



Community Land Trust: Sample Articles Of Incorporation

*The Articles of Incorporation language in this document is meant to be used in conjunction with the standard Articles of Incorporation form used by the state of Michigan. The form is titled ARTICLES OF INCORPORATION For use by Domestic Nonprofit Corporations (CSCL/CD-502) and can be found on the website of the **Michigan Department of Licensing and Regulatory Affairs (LARA)**. The direct link to the form is **https://www.michigan.gov/documents/lara/502_08-15_527692_7.pdf** (accurate at the time of publication of this manual). These sample Articles can be filled into the form or attached as an addendum. There is no sample language for Article I, as the language on the form is sufficient. The sample language includes several instances where the entity will need to choose between alternative clauses and delete the unwanted option.*

THE FOLLOWING LANGUAGE IS A SAMPLE ONLY AND SHOULD NOT TAKE THE PLACE OF LEGAL ADVICE. PROSPECTIVE BOARD MEMBERS SHOULD CAREFULLY REVIEW AND EDIT THE LANGUAGE BELOW AS NECESSARY TO ACCURATELY PORTRAY THE ORGANIZATION.

ATTACHMENT TO
ARTICLES OF INCORPORATION
FOR _____

ARTICLE II

The purposes for which the corporation is organized are:

A. To receive and administer funds and to operate exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, or comparable provisions of subsequent legislation (the “Code”), and in particular:

- (1) To provide opportunities for low-income [or low- and moderate-income] people to secure housing that is decent and affordable.
- (2) To preserve the quality and affordability of housing for future low-income [or low- and moderate-income] residents of the community.
- (3) To combat community deterioration in economically disadvantaged neighborhoods by promoting the development, rehabilitation, and maintenance of decent housing in these neighborhoods; by promoting economic opportunities for low-income



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residents of these neighborhoods; by making land available for projects and activities that improve the quality of life in these neighborhoods; and by assisting residents of these neighborhoods in improving the safety and well-being of their community.

(4) To protect the natural environment and to promote the ecologically sound use of land and natural resources and the long-term health and safety of the community.

(5) To serve the public welfare by engaging in the activities identified above; by promoting housing opportunities for low-income [or low- and moderate-income] people generally; and by educating individuals and the general public concerning housing for low-income [or low- and moderate-income] people.

B. To acquire, own, dispose of, and deal with real and personal property and interests therein and to apply gifts, grants, bequests, and devises and their proceeds in furtherance of the purposes of the corporation.

C. To do such things and to perform such acts to accomplish its purposes as the Board of Directors may determine to be appropriate and as are not forbidden by section 501(c)(3) of the Code, with all the power conferred on nonprofit corporations under the laws of the State of Michigan.

[There are no purposes by which a CLT must abide. The purposes described above are merely suggestions. Each organization should determine for itself the purposes for which it intends to operate. The purposes above focus on maintaining affordable housing in the community. This is the most common reason CLTs are created. Some CLTs, however, may choose to focus on promoting agriculture or some other purpose in addition to or instead of the purposes defined above.]

ARTICLE III, Line 3.c.

3. c. The corporation is to be financed under the following general plan: contributions from individuals and organizations, revenue from activities related to its exempt purposes, income from the investment of its funds, and other sources that may be available.

ARTICLE VI

A. No member of the Board of Directors of the corporation who is a volunteer director and no volunteer officer, as those terms are defined in the Michigan Nonprofit Corporation Act, as amended (the "Act"), shall be personally liable to the corporation for monetary damages for a



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breach of the director's or officer's fiduciary duty. However, this provision shall not eliminate or limit the liability of a director or officer for any of the following:

- (1) the amount of a financial benefit received by a director or volunteer officer to which he or she is not entitled,
- (2) intentional infliction of harm on the corporation, its shareholders, or members,
- (3) a violation of section 551 of the Act,
- (4) an intentional criminal act,
- (5) a liability imposed under section 497(a),
- (6) a breach of the director's or officer's duty of loyalty to the corporation,
- (7) acts or omissions not in good faith or that involve a knowing violation of law,
- (8) an act or omission occurring before the filing of these articles of incorporation, or
- (9) an act or omission that is grossly negligent.

B. The corporation shall assume all liability to any person, other than the corporation, for all acts or omissions of a volunteer director occurring on or after the filing of these articles of incorporation and incurred in the good faith performance of the volunteer director's duties. However, the corporation shall not assume any liability to the extent the assumption is inconsistent with the status of the corporation as an organization described in section 501(c)(3) of the Code.

C. The corporation shall assume all liability for all acts or omissions of a volunteer officer or other nondirector volunteer, as those terms are defined in the Act, occurring on or after the effective date of the filing of these articles of incorporation if all of the following are met:

- (1) the volunteer was acting or reasonably believed he or she was acting within the scope of his or her authority,
- (2) the volunteer was acting in good faith,
- (3) the volunteer's conduct did not amount to gross negligence or willful and wanton



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misconduct,

- (4) the volunteer's conduct was not an intentional tort, and
- (5) the volunteer's conduct was not a tort arising out of the ownership, maintenance, or use of a motor vehicle for which tort liability may be imposed as provided in section 3135 of the Insurance Code of 1956, Act No. 218 of the Public Acts of 1956, being section 500.3135 of the Michigan Compiled Laws.

However, the corporation shall not assume any liability to the extent the assumption is inconsistent with the status of the corporation as an organization described in section 501(c)(3) of the Code.

D. If the Act is amended after the filing of these articles of incorporation to authorize the further elimination or limitation of the liability of directors, officers, or nondirector volunteers of nonprofit corporations, then the liability of the corporation's directors, officers, and nondirector volunteers, in addition to the limitation, elimination, and assumption of personal liability contained in this Article, will be assumed by the corporation or eliminated or limited to the fullest extent permitted by the Act as so amended, except to the extent such limitation, elimination, or assumption of liability is inconsistent with the status of the corporation as an organization described in section 501(c)(3) of the Code. No amendment or repeal of this Article will apply to or have any effect on the liability or alleged liability of any such person for any acts or omissions occurring prior to the effective date of any such amendment or repeal.

ARTICLE VII

No part of the net earnings of the corporation shall inure to the benefit of or be distributable to the corporation's directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II above.

ARTICLE VIII

No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Notwithstanding any other provision of these articles, the corporation shall not carry on any other



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activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Code, or the corresponding section of any future federal tax code.

ARTICLE IX

Upon termination or dissolution of the corporation, any assets lawfully available for distribution shall be distributed to one or more qualifying organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (or described in any corresponding provision of any successor statute) that have a charitable purpose which, at least generally, includes a purpose similar to the terminating or dissolving corporation.

The organization to receive the assets of the corporation hereunder shall be selected by the discretion of a majority of the managing body of the corporation. If its members cannot so agree, then the assets shall be disposed of by the circuit court of the county in which the principal office of the corporation is then located. The court, upon a finding that this section is applicable, shall select the qualifying organization or organizations to receive the assets to be distributed, giving preference, if practicable, to an organization or organizations located within the State of Michigan that has a charitable purpose which, at least generally, includes a purpose similar to the terminating or dissolving corporation.

In the event that the court shall find that this section is applicable but that there is no qualifying organization known to it which has a charitable purpose, which, at least generally, includes a purpose similar to this corporation, then the court shall direct the distribution of its assets lawfully available for distribution to the Treasurer of the State of Michigan to be added to the general fund.

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