

REVISED JUDICATURE ACT OF 1961 (EXCERPT)
Act 236 of 1961

CHAPTER 36
PROCEEDINGS AGAINST CORPORATIONS

600.3601 Restraint of unauthorized exercise of corporate rights, privileges, or franchises; injunction before answer; continuance.

Sec. 3601. (1) Upon complaint being filed by the attorney general, the circuit court may enjoin any corporation from assuming or exercising any franchise, liberty, or privilege or transacting any business not authorized by the corporation's charter. The court may in the same manner restrain any individuals from exercising any corporate rights, privileges, or franchises which have not been granted to them by the laws of this state.

(2) The court may issue the injunction before the answer, upon satisfactory proof that the defendants have usurped, exercised or claimed any franchise, privilege, liberty, or corporate right not granted to them; and after the answer the injunction may be continued until final judgment is had.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3605 Circuit courts; power; jurisdiction; plaintiffs; visitorial powers vested in corporate body or public officer.

Sec. 3605. (1) Circuit courts have the power, and actions may be brought in the circuit courts:

(a) to compel persons to account for their conduct in the management and disposition of the corporate funds and corporate property committed to their charge;

(b) to compel persons to pay to the corporation which they represent, and to its creditors, all sums of money and the value of all property which they have acquired to themselves or transferred to others or have lost or wasted by any violation of their duties as directors, managers, trustees, or other officers;

(c) to suspend any corporate trustee or other officer from exercising his office whenever it appears that he has abused his trust;

(d) to remove any corporate trustee or officer from his office upon proof or conviction of gross misconduct;

(e) to direct new elections to be held by the corporation or board duly authorized to hold elections to supply any vacancy created by any removal;

(f) in case there is no board, or all the members of the board are removed, then to report this to the governor, who is authorized to fill these vacancies with the consent of the senate;

(g) to set aside all alienations of property made by the trustees or other officers of any corporation contrary to the provisions of law or for purposes foreign to the lawful business and objects of the corporation, in cases where the persons receiving the alienated property knew the purposes for which the alienation was made; and

(h) to restrain and prevent any alienation of corporate property in cases where it is threatened or there is good reason to apprehend that it is intended to be made.

(2) This jurisdiction extends over all directors, managers, trustees, and other officers of corporations, and over any person who has held any of these offices in any corporation against whom proceedings are commenced within 1 year after he has ceased to be a director, manager, trustee, or other officer.

(3) This jurisdiction may be exercised at the instance of the attorney general, prosecuting in the behalf of the people of this state, or at the instance of any creditor of the corporation, or at the instance of any director, trustee, or other officer of the corporation who has a general superintendence of its concerns, or by any stockholder of the corporation.

(4) When any of the visitorial powers enumerated in subsection (1), over any corporation, are or shall be vested, by statute, in any corporate body or public officer, the provisions of subsection (1) shall not be construed to divest or impair the powers so vested.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3610 Sequestration of corporate property; distribution of assets upon final judgment.

Sec. 3610. (1) Whenever a judgment is obtained against any corporation, incorporated under the laws of this state, and an execution issued upon the judgment is returned unsatisfied, in part or in whole, upon the petition of the person who obtained the judgment, or his representative, the circuit court may sequester the stock, property, things in action, and effects of the corporation, and may appoint a receiver of the corporation.

(2) Upon a final judgment, the court shall cause a just and fair distribution of the property of the corporation, and of the proceeds thereof, to be made among the creditors of such corporation, in proportion to

their debts respectively, who shall be paid in the same order as provided in the case of a voluntary dissolution of a corporation.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3615 Repealed. 2002, Act 433, Imd. Eff. June 10, 2002.

Compiler's note: The repealed section pertained to corporations insolvent for one year.

600.3620 Creditor's bill against directors or stockholders; jurisdiction of circuit court; accounts; receivers; determination of liability; distribution of property.

Sec. 3620. (1) Whenever any creditor of a corporation seeks to charge the directors, trustees or other superintending officers of such corporation, or the stockholders thereof, on account of any liability created by law, he may bring an action in the circuit courts to enforce such liability.

