

NONPROFIT CORPORATION ACT (EXCERPT)
Act 162 of 1982

450.2545a Transaction in which director or officer has interest.

Sec. 545a.

(1) A transaction in which a director or officer is determined to have an interest shall not be enjoined, set aside, or give rise to an award of damages or other sanctions because of the interest, in a proceeding by a shareholder, a member, or a director of a corporation that is organized on a directorship basis or by or in the right of the corporation, if the person interested in the transaction establishes any of the following:

(a) The transaction was fair to the corporation at the time it was entered into.

(b) The material facts of the transaction and the director's or officer's interest were disclosed or known to the board or an executive committee of the board and the board or executive committee authorized, approved, or ratified the transaction.

(c) The material facts of the transaction and the director's or officer's interest were disclosed or known to the shareholders or members who are entitled to vote and they authorized, approved, or ratified the transaction.

(2) For purposes of subsection (1)(b), a transaction is authorized, approved, or ratified if it received the affirmative vote of the majority of the directors on the board or the executive committee who did not have an interest in the transaction, though less than a quorum. The presence of, or a vote cast by, a director with an interest in the transaction does not affect the validity of an action taken under subsection (1)(b).

(3) For purposes of subsection (1)(c), a transaction is authorized, approved, or ratified if it received the majority of votes that were cast by the holders of shares or members that did not have an interest in the transaction. A majority of the votes held by shareholders or members that did not have an interest in the transaction constitutes a quorum for the purpose of taking action under subsection (1)(c).

(4) Satisfying the requirements of subsection (1) does not preclude other claims relating to a transaction in which a director or officer is determined to have an interest. Those claims shall be evaluated under principles applicable to a transaction in which a director or officer does not have an interest.

(5) Unless the compensation is prohibited by the articles of incorporation or the bylaws, the board, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may, subject to any limitations in the articles of incorporation or bylaws, establish reasonable compensation of directors for services to the corporation as directors or officers, but approval of the shareholders or members is required if the articles of incorporation, bylaws, or other provisions of this act require that approval. Transactions pertaining to the compensation of directors for services to the corporation as directors or officers shall not be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a shareholder or member or by or in the right of the corporation unless it is shown that the compensation was unreasonable at the time it was established or exceeded amounts permitted under the articles of incorporation or bylaws.

History: Add. 2014, Act 557, Imd. Eff. Jan. 15, 2015