4 Main Types of Mergers

A merger is a combination of two or more business entities in which the assets and liabilities of all the entities are transferred to one, which continues in existence, while all the others cease to exist.

1. **“General” Merger**
   - Target (A) merges into acquirer (B)
   - All shareholders/members/partners receive ownership interests in the acquirer, cash or other property
   - “General” means no special requirements must be met
   - Cross entity mergers allowed

2. **Parent-Subsidiary Merger**
   - **Parent-Subsidiary (Upstream Merger)**
     - Subsidiary entity merges into parent entity using “short form” merger procedures
     - Parent is required to own a certain statutory percentage (in most states it’s 90%)
     - Parent must own a certain percentage of subsidiary
     - Parent/Acquirer (A) not a constituent
     - Parent/Acquirer (A) not liable for obligations & liabilities of Target

   - **Parent-Subsidiary (Downstream Merger)**
     - Parent entity merges into a subsidiary entity using “short form” procedures
     - Can use to change the parent’s home state
     - Parent must own a certain percentage of subsidiary
     - Parent/Acquirer (A) not a constituent
     - Parent/Acquirer (A) not liable for obligations & liabilities of Target

3. **Triangular Mergers**
   - **Forward Triangular Merger**
     - Mergers subsidiary (S) created specifically for the transaction.
     - Target (T) merges into subsidiary (S)
     - Owners of Target receive ownership interests in Parent/Acquirer (A).
     - Parent/Acquirer (A) not a constituent
     - Parent/Acquirer (A) not liable for obligations & liabilities of Target

   - **Reverse Triangular Merger**
     - Subsidiary (S) created specifically for the merger transaction.
     - Subsidiary (S) merges into target (T)
     - Two exchanges take place:
       - Target (T) owners get ownership interests in the acquirer (A)
       - Surviving entity owners get ownership interests in Target (T)
     - Parent/Acquirer (A) not a constituent
     - Parent/Acquirer (A) not liable for obligations & liabilities of Target

4. **Multi-Entity Mergers**
   - General, parent-subsidiary, and triangular mergers may involve cross-entity mergers
   - Includes mergers between different entity types
   - Also referred as cross-entity, inter-entity or interspecies mergers

Regardless of type, each merger has unique elements and challenges. CT’s team of experts can help you avoid common compliance pitfalls throughout the deal lifecycle. To learn more, contact us at 855.316.8948 or visit ctcorporation.com.

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