

**NONPROFIT CORPORATION ACT (EXCERPT)**  
**Act 162 of 1982**

**450.2261 Corporate powers; inconsistency between certain acts; corporate existence in perpetuity; fixed limitation or term; waiver of right to perpetual existence; nonprofit power corporation; public school academy; providing services in learned profession; personal liability and accountability for negligent or wrongful acts or misconduct; indemnification.**

Sec. 261. (1) A corporation, subject to any limitation provided in this act, in any other statute of this state, or in its articles of incorporation, has the power in furtherance of its corporate purposes to do any of the following:

- (a) Have perpetual duration.
- (b) Sue and be sued in all courts and participate in actions and proceedings judicial, administrative, arbitrative, or otherwise, in the same manner as an individual.
- (c) Have a corporate seal, alter the seal, and use it by causing it or a facsimile to be affixed, impressed, or reproduced in any other manner.
- (d) Adopt, amend, or repeal bylaws, including emergency bylaws, relating to the purposes of the corporation, the conduct of its affairs, its rights and powers, and the rights and powers of its shareholders, members, directors, or officers.
- (e) Elect or appoint officers, employees, and other agents of the corporation, prescribe their duties, fix their compensation and the compensation of directors, and indemnify corporate directors, officers, employees, and agents.
- (f) Purchase, receive, take by grant, gift, devise, bequest, or otherwise, lease, or otherwise acquire, own, hold, improve, administer, employ, use, and otherwise deal in and with, real or personal property, or an interest in real or personal property, wherever situated, either absolutely, in trust, or as an endowment or donor restricted fund, and without limitation as to amount or value.
- (g) Sell, convey, lease, exchange, transfer, or otherwise dispose of, or mortgage or pledge, or create a security interest in, any of its property, or an interest in the property, wherever situated.
- (h) Purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, employ, sell, lend, lease, exchange, transfer, or otherwise dispose of, mortgage, pledge, use, and otherwise deal in and with, bonds and other obligations, shares or other securities or interests or memberships issued by others, whether engaged in similar or different business, governmental, or other activities, including banking corporations or trust companies. A corporation organized or conducting affairs in this state under this act shall not guarantee or become surety on a bond or other undertaking securing the deposit of public money.
- (i) Make contracts, give guarantees, and incur liabilities, borrow money at rates of interest as the corporation may determine, issue its notes, bonds, and other obligations, and secure any of its obligations by mortgage or pledge of any of its property or an interest in the property, wherever situated. Without limiting the preceding, these powers include the powers to give guarantees and to incur joint indebtedness that are necessary or convenient to the conduct, promotion, or attainment of the purposes of any of the following entities, whether or not subject to this act, and those guarantees or joint indebtedness is considered to be in furtherance of the corporate purpose of the contracting corporation:
  - (i) A corporation, foreign corporation, domestic business corporation, or foreign business corporation, if all of its outstanding shares are owned, directly or indirectly, or all of the outstanding memberships are owned or controlled, directly or indirectly, by any of the following:
    - (A) The contracting corporation.
    - (B) A directorship corporation whose directors are all elected or appointed, directly or indirectly, by the contracting corporation.
    - (C) A domestic or foreign limited liability company, if all of its membership interests are owned or controlled, directly or indirectly, by the contracting corporation.
  - (ii) A corporation or foreign corporation that owns or controls, directly or indirectly, all of the outstanding shares of the contracting corporation; or that owns or controls, directly or indirectly, all of the outstanding membership interests of the contracting corporation; or that elects or appoints, directly or indirectly, all of the directors of the contracting directorship corporation.
  - (iii) A corporation or foreign corporation, if all of its outstanding shares are owned or controlled, directly or indirectly, or all of its outstanding memberships are owned or controlled, directly or indirectly, by an affiliate; or a directorship corporation, if all of its directors are elected or appointed, directly or indirectly, by an affiliate. As used in this subparagraph, "affiliate" means a nonprofit corporation, whether or not subject to this act, or a foreign corporation, that owns or controls, directly or indirectly, all of the outstanding shares of the contracting corporation; or that owns or controls, directly or indirectly, all of the outstanding memberships

of the contracting corporation; or that elects or appoints, directly or indirectly, all of the directors of the contracting corporation if it is a directorship corporation.

