



Canada Not-for-Profit Corporations Act: New Legislation for Federal Not-for-Profit Corporations IN FORCE OCTOBER 17, 2011

In our newsletter of February 2011, we introduced the *Canada Not-For-Profit Corporations Act* (NFP Act), which establishes a new set of rules for federally incorporated not-for-profit corporations (http://www.ahbl.ca/files/E-alert_Files/Canada_Not_For_Profit_Corporatio.pdf).

The NFP Act replaces the former operating legislation (the *Canada Corporations Act*), and provides a more modern and flexible regime.

The NFP Act will come into force on October 17, 2011. Federal not-for-profit corporations will be required to transition by filing Articles of Continuance within three years of this date. The NFP Act does not apply to a corporation until the transition is made.

Although there is a three year deadline to transition, we recommend that corporations not delay in implementing transition steps, particularly given the following:

1. Corporations may wish to take advantage of the flexibility offered by the NFP Act, and therefore may wish to make the transition as soon as possible.
2. The transition process will require a complete review of the existing by-laws of the corporation

to ensure that they are updated and in compliance with the NFP Act. Any archaic provisions which are not required by the NFP Act may be removed (for example, the requirement for an annual audit, in some cases). ***The rules under the NFP Act are different, making the transition process more complicated than simply transposing the existing Letters Patent provisions into the transition application.***

3. ***The members must approve the Articles of Continuance and new by-laws.*** Corporations with a large membership may need to plan for such approval around an annual general meeting.

4. Corporations which are registered charities may have to engage in communication with Canada Revenue Agency prior to completing the transition. Appropriate time should be set aside to allow for this process to conclude.

We encourage federal not-for-profit corporations to contact us as soon as possible to begin the procedure to transition under the NFP Act.

For more information, please contact Ingrid Tsui (itsui@ahbl.ca, 604-484-1746) or Robert Pakrul (rpakrul@ahbl.ca, 604-484-1720) of our Business Law Group.