



HOUSE BILL No. 6140

November 14, 2000, Introduced by Reps. Julian and Vear and referred to the Committee on Regulatory Reform.

A bill to amend 1931 PA 327, entitled

"An act to provide for the organization, regulation and classification of corporations; to provide their rights, powers and immunities; to prescribe the conditions on which corporations may exercise their powers; to provide for the inclusion of certain existing corporations within the provisions of this act; to prescribe the terms and conditions upon which foreign corporations may be admitted to do business within this state; to require certain annual reports to be filed by corporations; to prescribe penalties for the violations of the provisions of this act; and to repeal certain acts and parts of acts relating to corporations,"

by amending sections 171, 172, and 185 (MCL 450.171, 450.172, and 450.185).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 171. (1) For the purposes of this act, AN educational corporations shall be CORPORATION IS classified as follows 1 OF THE FOLLOWING:

~~(w) Those having~~

1 (A) EXCEPT FOR AN EDUCATIONAL CORPORATION DESCRIBED IN
2 SUBDIVISION (B), AN EDUCATIONAL CORPORATION THAT IS 1 OF THE
3 FOLLOWING:

4 (i) CLASS W - HAS a capital of not less than \$500,000.00 ~~+~~
5 AND LESS THAN \$1,000,000.00.

6 (ii) ~~(x) Those having~~ CLASS X - HAS a capital of not less
7 than \$100,000.00 ~~,~~ and less than \$500,000.00, ~~+~~ OR IS AN
8 INSTITUTION KNOWN AS A KINDERGARTEN INSTITUTION FORMED UNDER
9 FORMER 1913 PA 359.

10 (iii) ~~(y) Those having~~ CLASS Y - HAS a capital of AT LEAST
11 \$1,000,000.00. ~~or more;~~

12 (B) ~~(z) Those~~ CLASS Z - AN EDUCATIONAL CORPORATION insti-
13 tuted and maintained by any ecclesiastical or religious order,
14 society, corporation, or corporations, ~~retaining~~ THAT RETAINS
15 control of ~~such~~ THE institution for denominational purposes.
16 CLASS Z INCLUDES, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING:

17 (i) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER 1899
18 PA 135 AND KNOWN UNDER THAT ACT AS AN "URSULINE ACADEMY".

19 (ii) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER 1915
20 PA 121 AND KNOWN UNDER THAT ACT AS AN "ECCLESIASTICAL SEMINARY".

21 (iii) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER
22 1901 PA 28 AND KNOWN UNDER THAT ACT AS AN "EVANGELICAL LUTHERAN
23 DEAF MUTE INSTITUTION".

24 (iv) A SCHOOL, ACADEMY, OR COLLEGE FOUNDED UNDER FORMER 1867
25 PA 135 AND KNOWN UNDER THAT ACT AS AN "INDUSTRIAL AND CHARITABLE
26 SCHOOL".

1 (v) A SCHOOL, ACADEMY, OR COLLEGE ORGANIZED UNDER PARAGRAPH
2 (C), SUBDIVISION 1, CHAPTER 2, PART 4, OF FORMER 1921 PA 84.

3 (vi) A SCHOOL, COLLEGE, OR INSTITUTION OF LIKE CHARACTER AND
4 PURPOSE TO A SCHOOL, ACADEMY, OR COLLEGE DESCRIBED IN SUBPARA-
5 GRAPH (i), (ii), (iii), (iv), OR (v) AND FORMED UNDER ANY LAW OF
6 THIS STATE FOR EDUCATIONAL PURPOSES.

7 (2) ~~Every educational corporation, before~~ BEFORE being
8 authorized to file its articles, ~~shall be~~ AN EDUCATIONAL CORPO-
9 RATION CLASSIFIED AS CLASS W, X, OR Y UNDER SUBSECTION (1) IS
10 required to present a statement IN WRITING to the ~~Michigan cor-~~
11 ~~poration and securities commission in writing~~ CORPORATION,
12 SECURITIES, AND LAND DEVELOPMENT BUREAU from the state board of
13 education that ~~(1) the~~ CONFIRMS ALL OF THE FOLLOWING:

14 (A) THE housing space and administration facilities ~~which~~
15 THAT it possesses or proposes to provide for its declared field
16 or fields of education are adequate. ~~, (2) its~~

17 (B) ITS proposed educational program leading to the diplomas
18 or degrees which it proposes to offer is adequate. ~~, (3) its~~

19 (C) THE laboratory, library, and other teaching facilities
20 ~~which~~ THAT it possesses or proposes to provide are adequate. ~~,~~
21 ~~(4) it~~

22 (D) IT has or proposes to employ an adequate staff, fully
23 trained, for the instruction proposed. ~~, and (5) at~~

24 (E) AT least 50% of its capital, whether CONSISTING of stock
25 or in gifts, devises, legacies, bequests, or other contributions
26 of money or property, has been paid in or ~~reduced to~~ IS IN ITS
27 possession.

