**The *Canada Not-for profit Corporations Act* replaces Part II of the *Canada Corporations Act*. Are you ready?**

The new *Canada Not-for-profit Corporations Act* (NFP Act) presents a more modern, flexible and relevant legal framework for federally-incorporated not-for-profit corporations. The transition deadline of October 17, 2014 may seem far off, but corporations should be taking action now in order to meet the transition date.

To make the change to the new Act, not-for-profit corporations must replace their letters patent, supplementary letters patent (if any) and by-laws. Once this is complete, Corporations Canada can issue a Certificate of Continuance, which confirms that a corporation may “continue” as an incorporated entity under the new NFP Act.

Transitioning to the NFP Act is not as overwhelming as many people think. But it isn’t quick either. The five-step process does take time, as it involves preparing new articles and by-laws and having them approved by members in accordance with the corporation’s existing by-laws. Put simply: you need to start now.

**The five steps to transition**

1. Review your corporation’s letters patent, supplementary letters patent (if applicable) and by-laws.
2. Draft the articles of the corporation.
3. Create by-laws.
4. Obtain members’ approval.
5. Submit the required documentation to Corporations Canada.

Understanding the new Act is key to a smooth transition. Corporations Canada has posted detailed information on its [website](http://www.corporationscanada.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs03925.html) and also offers a step-by-step [Transition Guide](http://www.corporationscanada.ic.gc.ca/transitionguide) to assist not-for-profit corporations through the process. Corporations may want to seek legal advice if they have concerns about the transition.

**What you may not know**

* The NFP Act does not apply automatically to not-for-profit corporations. Every existing federally-incorporated not-for-profit corporation must take these five steps to make the transition to the new Act. To see if a corporation is federally-incorporated, [search for a federal corporation](https://www.ic.gc.ca/app/scr/cc/CorporationsCanada/fdrlCrpSrch.html?locale=en_CA) online.
* Corporations cannot simply reuse all of the provisions of their letters patent and supplementary letters patent in the articles and use the same by-laws. The rules under the NFP Act are different, which means that the necessary articles and by-laws set out under the Continuance must be different as well.
* Obtaining members’ approval can be a lengthy step. Not-for-profit corporations need to call a members’ meeting and seek approval as per their current by-laws. If your members’ meeting takes place only once a year, this can significantly delay your progress in completing this essential step.
* If a not-for-profit corporation doesn’t make the transition to the new Act by October 17, 2014, Corporations Canada will issue a Pending Dissolution Notice informing it of its intent to dissolve the corporation.
* A further consequence after dissolution may be the loss of a not-for-profit corporation’s registered charity status, if applicable. This could make it difficult for corporations to obtain and maintain financial support through charitable grants and donations, and it could also mean paying a revocation tax equal to 100% of the value of the corporation’s remaining assets.

**Change is good**

The new *Canada Not-for-profit Corporations Act* replaces Part II of the *Canada Corporations Act* that governed federal corporations for nearly 100 years. The new rules are clearer, modern and flexible, and much better suited to the needs of today’s not-for-profit corporations. Not-for-profit corporations can better organize their activities and experience less red tape with the NFP Act’s simplified processes.

Enhanced member rights, simplified procedures for adopting or amending by-laws, and a legal framework more closely aligned with the *Business Corporations Act* are additional benefits of transitioning to the new NFP Act.

**Set things in motion**

Remember, the steps to transition a not-for-profit corporation can take several months. And the clock is ticking. Avoid the significant and serious consequences of missing the transition deadline and begin your transition activities today.

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