



LEGISLATIVE UPDATE

New York State Legislature Adds New Section to the BCL/NPCL Regarding Conflicts of Interest for Coop and Condo Boards

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On September 12, 2017, Governor Cuomo signed into law a new section to the New York Business Corporation Law (BCL) and the New York Not for Profit Corporation Law (NPCL). The vast majority of cooperative housing corporations in New York were created under the Business Corporation Law (the "BCL"), and subject to its terms and conditions. This new section provides guidance to the Board in the handling of certain conflict of interest situations and new disclosure requirements to the Board of Directors and Shareholders.

More specifically, the above has added a new section

to the BCL, Section 727, which supplements the current Section 713 of the BCL. Section 713 currently provides that contracts and transactions between the Boards and a director, either individually or a business entity in which the director has an interest, for which a conflict may exist, may be permissible under certain circumstances. All conflicts are not automatically prohibited. Essentially, if all material facts in regard to the director's interest were disclosed in good faith, and majority of Board members voted to approve such contract, then the contract is valid and binding and the transaction is permissible and is not void or voidable due to the conflict. The interested director must recuse himself from the voting and deliberations on the conflicted contract.

On the flip side, Section 713 states that if the conflicted director fails to make proper statutory disclosures as stated above, the Board has the right to void the contract or transaction in question. Further, the Section 713 now requires that, at least once a

year each director receive a copy of Section 713 of the BCL.

As stated above, in mid-September a new section of the BCL was added, which will become effective as of January 1, 2018, and is known as Section 727. This new section requires that at least once a year every effected Board must: 1) Provide a copy of Section 713 of the BCL to each Director; 2) Submit an annual report to the shareholders, signed by each Director, containing information on any contracts made, entered into, or otherwise approved by the Board where there was an interested director (as outlined in Section 713). This annual report must include: A list of all such contracts, as well as information and the identity of the other party, and the amount and purpose of the contract; a record of all meetings of the Board and when it voted on such contracts, including attendance, how each director voted on such contracts, and the actual result of voting for each such contract; finally it must include the date of each vote on each contract and the date the of

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Matter of Johnson v. Palumbo, 2014-09233

Tenant Entitled to Violence Against Women Act's Protections; Reinstated to Section 8 Program

By: Hon. Valerie Brathwaite Nelson



Docket

- **Practice Area:**
- **Date filed:** September, 29, 2017
- **Court:** Appellate Division, Second Department
- **Attorneys:** For Plaintiff: For petitioner: Jared L. Gilman and Vinita Karnath of counsel, Legal Services of the Hudson Valley, Poughkeepsie, NY; For

Defendant: For respondents: David L. Posner and Andrea L. Gellen of counsel, McCabe & Mack LLP, Poughkeepsie, NY.

- **Judge:** Justice Valerie Brathwaite Nelson
- **Docket Number:** 2014-09233

Case Digest Summary

Tenant Entitled to Violence Against Women Act's Protections; Reinstated to Section 8 Program

Full Case Digest Text

Cite as: Matter of Johnson v. Palumbo, 2014-09233, NYLJ 1202799136546, at *1 (App. Div., 2nd, Decided September 20, 2017)

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