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I N   S E N A T E

June 13, 2014

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Introduced by Sen. RANZENHOFER -- read twice and ordered printed, and when printed to be committed to the Committee on Corporations, Authorities and Commissions

AN ACT to amend the not-for-profit corporation law, in relation to independent directors and related party transactions; and repealing certain provisions of such law relating thereto

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1     Section 1. Paragraph (f) of section 713 of the not-for-profit corpo-  
2     ration law is REPEALED.  
3     S 2. Subparagraphs 21 and 24 of paragraph (a) of section 102 of the  
4     not-for-profit corporation law, as added by chapter 549 of the laws of  
5     2013, are amended to read as follows:  
6     (21) "Independent director" means a director who: (i) is not, and has  
7     not been within the last three years, an employee of the corporation or  
8     an affiliate of the corporation, and does not have a relative who is, or  
9     has been within the last three years, a key employee of the corporation  
10    or an affiliate of the corporation; (ii) has not received, and does not  
11    have a relative who has received, in any of the last three fiscal years,  
12    more than ten thousand dollars in direct compensation from the corpo-  
13    ration or an affiliate of the corporation (other than reimbursement for  
14    expenses reasonably incurred as a director or reasonable compensation  
15    for service as a director as permitted by paragraph (a) of section 202  
16    (General and special powers)); and (iii) is not a current employee of or  
17    does not have a substantial financial interest in, and does not have a  
18    relative who is a current officer of or has a substantial financial  
19    interest in, any entity that has made payments to, or received payments  
20    from, the corporation or an affiliate of the corporation for property or  
21    services in an amount which, in any of the last three fiscal years,  
22    exceeds the lesser of twenty-five thousand dollars or two percent of  
23    such entity's consolidated gross revenues. For purposes of this subpara-  
24    graph, "payment" does not include charitable contributions, MEMBERSHIP  
25    DUES OR PREMIUM PAYMENTS.

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets  
[ ] is old law to be omitted.

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1       (24) "Related party transaction" means any transaction, agreement or  
2 any other arrangement, THE APPROVAL OF WHICH WOULD COME BEFORE THE BOARD  
3 IN THE ORDINARY COURSE OF BUSINESS, in which a related party has a  
4 financial interest and in which the corporation or any affiliate of the  
5 corporation is a participant.

6       S 3. This act shall take effect immediately; provided, however, that  
7 section two of this act shall take effect on the same date and in the  
8 same manner as section 29 of chapter 549 of the laws of 2013, takes  
9 effect.