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REPEAL BULK TRANSFERS

House Bill 5644

Sponsor: Rep. Laura Baird

Committee: Commerce

Complete to 3-16-98

A SUMMARY OF HOUSE BILL 5644 AS INTRODUCED 3-10-98

House Bill 5644 would repeal Article 6 and Section 9111 of the Uniform Commercial Code, which deal with "bulk transfers" of goods, although the bill would stipulate that rights and obligations that arose under Article 6 before its repeal would remain valid and enforceable.

(According to the Uniform Law Commissioners, bulk sales laws were originally drafted in response to a fraud perceived to be common around the turn of the century: a merchant would acquire his stock in trade on credit, then sell his entire inventory ("in bulk") and abscond with the proceeds, leaving creditors unpaid. Article 6 was drafted as a response to this "bulk sale risk." It imposes several duties on the buyer in bulk, including the duty to notify all creditors of the impending bulk transfer. It also requires compliance even when there is no reason to believe that the seller is conducting a fraudulent transfer. The Article imposes strict liability for noncompliance. Failure to comply with the provisions renders the transfer ineffective, even when the buyer has complied in good faith.)

MCL 440.1105 et al.

House Bill 5644 (3-16-98)

Analyst: J. Hunault

■ 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.