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NON-PROFIT CORPORATION: SALE OF SIGNIFICANT ASSETS

House Bill 4566
Sponsor: Rep. John Llewellyn
Committee: Commerce

Complete to 4-10-97

A SUMMARY OF HOUSE BILL 4566 AS INTRODUCED 4-8-97

The bill would amend the Nonprofit Corporation Act to impose requirements a nonprofit corporation would have to comply with in selling, conveying, or distributing a significant corporate asset. The term "significant corporate asset" would be defined in the bill so as to refer to any asset with a fair market value of more than 50 percent of the aggregate value of that corporation. The term would include, but not be limited to, real property, tangible personal property, intangible personal property, and intellectual property.

Currently, the act says it should not be deemed to permit assets held by a corporation for charitable purposes to be used, conveyed, or distributed for noncharitable purposes. The bill would add, "or for a charitable purpose not in conformity with the purposes of the corporation."

Open Meetings/Freedom of Information. Before a nonprofit corporation could sell, convey, or distribute a significant corporate asset:

-- Public notice of the proposed transaction and of all meetings to discuss the transaction would have to be provided in accordance with the Open Meetings Act;

-- A meeting to discuss the transaction would have to be conducted in accordance with the Open Meetings Act; and

-- All documents relating to the transaction would have to be made available to the public in accordance with the Freedom of Information Act.

Conduct of Corporation Director. A director of a nonprofit corporation that sells, conveys, or distributes a significant asset would be prohibited from:

-- Accepting employment with the person or any associate or affiliate of the person who purchased or received the asset within three years of the transaction;

-- Personally profiting from the transaction; and

-- Becoming a director of any corporation or charitable foundation established to administer the proceeds of the transaction.

A director who violated these provisions would be guilty of a felony, punishable by imprisonment for not more than five years or a fine of not more than $10,000, or both.

Payment to Treasury. A corporation would have to pay 20 percent of the net proceeds from the sale, distribution, or conveyance of a significant corporate asset to the state treasurer for deposit into the general fund as a refund of previously received tax exemptions.

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