(j) Lend money, invest and reinvest its funds, and take and hold real and personal property as security for the payment of funds loaned, invested, or reinvested.

(k) Make donations for any of the following: the public welfare; a community fund; or hospital; or a charitable, educational, scientific, civic, or similar purpose. A corporation also has the power to provide aid in time of war or other national emergency.

(l) Pay pensions, establish and carry out pension, federally qualified profit sharing, savings, thrift, and other retirement, incentive, and benefit plans, trusts, and provisions for any of its directors, officers, and employees.

(m) Purchase, receive, take, otherwise acquire, own, hold, sell, lend, exchange, transfer, otherwise dispose of, pledge, use, and otherwise deal in and with its own shares, bonds, and other securities.

(n) Participate with others in any domestic corporation, foreign corporation, domestic business corporation, foreign business corporation, partnership, limited partnership, limited liability company, limited liability partnership, joint venture, or other association of any kind, or in any transaction, undertaking, or agreement that the participating corporation would have power to conduct by itself, whether or not the participation involves sharing or delegation of control with or to others.

(o) Cease its corporate activities and dissolve.

(p) Conduct its affairs, carry on its operations, and have offices and exercise the powers granted under this act in any jurisdiction in or outside the United States, and, in the case of a corporation the purpose or purposes of which require the transaction of business, the receipt and payment of money, the care and custody of property, and other incidental business matters, transact that business, receive, collect, and disburse that money, and engage in those other incidental business matters as are naturally or properly within the scope of its articles.

(q) Have and exercise all powers necessary or convenient to effect any purpose for which the corporation is formed.

(2) A corporation that is subject to the uniform prudent management of institutional funds act, 2009 PA 87, MCL 451.921 to 451.931, has all powers granted under both this act and that act. However, in the event of an inconsistency between the 2 acts, the uniform prudent management of institutional funds act, 2009 PA 87, MCL 451.921 to 451.931, controls.

(3) The corporate existence of all corporations incorporated before January 1, 1983, without capital stock, for religious, benevolent, social, or fraternal purposes, shall be considered to be in perpetuity. A limitation or term fixed in the articles or in the law under which the corporation originally incorporated is not effective unless the corporation affirmatively waived its right to perpetual existence after September 18, 1931, by fixing a definite term of existence by amendment to its articles.

(4) Any nonprofit power corporation that is authorized to furnish electric service may construct, maintain, and operate its lines along, over, across, or under any public places, streets, and highways, and across or under the waters in this state, with all necessary erections and fixtures. A nonprofit power corporation may exercise the power of eminent domain, in the manner provided by the uniform condemnation procedures act, 1980 PA 87, MCL 213.51 to 213.75. As a condition to the exercise of any of these powers, nonprofit corporations are subject to the jurisdiction of the Michigan public service commission under 1909 PA 106, MCL 460.551 to 460.559, 1919 PA 419, MCL 460.54 to 460.62, and 1939 PA 3, MCL 460.1 to 460.11.

(5) A corporation formed under this act that is operating a public school academy as defined in section 5 of the revised school code, 1976 PA 451, MCL 380.5, is a public body corporate and a governmental agency and shall have all powers granted under this act and under the revised school code, 1976 PA 451, MCL 380.1 to 380.1853. However, in the event of an inconsistency between this act and the revised school code, the revised school code shall control.

(6) Subject to the limitations on the practice of law by corporations contained in 1917 PA 354, MCL 450.681, a domestic corporation may be formed and a foreign corporation may be authorized to conduct affairs in this state for the purpose of providing services in a learned profession and may employ and enter into other arrangements with duly licensed or authorized individuals who shall furnish those services on behalf of the corporation.

(7) Except as provided in section 209(1)(d) or section 209(1)(e), any duly licensed or authorized individual who is employed by a corporation described in subsection (6) is personally and fully liable and accountable for any negligent or wrongful acts or misconduct committed by him or her, or by any individual under his or her direct supervision and control, while rendering professional services on behalf of the corporation to the person for whom those professional services were being rendered. However, the corporation that employs that duly licensed or authorized individual may indemnify him or her for any resulting liabilities and expenses as

provided in this act and under other applicable law.

**History:** 1982, Act 162, Eff. Jan. 1, 1983;—Am. 2009, Act 88, Imd. Eff. Sept. 10, 2009;—Am. 2014, Act 557, Imd. Eff. Jan. 15, 2015.