



Senate Fiscal Agency  
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## BILL ANALYSIS

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House Bill 5316 (as passed by the House)  
Sponsor: Representative Lorence Wenke  
House Committee: Commerce  
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 2-21-06

**CONTENT**

**The bill would amend the Business Corporation Act to allow a corporation to be dissolved by a circuit court judgment upon proof that the shareholders were unable to agree by the requisite vote on material matters respecting management of the corporation's affairs, if the shareholders had entered into an agreement governing the exercise of corporate powers or the management of corporate business.**

Under the Act, a corporation may be dissolved by a judgment entered in an action brought in the circuit court of the county in which the principal place of business or registered office of the corporation is located by one or more directors or by one or more shareholders entitled to vote in the election of directors of the corporation.

For the dissolution to be granted, there must be proof the directors of the corporation, or its shareholders if a provision in the articles of incorporation authorized by Section 463(1) is in effect, are unable to agree by the requisite vote on material matters respecting management of the corporation's affairs, or the shareholders of the corporation are so divided in voting power that they have failed to elect successors to any director whose term has expired or would have expired upon the election and qualification of his or her successor. Additionally, there must be proof that, as a result of the inability to agree or division in voting power, the corporation is unable to function effectively in the best interest of its creditors and shareholders.

The bill would delete reference to a provision in the articles authorized by Section 463(1). (Under that section, which was repealed by Public Act 118 of 1997, a provision in a corporation's articles could restrict the board in its management of the business of the corporation, or delegate to one or more shareholders or others, any part of the management otherwise within the board's authority, if all of the incorporators or holders or all outstanding shares had authorized the provision.)

Under the bill, if an agreement among the shareholders authorized by Section 488 were in effect, the dissolution could be granted upon proof that the shareholders were unable to agree by the requisite vote on material matters respecting the management of the corporation's affairs. (Under Section 488, if certain conditions are met, the shareholders of a corporation may enter into an agreement that may be inconsistent with the Act in particular ways, including eliminating the board of directors or restricting its powers, transferring to one or more shareholders or others all or part of the authority to exercise the corporate powers or to manage the business of the corporation, or otherwise governing the

exercise of the corporate powers or the management of the business and affairs of the corporation.)

MCL 450.1823

Legislative Analyst: J.P. Finet

**FISCAL IMPACT**

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

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