1 (3) In determining whether any educational corporation
2 satisfies ~~conditions specified in classes (w), (x), (y) and (z)~~
3 ~~of this section~~ THE CAPITAL REQUIREMENT FOR CLASSIFICATION AS
4 CLASS W, X, OR Y UNDER SUBSECTION (1), the state board of educa-
5 tion may treat as a credit to the capital of ~~such~~ THE corpora-
6 tion the guaranteed annual income of that corporation to the
7 extent that it deems ~~such~~ THE guaranteed income the equivalent
8 of all or any part of the required endowment.

9 (4) The use of the word "college" or "university" in the
10 name of any group, organization, or association ~~hereafter~~
11 formed AFTER THE EFFECTIVE DATE OF THIS ACT in this state is
12 limited to those educational corporations complying with the
13 requirements for ~~class (w) or class (y) educational corporations~~
14 ~~or to such educational corporations of class (z) as shall satisfy~~
15 ~~the requirements set up for class (y) corporations: Provided,~~
16 ~~however, That the~~ CLASSIFICATION AS CLASS W, Y, OR Z UNDER SUB-
17 SECTION (1). THE words "junior college" may be used by THOSE
18 educational corporations ~~of class (x). Whenever~~ COMPLYING WITH
19 THE REQUIREMENTS FOR CLASSIFICATION AS CLASS X UNDER SUBSECTION
20 (1). IF this ~~provision~~ SUBSECTION is violated, ~~it shall be~~
21 ~~the duty of~~ the prosecuting attorney ~~,~~ in the county where the
22 organization is located ~~,~~ to SHALL bring proceedings to enjoin
23 the further use of ~~such~~ A name in violation of this ~~act~~
24 SUBSECTION.

25 (5) ~~No~~ AN educational corporation shall ~~be permitted to~~
26 NOT expand its program beyond that specified in its articles of
27 incorporation ~~until~~ UNLESS it has presented to the ~~Michigan~~

~~1 corporation and securities commission~~ CORPORATION, SECURITIES,
 2 AND LAND DEVELOPMENT BUREAU a statement in writing from the state
 3 board of education approving the facilities, equipment, and staff
 4 or the proposed facilities, equipment, and staff as adequate for
 5 the offering of the additional educational program.

6 Sec. 172. (1) ~~(a) Educational corporations of class (w) as~~
 7 ~~defined in section 171 of this act shall have authority to~~ AN
 8 EDUCATIONAL CORPORATION CLASSIFIED AS CLASS W UNDER SECTION
 9 171(1) MAY establish and conduct ~~general colleges~~ A GENERAL
 10 COLLEGE for furnishing higher learning and to confer ~~such~~ ANY
 11 degrees and honors ~~as shall be~~ approved by the state board of
 12 education prior to the filing of articles of incorporation. ~~→~~
 13 ~~and~~ FOR PURPOSES OF THIS SECTION, the term "college" ~~as herein~~
 14 ~~used shall be construed to include~~ INCLUDES any college,
 15 university, or other institution where the arts, sciences,
 16 professions, and higher learning are taught and degrees and
 17 honors ~~therein~~ IN THOSE AREAS ARE conferred, ~~→. Such colleges~~
 18 AND may ~~also~~ include A preparatory ~~schools as commonly~~
 19 ~~understood;~~ SCHOOL.

20 (2) ~~(b) Educational corporations of class (x), as defined~~
 21 ~~in section 171, shall have authority to~~ AN EDUCATIONAL CORPORA-
 22 TION CLASSIFIED AS CLASS X UNDER SECTION 171(1) MAY establish and
 23 conduct A junior ~~colleges, seminaries, academies~~ COLLEGE, SEMI-
 24 NARY, ACADEMY, or preparatory ~~schools~~ SCHOOL, as determined and
 25 approved by the state board of education, but not A general
 26 ~~colleges or universities as defined~~ COLLEGE OR UNIVERSITY
 27 DESCRIBED in subsection ~~(a) hereof;~~ (1).

