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House Bill 4764 (Substitute H-6 as reported without amendment)
Sponsor: Representative Bill Huizenga
House Committee: Commerce
Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Shareholder Equity Act to specify that the formation of a group would not constitute a "control share acquisition" of an issuing public corporation's shares held by members of that group. If shares did not have voting rights, because the formation of a group after April 1, 1988, had been deemed to be a control share acquisition, the bill specifies that those shares would have the same voting rights accorded to them before the formation of the group.

(The Act defines "control share acquisition" as the acquisition by any person of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares. "Control shares" refers to shares that, except for restrictions imposed by the Act, would have voting power with respect to shares of an issuing public corporation that, when added to all other shares of the corporation owned by a person or in respect to which a person may exercise or direct the exercise of voting power, would entitle that person to exercise or direct the exercise of voting power in the election of directors within any of the following ranges of voting power:

- One-fifth or more but less than one-third of all voting power.
- One-third or more but less than a majority of all voting power.
- A majority of all voting power.)

The Act provides that control shares acquired in a control share acquisition have the same voting rights as the shares were accorded before the acquisition only to the extent granted by resolution approved by the shareholders of the issuing corporation. To be approved, a resolution must be adopted by all of the following:

- A majority of the votes cast by the shareholders entitled to vote on the resolution.
- If the control share acquisition would result in any action requiring a vote as class or series, a majority of the votes cast by the shareholders of that class or series.
- A majority of the votes cast by the shareholders entitled to vote and a majority of the votes cast by the shareholders of each class or series entitled to vote as a class or series, excluding all interested shares.

MCL 450.1791 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 9-17-03

Fiscal Analyst: Maria Tyszkiewicz