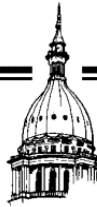




Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 357 (as reported without amendment)
Sponsor: Senator John Pappageorge
Committee: Banking and Financial Institutions

CONTENT

The bill would amend Chapter 7A of the Business Corporation Act to expand the factors for determining whether a person is an interested shareholder in a corporation, for purposes of a shareholder vote on a business combination.

Generally, a business combination is a corporate merger, conversion, or consolidation, a transfer outside the normal course of business of corporate assets valued at 10% or more of the corporation's net worth, an issuance or transfer of equity securities of 5% or more of the total market value of the corporation's outstanding shares, or the adoption of plan for corporate liquidation or dissolution.

A business combination typically requires approval by a vote of at least 90% of the entitled voting shares, as well as at least two-thirds of the entitled voting shares other than voting shares owned by an interested shareholder, or an affiliate, who is a party to the business combination. However, if certain conditions are met, the Act does not require a vote. The conditions are based on several variables, including the value, timing, and duration, of interested shareholder interest in light of the business combination.

An "interested shareholder" is a person who either is the beneficial owner of at least 10% of the voting power of a corporation's outstanding voting shares, or is an affiliate of the corporation who, at any time within the preceding two-year period, was the beneficial owner of at least 10% of the voting power of the then-outstanding corporate voting shares. To determine if a person is an interested shareholder, the Act provides a standard to calculate voting shares. The number of a person's shares that are considered to be outstanding includes all voting shares owned by that person, except shares that are issuable.

In addition, under the bill, voting shares that a person acquired, either from the corporation or in a public offering by or on behalf of the corporation, would be considered outstanding or beneficially owned by that person unless the board of the corporation determined otherwise in a resolution adopted before the person acquired the shares. This provision would apply whether a person acquired the voting shares before or after the bill's effective date.

MCL 450.1778

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

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

Date Completed: 5-17-13

Fiscal Analyst: Josh Sefton

[floor/sb357](#)

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

Bill Analysis @ www.senate.michigan.gov/sfa