1 (3) ~~(c) Educational corporations of class (z) as defined in~~
2 ~~said section 171 shall embrace such schools, academies, or col-~~
3 ~~leges as have been heretofore founded under Act 135, Public Acts~~
4 ~~1899, known thereunder as "Ursuline academies"; those founded~~
5 ~~under Act 121, Public Acts 1915, and known thereunder as~~
6 ~~"ecclesiastical seminaries"; those founded under Act 28, Public~~
7 ~~Acts 1901, and known thereunder as "Evangelical Lutheran deaf~~
8 ~~mute institutions"; those founded under Act 135, Public Acts~~
9 ~~1867, known as "industrial and charitable schools"; those orga-~~
10 ~~nized under paragraph (c), subdivision 1, chapter 2, part 4, of~~
11 ~~Act 84, Public Acts 1921, and such other schools, colleges and~~
12 ~~institutions of like character and purpose as may be formed under~~
13 ~~any law of this state for educational purposes shall have~~ AN
14 EDUCATIONAL CORPORATION CLASSIFIED AS CLASS W, X, Y, OR Z UNDER
15 SECTION 171(1) AND FORMED UNDER ANOTHER ACT OR FORMER ACT HAS all
16 the rights, powers, privileges, and immunities enjoyed under its
17 act of incorporation and without regard to the classification
18 made in this act, and upon complying with the provisions ~~hereof~~
19 OF THIS ACT shall have ~~such~~ ANY additional rights, powers,
20 privileges, and immunities ~~as are conferred hereunder~~ UNDER
21 THIS ACT according to ~~the classifications prescribed in this~~
22 ~~act: Provided further, That any corporation heretofore formed~~
23 ~~under Act 359, Public Acts 1913, and known thereunder as~~
24 ~~"kindergarten institutions" shall hereafter be classified under~~
25 ~~class (x) of sections 171 and 172 of this act: Provided further,~~
26 ~~That any corporation of class (z) hereafter organized under this~~
27 ~~act may enjoy~~ ITS CLASSIFICATION UNDER SECTION 171(1).

1 (4) AN EDUCATIONAL CORPORATION CLASSIFIED AS CLASS Z UNDER
2 SECTION 171(1) AND ORGANIZED UNDER THIS ACT HAS the privileges
3 provided ~~under classes (w), (x) and (y) of section 171, on con-~~
4 ~~dition that it satisfies the requirements set up for corporations~~
5 ~~of these respective classes~~ TO AN EDUCATIONAL INSTITUTION CLAS-
6 SIFIED AS CLASS W, X, OR Y.

7 (5) ~~(d) Educational corporations of class (y) as defined in~~
8 ~~section 171 shall have authority to~~ AN EDUCATIONAL INSTITUTION
9 CLASSIFIED AS CLASS Y UNDER SECTION 171(1) MAY establish and con-
10 duct ~~colleges or universities~~ A COLLEGE OR UNIVERSITY of a
11 graduate rank with programs of studies of 5 years or more.

12 Sec. 185. ~~Same; powers of churches not restricted.~~
13 ~~Nothing in this act contained shall be construed as limiting or~~
14 ~~restricting~~ THIS ACT DOES NOT LIMIT OR RESTRICT the rights,
15 powers, privileges, immunities, or ~~the~~ practices of any church
16 ~~heretofore~~ established or incorporated under any law of this
17 state BEFORE THE EFFECTIVE DATE OF THIS SECTION; ~~nor as requir-~~
18 ~~ing any such~~ DOES NOT REQUIRE THAT church to alter or change any
19 rule of discipline, custom, or usage in respect of its church
20 policy or government; ~~nor as interfering~~ AND DOES NOT INTERFERE
21 with the lawful acquisition, use, or disposition of any property
22 now owned or held by ~~any such church corporation~~ THAT CHURCH,
23 INCLUDING, BUT NOT LIMITED TO, THE GRANT OF A DEGREE, DIPLOMA, OR
24 CERTIFICATE BY AN EDUCATIONAL INSTITUTION CLASSIFIED AS CLASS Z
25 UNDER SECTION 171(1). The provisions of this act relating to
26 ecclesiastical corporations shall be liberally construed in the
27 interests of religion and morality.