
92 calendar method of case management requiring a judge appointed
93 pursuant to subsection (c) of this section to preside over all aspects of
94 the litigation, including trial, (2) the use of discovery, pleading and
95 trial procedures designed to promote efficiencies, (3) the reduction in
96 the time period between filing and disposition of the case, and (4) the
97 creation of a consistent body of corporation law.

98 (e) Not later than January 1, 2015, the administrator shall submit a
99 report on such implementation, in accordance with section 11-4a of the
100 general statutes, to the joint standing committees of the General
101 Assembly having cognizance of matters relating to the judiciary and
102 banks.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2014</i>	New section
Sec. 2	<i>October 1, 2014</i>	New section

Statement of Legislative Commissioners:

In section 2(d), "identified" was changed to "appointed" and "(b)" was changed to "(c)" for clarity.

BA *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Judicial Dept.	GF - Cost	868,890	1,216,446
Comptroller- Fringe Benefits ¹	GF - Cost	303,367	424,713
Various State Agencies	GF - Potential Cost	Less than 1,000	Less than 1,000

Municipal Impact: None

Explanation

The bill creates a Business Organizations and Transactions Court docket in at least three judicial districts and results in a cost of up to \$868,890 for 18 positions and \$303,367 for fringe benefits in FY 15 (beginning October 1, 2014) and \$1,216,466 for salaries and \$424,713 for fringe benefits in FY 16. These positions include judges, judicial marshals, court operations assistants, court recording monitors, caseflow coordinators, and office clerks. The bill requires the Governor to appoint judges as needed but it is anticipated that one judge with expertise in Connecticut corporate and business law will be needed for each judicial district.

There may be a cost of less than \$1,000 in both FY 15 and FY 16 to those agencies participating in the Commission on Connecticut's Leadership in Corporation and Business Law to reimburse legislators and agency staff for mileage expenses.

The Out Years

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.66% of payroll in FY 15 and FY 16.

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**HB 5513*****AN ACT CONCERNING THE MODERNIZATION OF CONNECTICUT CORPORATION LAW.*****SUMMARY:**

This bill requires the chief court administrator to create the Business Organizations and Transactions Court as a separate docket in at least three judicial districts to hear and expeditiously resolve corporation law cases; other matters regarding business formation, shareholders, stocks and securities, and business transactions involving transferring ownership interests; and certain other business cases. As needed, the bill requires the governor to appoint judges to this court who have demonstrated experience and expertise in Connecticut corporate and business law.

The bill also creates a 17-member Commission on Connecticut's Leadership in Corporation and Business Law, within the Legislative Branch. The commission must make recommendations to (1) establish Connecticut's leadership in corporation and business organization law; (2) attract, encourage, and retain business entities organized under Connecticut law; and (3) establish these business entities' headquarters and significant business operations in Connecticut. It must submit a 10-year action plan to the legislature by October 1, 2015.

EFFECTIVE DATE: October 1, 2014

BUSINESS ORGANIZATIONS AND TRANSACTIONS COURT***Establishment***

The bill requires the chief court administrator to establish this court as a separate docket in at least three judicial districts and adopt policies and procedures to implement the bill. The procedures must include:

1. an individual calendar method of case management that requires judges to preside over all aspects of the litigation, including trial;
2. using discovery, pleading, and trial procedures to promote efficiencies;
3. reducing the time between filing and disposing of cases; and
4. creating a consistent body of corporation law.

Existing law, unchanged by the bill, requires (1) court rules to establish the divisions and parts of the Superior Court to provide the highest standards of justice and most efficient operations and (2) the chief court administrator to assign judges to each division and part as he deems advisable and designate the times and locations of sessions as are in the best interest of court business, considering convenience to litigants and counsel and the efficient use of court personnel and facilities (CGS § 51-164t).

The bill requires the chief court administrator to report on his implementation of these provisions to the Banks and Judiciary committees by January 1, 2015.

Types of Cases

Under the bill, the court deals with corporation law cases and all other matters regarding business formation, shareholders, stock and securities, and business transactions involving transferring ownership interests. These cases include any case with a claim involving laws on:

1. corporations or other business entities such as limited partnerships, professional associations, limited liability companies, limited liability partnerships, and statutory trusts;
2. entity transactions;
3. state laws on trademark and collective and certification marks;
and

4. state securities and business opportunities law.

COMMISSION ON CONNECTICUT'S LEADERSHIP IN CORPORATION AND BUSINESS LAW

Members

Under the bill, the commission consists of:

1. the Connecticut Bar Association business law section chairperson;
2. the economic and community development commissioner or her designee;
3. the chief court administrator or his designee;
4. the chairpersons of the Banks, Commerce, and Judiciary committees, or their designees chosen from among the appropriate committee's membership;
5. one member appointed by each of the six legislative leaders; and
6. two members appointed by the governor.

Members choose the commission's chairperson from among the members. The commission meets as necessary.

Charge

The bill requires the commission to develop and recommend policies to:

1. establish Connecticut as a leading and highly desirable location to organize a business entity and adjudicate corporate and business law matters;
2. attract, encourage, and retain business entities that organize under Connecticut law and have their headquarters and significant business operations here;
3. establish a Business Organizations and Transactions Court with

exclusive jurisdiction over business formation, shareholders, stock and securities, and business transactions involving the transfer of ownership interests; and

4. assist the secretary of the state in developing best-in-the-nation business services and support, including a state-of-the-art business formation and filing system with accelerated access to business services 24 hours a day.

The commission must also examine the impact of statutes and the common law in Connecticut, Delaware, and other states on business formation and retention in Connecticut. It must recommend legislation and other changes to the governor and legislature to encourage business entities to organize under Connecticut law and increase the rate and number of business entities organized under Connecticut law. To do so, the commission must examine the impact of:

1. Connecticut's business corporation laws;
2. state business taxes, including the franchise and corporation business taxes;
3. the Judicial Branch on business operations including court rules, statutes on civil procedure and the complex litigation docket, and the branch's composition;
4. the Secretary of the State's Office and the state's procedures on business formation and filing, including electronic and accelerated capabilities; and
5. Delaware's corporate law, Chancery Court, and statutory and administrative provisions on (a) Delaware's economy and economic development and (b) adjudication of corporate and business disputes in Connecticut courts.

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 17 Nay 0 (03/18/2014)