

NONPROFIT CORPORATION ACT (EXCERPT)
Act 162 of 1982

450.2309 Default in payment of amount due under subscription agreement; rights and duties of corporation; limiting and adding to rights and remedies of corporation.

Sec. 309.

(1) If a subscriber defaults in payment of an installment or call or other amount due under a subscription agreement, including an amount that becomes due as a result of a default in performance of any provision of a subscription agreement, the corporation has the following rights and duties:

(a) It may collect the amount due in the same manner as any other debt owing to it. If the corporation is organized on a stock basis and if the articles of incorporation or bylaws of a corporation permit the transfer of shares, the corporation may at any time before full satisfaction of the claim or a judgment sell the shares in any reasonable manner that is consistent with the articles of incorporation and bylaws. The corporation shall give notice of the time and place of a public sale or of the time after which a private sale may occur, and a written statement of the amount due on each share, to the subscriber personally or by registered or certified mail at least 20 days before the time stated in the notice. The corporation shall pay any excess of net proceeds realized over the amount due plus interest to the subscriber. If the sale is made in good faith, in a reasonable manner and after the notice required in this subdivision, the corporation may recover the difference between the amount due plus interest and the net proceeds of the sale. A good faith purchaser for value acquires title to the sold shares free of any right of the subscriber even if the corporation fails to comply with 1 or more of the requirements of this subdivision.

(b) It may rescind the subscription, with the effect provided in section 310, and may recover damages for breach of contract. In the case of transferable shares of a corporation organized on a stock basis, unless special circumstances show proximate damages of a different amount, the measure of damages is the difference between the fair market value at the time and place of tender of the shares and the unpaid contract price. A subscription agreement may also provide for liquidated damages in any reasonable amount. The subscriber may have restitution of the amount by which the sum of payments exceeds the corporation's damages for breach of contract, whether fixed by agreement or judgment.

(2) The rights and duties set forth in this section are cumulative so far as is consistent with entitling the corporation to a full and single recovery of the amount due or its damages. A subscription agreement may limit the rights and remedies of the corporation set forth in this section, and may add to them so far as is consistent with this subsection.

History: 1982, Act 162, Eff. Jan. 1, 1983 ;-- Am. 2014, Act 557, Imd. Eff. Jan. 15, 2015