

## **THE EMPLOYEE-OWNED CORPORATION ACT**

### **Act 152 of 1985**

AN ACT to prescribe the powers and duties of the department of labor and the department of commerce relative to the formation of employee-owned corporations.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

*The People of the State of Michigan enact:*

#### **450.731 Short title.**

Sec. 1. This act shall be known and may be cited as "the employee-owned corporation act".

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

#### **450.732 Definitions.**

Sec. 2. As used in this act:

(a) "Closing" means the permanent shutting down of operations at any establishment at which at least 25 persons are employed.

(b) "Department" means the department of labor.

(c) "Employee-owned corporation" means a business operation that is controlled by, and designed to maintain control by, its employees, and in which control is distributed among its employees according to a democratic formula, if the business operation is 1 of the following:

(i) A business operation the management rights of which are represented by voting stock that may be owned only by: employees of the operation, a nonprofit community development corporation, or an employee-owned stock ownership plan in which not less than 50% of the employees participate in each portion of the plan. The operation shall be controlled by a board of directors which is selected by the shareholders on the basis of 1 vote per shareholder or on the basis of 1 vote per share.

(ii) A corporation operating pursuant to a cooperative plan as described in section 99 of Act No. 327 of the Public Acts of 1931, being section 450.99 of the Michigan Compiled Laws.

(iii) A business operation in which not less than 3/4 of each class of voting security is owned by an employee stock ownership trust set up under an employee stock ownership plan as defined in the internal revenue code, 26 U.S.C. 4975(e)(7), if that employee stock ownership plan requires pass-through of all voting rights possessed by voting securities as the securities are allocated to accounts of individual participants.

(iv) A worker cooperative.

(v) An industrial cooperative.

If a business operation adopts a plan by which it will become under this section an employee-owned corporation within 5 years after the adoption of the plan, it shall be considered an employee-owned corporation.

(d) "Establishment" includes a factory, plant, office, or other facility, but does not include a construction site or other work place that was intended to be a temporary work place.

(e) "Relocation" means the transfer of a part of a corporation's operation from 1 establishment to another existing or proposed establishment located at a distance from the first establishment which results in at least a 25-person reduction in the number of employees at the first establishment, but does not include a transfer from an establishment in 1 part of a political subdivision to an establishment in another part of the same political subdivision.

(f) "Worker cooperative" or "industrial cooperative" means an establishment in which the owners or members all work in the establishment and are the only persons who work in the establishment. In a worker cooperative or industrial cooperative the workers hold the basic ownership or membership rights of the establishment which consist of the voting rights to elect the board of directors, which in turn appoints the management or staff, and the rights to the profits or net income of the establishment. Each worker has an equal vote in accordance with the democratic principle of 1-person, 1-vote. The net income, which may be positive or negative, is shared among the workers pursuant to an agreed upon formula.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

#### **450.733 Program to assist in developing employee-owned corporations; establishment; operation; duty of department.**

Sec. 3. The department, in cooperation with the department of commerce, shall establish a program to assist in developing employee-owned corporations. The program may operate when an establishment is closing or transferring operations resulting in a loss of jobs and when a request for assistance is made by an

affected individual or group of individuals. When such a request is made, it shall be held in confidence by the department. The program also shall operate when workers of an existing or new establishment wish to develop an employee-owned corporation and request assistance. The department shall inform local government, business organizations, labor organizations, and others in the state of the availability of this program and services authorized by this act.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

#### **450.734 Powers of department generally.**

Sec. 4. The department may do all of the following:

(a) Develop, collect, and disseminate information useful to persons and organizations throughout the state in undertaking or promoting the establishment and successful operation of employee-owned corporations.

(b) Evaluate the feasibility and economic viability of a proposed employee-owned corporation.

(c) Provide technical assistance and counseling services to persons who seek to form an employee-owned corporation.

(d) Provide assistance, counseling, and training in the operation of an employee-owned corporation.

(e) Assist persons in obtaining financing for the purchase and operation of an employee-owned corporation.

(f) Promote and coordinate the efforts of local, state, federal, and private agencies to assist in the formation or operation of an employee-owned corporation.

(g) Recommend appropriate legislative or executive action to enhance opportunities for employee-owned corporations in this state.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

#### **450.735 Assistance in implementing MCL 450.734.**

Sec. 5. Each principal department and the economic advisory council, as established by law, shall assist the department of labor, upon its request, in implementing section 4.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

#### **450.736 Notice of decision to close or relocate operations.**

Sec. 6. The department shall encourage those business establishments considering a decision to effect a closing or relocation of operations relative to an establishment located in this state to give notice of that decision as early as possible to the department, the employees of the affected establishment, any employee organization representing the employees, and the community in which the affected establishment is located.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

#### **450.737 Feasibility study; informational meeting.**

Sec. 7. If the department becomes aware pursuant to a request that a business establishment is closing or relocating operations, the department may conduct an initial study of the feasibility of the employees of the corporation establishing an employee-owned corporation to continue the operations of the affected establishment or to operate another business and may call an informational meeting of representatives of the local community, the corporation involved, representatives of any employee bargaining unit, and affected employees to explain the services available from the department relative to the formation of an employee-owned corporation.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

#### **450.738 Conditional effective date.**

Sec. 8. This act shall not take effect unless House Bill No. 4614 of the 83rd Legislature is enacted into law.

**History:** 1985, Act 152, Eff. Jan. 10, 1986.

**Compiler's note:** House Bill No. 4614, referred to in Sec. 8, was filed with the Secretary of State Jan. 10, 1986, and became P.A. 1985, No. 217, Eff. Jan. 31, 1986.