

STATE OF NEW YORK

2267

2019-2020 Regular Sessions

IN SENATE

January 23, 2019

Introduced by Sens. COMRIE, 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 the regulation of key persons

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraph (a) and subparagraph 4 of paragraph (b) of
2 section 715-b of the not-for-profit corporation law, as amended by chap-
3 ter 466 of the laws of 2016, are amended to read as follows:

4 (a) Except as provided in paragraph (c) of this section, the board of
5 every corporation that has twenty or more employees and in the prior
6 fiscal year had annual revenue in excess of one million dollars shall
7 adopt, and oversee the implementation of, and compliance with, a whist-
8 leblower policy to protect from retaliation persons who report suspected
9 improper conduct. Such policy shall provide that no director, officer,
10 key person, employee or volunteer of a corporation who in good faith
11 reports any action or suspected action taken by or within the corpo-
12 ration that is illegal, fraudulent or in violation of any adopted policy
13 of the corporation shall suffer intimidation, harassment, discrimination
14 or other retaliation or, in the case of employees, adverse employment
15 consequence.

16 (4) A requirement that a copy of the policy be distributed to all
17 directors, officers, key persons, employees and to volunteers who
18 provide substantial services to the corporation. For purposes of this
19 subdivision, posting the policy on the corporation's website or at the
20 corporation's offices in a conspicuous location accessible to employees
21 and volunteers are among the methods a corporation may use to satisfy
22 the distribution requirement.

23 § 2. Section 716 of the not-for-profit corporation law, as amended by
24 chapter 549 of the laws of 2013, is amended to read as follows:

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

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1 § 716. Loans to directors [~~and~~], officers and key persons.

2 No loans, other than through the purchase of bonds, debentures, or
3 similar obligations of the type customarily sold in public offerings, or
4 through ordinary deposit of funds in a bank, shall be made by a corpo-
5 ration to its directors [~~or~~], officers or key persons, or to any other
6 corporation, firm, association or other entity in which one or more of
7 its directors [~~or~~], officers or key persons are directors [~~or~~], officers
8 or key persons or hold a substantial financial interest, except a loan
9 by one charitable corporation to another charitable corporation. A loan
10 made in violation of this section shall be a violation of the duty to
11 the corporation of the directors or officers authorizing it or partic-
12 ipating in it, but the obligation of the borrower with respect to the
13 loan shall not be affected thereby.

14 § 3. Section 717 of the not-for-profit corporation law, paragraph (a)
15 as amended by chapter 490 of the laws of 2010 and paragraph (b) as
16 amended by chapter 734 of the laws of 1988, is amended to read as
17 follows:

18 § 717. Duty of directors [~~and~~], officers and key persons.

19 (a) Directors [~~and~~], officers and key persons shall discharge the
20 duties of their respective positions in good faith and with the care an
21 ordinarily prudent person in a like position would exercise under simi-
22 lar circumstances. The factors set forth in subparagraph one of para-
23 graph (e) of section 552 (Standard of conduct in managing and investing
24 an institutional fund), if relevant, must be considered by a governing
25 board delegating investment management of institutional funds pursuant
26 to section 514 (Delegation of investment management) For purposes of
27 this paragraph, the term institutional fund is defined in section 551
28 (Definitions).

29 (b) In discharging their duties, directors [~~and~~], officers and key
30 persons, when acting in good faith, may rely on information, opinions,
31 reports or statements including financial statements and other financial
32 data, in each case prepared or presented by: (1) one or more officers or
33 employees of the corporation, whom the director believes to be reliable
34 and competent in the matters presented, (2) counsel, public accountants
35 or other persons as to matters which the directors [~~or~~], officers or key
36 persons believe to be within such person's professional or expert compe-
37 tence or (3) a committee of the board upon which they do not serve, duly
38 designated in accordance with a provision of the certificate of incorpo-
39 ration or the bylaws, as to matters within its designated authority,
40 which committee the directors [~~or~~], officers or key persons believe to
41 merit confidence, so long as in so relying they shall be acting in good
42 faith and with that degree of care specified in paragraph (a) of this
43 section. Persons shall not be considered to be acting in good faith if
44 they have knowledge concerning the matter in question that would cause
45 such reliance to be unwarranted. Persons who so perform their duties
46 shall have no liability by reason of being or having been directors
47 [~~or~~], officers or key persons of the corporation.

48 § 4. Section 718 of the not-for-profit corporation law, as amended by
49 chapter 549 of the laws of 2013, is amended to read as follows:

50 § 718. List of directors [~~and~~], officers and key persons.

51 (a) If a member or creditor of a corporation, in person or by his
52 attorney or agent, or a representative of the district attorney or of
53 the secretary of state, the attorney general, or other state official,
54 makes a written demand on a corporation to inspect a current list of its
55 directors [~~and~~], officers and key persons, the corporation shall, within
56 two business days after receipt of the demand and for a period of one

1 week thereafter, make the list available for such inspection at its office during usual business hours.

3 (b) Upon refusal by the corporation to make a current list of its directors [~~and~~], officers and key persons available, as provided in paragraph (a) of this section, the person making a demand for such list may apply, ex parte, to the supreme court at a special term held within the judicial district where the office of the corporation is located for an order directing the corporation to make such list available. The court may grant such order or take such other action as it may deem just and proper.

11 § 5. Section 720-a of the not-for-profit corporation law, as added by chapter 220 of the laws of 1986, is amended to read as follows:

13 § 720-a. Liability of directors, officers [~~and~~], trustees and key persons.

15 Except as provided in sections seven hundred nineteen and seven hundred twenty of this chapter, and except any action or proceeding brought by the attorney general or, in the case of a charitable trust, an action or proceeding against a trustee brought by a beneficiary of such trust, no person serving without compensation as a director, officer, key person or trustee of a corporation, association, organization or trust described in section 501 (c) (3) of the United States internal revenue code shall be liable to any person other than such corporation, association, organization or trust based solely on his or her conduct in the execution of such office unless the conduct of such director, officer, key person or trustee with respect to the person asserting liability constituted gross negligence or was intended to cause the resulting harm to the person asserting such liability. For purposes of this section, such a director, officer, key person or trustee shall not be considered compensated solely by reason of payment of his or her actual expenses incurred in attending meetings or otherwise in the execution of such office.

32 § 6. This act shall take effect immediately.