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House Bill 5318 (as passed by the House)
Sponsor: Representative Leslie Mortimer
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 2-22-06

CONTENT

The bill would amend the Business Corporation Act to allow a committee appointed by a corporation's board to create one or more subcommittees and delegate all or part of its power or authority to a subcommittee, unless otherwise provided in a resolution of the board, the articles of incorporation, or the bylaws.

Under the Act, a committee designated by Section 527, to the extent provided in the resolution of the board or in the bylaws, may exercise all powers and authority of the board in management of the business and affairs of the corporation. (Under Section 527, unless otherwise provided in the articles of incorporation or bylaws, a board may designate one or more committees, and each committee must consist of one or more of the directors of the corporation.)

Under the bill, unless otherwise provided in a resolution of the board, the articles of incorporation, or the bylaws, a committee could create one or more subcommittees. Each subcommittee would have to consist of one or more members of the committee. The committee could delegate all or part of its power or authority to a subcommittee.

Under the Act, a committee does not have the power or authority to do any of the following:

- Amend the articles of incorporation, although a committee may prescribe the relative rights and preferences of the shares of a series.
- Adopt an agreement of merger or share exchange.
- Recommend to shareholders the sale, lease, or exchange of all or substantially all of the corporation's property and assets.
- Recommend to shareholders a dissolution of the corporation or a revocation of a dissolution.
- Amend the bylaws of the corporation.
- Fill vacancies in the board.

Also, unless a resolution, articles, or bylaws expressly provide the power or authority, a committee may not declare a distribution or dividend or authorize the issuance of shares.

MCL 450.1528

Legislative Analyst: J.P. Finet

FISCAL IMPACT

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

Fiscal Analyst: Elizabeth Pratt
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