

**A SUMMARY OF HOUSE BILL 4764 AS REPORTED BY THE HOUSE COMMITTEE
ON COMMERCE 6-3-03**

The bill would amend the Business Corporation Act in the following ways.

- In the case of a corporation whose board of directors is divided into classes, shareholders could remove directors only for cause unless the articles of incorporation allowed removal without cause. (Currently, the act says shareholders can remove a director with or without cause unless the articles limit removal for cause only.)
- Amendments to the articles of incorporation of a corporation with publicly traded stock would have to be proposed to the shareholders by the board of directors or by holders of shares representing three-quarters of each class of the outstanding capital stock of the corporation.
- The bill would specify that the formation of a group does not constitute a control share acquisition of shares of an issuing public corporation held by members of the group.

[The last provision would amend a chapter of the Business Corporation Act added by Public Act 58 of 1988, entitled the Stacey, Bennett, and Randall Shareholder Equity Act and also sometimes referred to as the Michigan Control Shares Acquisition Act. According to analyses at the time, the chapter's aim is to provide a means for public corporations to ward off takeover attempts. Under the chapter, stockholders can limit the power of shares ("control shares") whose acquisition would give the acquirer a certain specified amount of voting power in the election of directors of the corporation. The act applies each time an acquisition would provide the acquirer with any of three threshold levels of control: one-fifth of all voting power, one-third, and a majority. Under the act, unless a corporation's articles of incorporation or bylaws say that the act does not apply, the shares in a control share acquisition have only those voting rights conferred upon them through the vote of the other shareholders (at a meeting subsequent to the acquisition).]

- As referred to in the paragraph above, the acquisition act currently says that control shares acquired in a control share acquisition have the same voting rights accorded the shares before the acquisition only to the extent granted by resolution approved by the shareholders. The bill would allow the resolution to be approved by the shareholders "or directors".

MCL 450.1511 et al.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.