(2) The court shall proceed thereon as in other cases, and when necessary, shall cause an account to be taken of the property and debts due to and from such corporation, and shall appoint 1 or more receivers, who shall possess all the powers conferred, and are subject to all the obligations imposed on receivers in case of the voluntary dissolution of a corporation.

(3) But if, on the coming in of the answer, or upon the taking of any such account, it appears that such corporation is insolvent, and that it has no property or effects to satisfy such creditor, the court may proceed without appointing any receiver, to ascertain the respective liabilities of such directors and stockholders, and enforce the same, by its orders and judgments, as in other cases.

(4) Upon a final judgment being made upon any such application to restrain a corporation, or upon any such complaint filed against directors or stockholders, the court shall cause a just and fair distribution of the property of such corporation, and of the proceeds thereof, to be made among its creditors, in the order and in the proportions prescribed in the case of a voluntary dissolution of a corporation.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3625 Debt; enforcement of payment; stock subscriptions; determination of liability.

Sec. 3625. (1) In all cases in which the directors or other officers of a corporation, or the stockholders thereof, are parties to the action in which judgment is rendered, if the property of such corporation is insufficient to discharge its debts, the court shall proceed to compel each stockholder to pay in the amount due and remaining unpaid on the shares of the stock held by him, or so much thereof as is necessary to satisfy the debts of the company.

(2) If the debts of the company remain unsatisfied, the court shall proceed to ascertain the respective liabilities of the directors or other officers, and of the stockholders, and to adjudge the amount payable by each.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3630 Discovery of corporate assets; answer by officer, agent, or stockholder; answers and examinations of witnesses; use of evidence.

Sec. 3630. (1) Upon any application to the court having jurisdiction, in any of the cases provided in this chapter, such court may compel such corporation to discover any stock, property, things in action or effects alleged to belong, or to have belonged to it, the transfer and disposition thereof, and the consideration, and all the circumstances of such disposition.

(2) Every officer, agent or stockholder of any corporation, against which proceedings are instituted, according to the provisions of this chapter, and every person to whom it is alleged that any transfer of any property or effects of such corporation has been made, or in whose possession or control any such property or effects are alleged to be, may be compelled, in the direction of the court, to answer a complaint filed to obtain any discovery specified in subsection (1), notwithstanding such answer may expose the corporation of which he is a member to a forfeiture of its corporate rights, or any of them.

(3) The answers of the officers and agents of any corporation are evidence against the corporation, in the same manner and to the same extent as if such answers had been given upon an examination of such officers or agents as witnesses in the cause, and such officers or agents may subsequently be examined as witnesses by either party, under the order of the court, but no such answer may be compelled, unless by special order of the court.

(4) Neither the answer of any such officer or agent, nor his testimony upon any such subsequent examination, may be used as evidence upon any indictment, or other criminal prosecution or proceeding against him.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3635 Injunction against other proceedings by creditors; notice to creditors to exhibit claims; failure to exhibit claims and become parties.

Sec. 3635. (1) Whenever any complaint is filed or any application is made against any corporation, its directors or other superintending officers, or its stockholders, according to the provisions of this chapter, the court may enjoin all other proceedings by any creditor against the defendants in the action, at the application of either party at any stage of the proceedings.

(2) Whenever it appears necessary or proper the court may order notice to be served or published in a reasonable manner requiring all the creditors of the corporation to exhibit their claims and become parties to the action within a reasonable time prescribed by the court.

(3) If any creditors fail to exhibit their claims and become parties within the time specified, they shall be precluded from all benefit of any judgment which is later made in the action and from any distribution which is made under the judgment.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3640 Inapplicability of chapter; library; lyceum; religious corporation; academy; select school; burying ground corporation; insurance or fraternal benefit association.

Sec. 3640. The provisions of this chapter do not extend to any incorporated library or lyceum society; to any religious corporation; to any incorporated academy or select school; or to the proprietors of any burying ground incorporated under the laws of this state; or to any insurance corporation, fraternal benefit association or society doing business under the laws of this state.

History: 1961, Act 236, Eff. Jan. 1, 1963.

600.3645 Actions equitable in nature.

Sec. 3645. Actions brought under this chapter are equitable in nature.

History: 1961, Act 236, Eff. Jan. 1, 1963.