

THE EMPLOYEE-OWNED CORPORATION ACT (EXCERPT)
Act 152 of 1985

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