

## INCORPORATION OF LIONS CLUBS

Dear Lion Member:

Thank you for contacting the Legal Division for information regarding the incorporation of your Lions Club. Lions Clubs International has developed a successful relationship with CT, the industry leader in legal services. Through this relationship CT can assist your Lions Club with the incorporation of your Lions Club and the completion of any other necessary filings with your Secretary of State office at a substantial savings. If your club decides to take advantage of this membership benefit program with CT and incorporate your club, please contact CT directly, and CT will coordinate review and authorization by Lions Clubs International Legal Division and handle all necessary filing.

Of course, you always have the option of handling all necessary filing to incorporate your Lions club on your own. In that case, you may submit the required documents to the LCI Legal Division for review and authorization.

Attached to this letter are sample Articles of Incorporation which have been pre-approved by Lions Clubs International. This sample may assist your club in developing your own documents for filing. You may need to seek further review by local legal counsel to ensure that any Articles of Incorporation meet the requirements of incorporation under the laws of the State in which the Lions Club is to be incorporated.

Following is information on the incorporation of your Lions Clubs and the requirements necessary from Lions Clubs International.

### **Features of Incorporation**

1. In most jurisdictions, individual club members are not liable, individually or severally, in suits against the club. Liability is limited to the capital or assets of the club.
2. Some states may not allow an unincorporated association of volunteers to hold title to property. Property ownership would require a "trustee" arrangement where some other party holds title for the club. Even where unincorporated associations may hold title, the legal setup does not serve the members' interest as well as incorporation.
3. Legal documents, such as contracts, etc., are more easily handled under a corporate structure.
4. Tenure of a corporation is perpetual in nature.
5. Lions Clubs may generally operate as well in corporate structure as in unincorporated association form.

6. An annual state non-profit corporation return must be filed each year. The filing fee and the franchise fee vary from jurisdiction to jurisdiction and may be \$100 or more.
7. Individual liability protection under corporate structure may encourage action, which may lead to failure of the club. The club may overreach itself in a financial obligation or take on a fundraising project which, by its nature, requires more insurance coverage than is provided under the Association's liability policy for clubs. The Association's policy provides \$1,000,000 liability coverage per occurrence, \$2,000,000 per year aggregate (annual limit of liability) per named insured.
8. Cost of incorporation includes original filing fee. It may range from \$10 to \$250, depending upon respective state law.

### **Incorporation Requirements**

1. If your club chooses to incorporate under the not-for-profit laws of your state, it is required that:
  - a) A statement appears in the Articles of Incorporation that the club is a Lions club chartered by, and subject to the Constitution and Bylaws, of The International Association of Lions Clubs.
  - b) The purposes found in Article Three of the sample Articles of Incorporation must be included in the proposed Articles of Incorporation.
  - c) The proposed Articles of Incorporation be approved by the Association's attorney prior to filing with your local governmental authorities.
2. A suggested form of "Articles of Incorporation" is attached for consideration by your club's attorney.

### **International Office Notification**

1. Lions Clubs International is required by the United States government to maintain complete records of all Lions clubs that become incorporated. At the start of each year, it is necessary for Lions Clubs International to file with the Department of Internal Revenue a list of clubs that have become incorporated during the preceding year. Therefore, if your club incorporates, please notify the Legal Division immediately.
2. After a Lions Club has incorporated, Lions Clubs International will mail a "Letter of Authorization" to be signed by the club president and returned to the Legal Division. Lions Clubs International must have this in order to continue to include the incorporated club as a subordinate unit of the Association with exemption under the Letter of Exemption granted under Section 501(c)(4) of the Internal Revenue Code dated December 4, 1940, and reaffirmed, annually, to the Association.

We trust that these documents will be of some guidance in assisting your club in incorporating. For a description of all the services CT provides as a part of the membership benefit program, please see the attached brochure. Should you have further inquiries regarding this matter, please contact CT or the Lions Clubs International Legal Division.

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Enclosures:

Sample Articles of Incorporation – Lions Club  
CT Services Brochure