

October 20, 2008

Amendments to Michigan Nonprofit Corporation Act

Effective July 16, 2008, the Michigan Nonprofit Corporation Act (the "Act") was amended in important ways. Highlights of the amendments are as follows:

1. Prior to the amendments, a board of directors of a nonprofit corporation could consist of one or more members. The Act now requires that the initial and subsequent boards of any nonprofit corporation established after July 16, 2008, include three or more members. Nonprofit corporations already in existence on July 16, 2008, have an additional 180 days from July 16, 2008, to meet this requirement.
2. The Act now includes a definition of "Charitable Purpose Corporations." These are nonprofit corporations (i) that are exempt or that qualify for exemption under Section 501(c)(3) of the Internal Revenue Code (the "Code"), (ii) whose purpose, structure or activities are exclusively as described in Section 501(c)(3) of the Code, or (iii) that are organized or held out to be organized exclusively for one or more charitable purposes.
3. Charitable Purpose Corporations may not make loans to, or guarantee an obligation of, an officer or director of the corporation (or of its subsidiaries), unless the officer is also a client of the corporation and the loan or guarantee is necessary to fulfill the charitable purpose of the corporation.
4. Charitable Purpose Corporations must give notice to the Attorney General within 60 days of an automatic dissolution. Automatic dissolution occurs when a corporation fails to file an annual report or pay the annual fee within two years of the due date for the report. Written approval of the Attorney General is required before such corporations can dispose of any of their assets.

Those who work with nonprofit corporations should take note of these amendments and take appropriate steps to ensure compliance with them. For more information about this Alert, or to request any assistance, please contact Linda S. Ross or any other member of our Health Care Department at the numbers listed below.

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