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BILL ANALYSIS



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Senate Bill 1200 (as introduced 11-7-96)
Sponsor: Senator Philip E. Hoffman
Committee: Financial Services

Date Completed: 11-13-96

CONTENT

The bill would amend the Michigan BIDCO Act to allow licensure under the Act of a limited liability company (LLC).

Currently, the Act provides that a Michigan corporation may apply to the "Commissioner" (the Director of the Financial Institutions Bureau) for licensure as a BIDCO (or business and industrial development corporation). Under the bill, a Michigan corporation or a Michigan limited liability company could apply for licensure as a BIDCO (or business and industrial development *company*). The bill would change terminology throughout the Act that is specific to corporations so that the terms would apply to a corporation or an unincorporated company, such as an LLC. (For instance, the term "shareholders" would be replaced with "owners".)

Application for Licensure

The Act requires that the Commissioner approve an application for licensure as a BIDCO if, and only if, he or she determines certain facts. The bill would add to those criteria, if the applicant were or would be an LLC, that the applicant's operating agreement and business plan were consistent with the objectives of promoting the applicant's stability and viability and would not impede the applicant's ability to retain any earnings or increases to fund balances and borrow funds to support the applicant's continued operations. The applicant's operating agreement or articles of organization would have to contain provisions that the Commissioner considered necessary to satisfy this requirement.

Board of Directors

The Act requires that the board of directors of each BIDCO consist of not less than seven directors. The bill also specifies that a BIDCO would have to have a board of directors. If the licensee were an LLC, the board could consist of members who were not managers of the BIDCO.

Dissolution of a BIDCO

The Act provides that, upon approval of two-thirds of its board of directors and after complying with the Act's notice provisions, a BIDCO licensee may apply to the Commissioner to have the Commissioner accept the surrender of the BIDCO's license. Under the bill, that provision would apply only to a corporation that was a BIDCO licensee. If a BIDCO licensee that was an LLC dissolved and met the Act's notice requirements, it would have to apply to the Commissioner to

surrender its BIDCO license. The bill specifies that a corporation BIDCO licensee could not dissolve and a limited liability company BIDCO licensee could not complete the winding up of its affairs until the Commissioner had accepted the surrender of the BIDCO's license.

MCL 487.1102 et al.

Legislative Analyst: P. Affholter

FISCAL IMPACT

This bill would allow a Business and Industrial Development Company (BIDCO) to reorganize as a limited liability company in accordance with the Michigan Limited Liability Company Act. There are currently nine licensed BIDCOs in Michigan that would be eligible for this type of reorganization. According to the Department of Consumer and Industry Services, Financial Institutions Bureau, this bill would have no fiscal impact on the State, as the revenue generated from the BIDCO licensing fees would be at a level to cover the administrative costs incurred by the Bureau.

Fiscal Analyst: M. Tyszkiewicz

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