

2010 -- H 7995

LC02335

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS AND PARTNERSHIPS – RHODE ISLAND NONPROFIT CORPORATION ACT

Introduced By: Representative Peter F. Kilmartin

Date Introduced: April 08, 2010

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 7-6-26.1 of the General Laws in Chapter 7-6 entitled "Rhode Island
2 Nonprofit Corporation Act" is hereby amended to read as follows:

3 **7-6-26.1. Director conflicts of interest.** – (a) ~~No contract or transaction between a~~
4 ~~corporation and one or more of its directors or officers, or between a corporation and any other~~
5 ~~corporation, partnership, association, or other organization in which one or more of its directors~~
6 ~~or officers are directors or officers or have a financial interest, is void or voidable nor are the~~
7 ~~directors or officers liable regarding the contract or transaction solely for this reason, or solely~~
8 ~~because the director or officer is present at or participates in the meeting of the board or~~
9 ~~committee of the board which authorizes the contract or transaction, or solely because his, her, or~~
10 ~~their votes are counted for the purpose, if:~~

11 ~~–(1) The material facts as to his, her, or their interest or relationship are disclosed or are~~
12 ~~known to the board of directors or the committee, and the board of directors or committee~~
13 ~~authorizes, approves, or ratifies the contract or transaction by the affirmative votes of a majority~~
14 ~~of the disinterested directors, even though the disinterested directors are less than a quorum; or~~

15 ~~–(2) The material facts as to his, her, or their interest or relationship are disclosed or are~~
16 ~~known to the members entitled to vote on the contract or transaction, and the contract or~~
17 ~~transaction is specifically authorized, approved, or ratified by vote of the members; or~~

18 ~~–(3) The contract or transaction is fair and reasonable to the corporation. No contract or~~

1 transaction shall be permitted between a corporation and one or more of its directors or officers
2 whereby the corporation is purchasing or acquiring goods, services or both from such director,
3 directors, officer or officers or from any business in which such an individual has any direct or
4 indirect pecuniary interest.

5 (1) For the purposes of this section, “direct pecuniary interest” means and includes
6 ownership in the form of shares of stock, membership, partnership or where the individual in
7 question receives any distribution, salary, commission or other type or form of monetary or
8 financial benefit.

9 (2) For the purposes of this section, and “indirect pecuniary interest” means and includes
10 ownership in a business, regardless of its form, by a trust of which such individual is a trustee
11 and/or beneficiary or in which an individual spouse, child, grandchild, parent, aunt, uncle, niece,
12 nephew, first cousin or in-laws of like relationship (“relative”), or from which any such trust or
13 relative receives any distribution, salary, commission or other type or from of monetary or
14 financial benefit.

15 (3) Notwithstanding the foregoing, nothing herein shall be construed to prohibit a
16 business from donating goods or services to any corporation subject to this chapter.

17 (b) Common or interested directors may be counted in determining the presence of a
18 quorum at a meeting of the board of directors or of a committee which authorizes the contract or
19 transaction.

20 (c) No director or officer shall serve as an officer or director, whether paid or not, of any
21 other entity doing business with the corporation subject to this chapter on which such individual
22 serves as an officer or director.

23 (d) No director or officer shall serve as a consultant, whether paid or not, to any other
24 entity doing business with the corporation subject to this chapter on which such individual serves
25 as an officer or director.

26 (e) No director or officer shall serve as a director or officer of any entity in competition
27 with a corporation subject to this chapter.

28 (f) Notwithstanding the foregoing, the prohibitions set forth herein shall not preclude the
29 director or officer from obtaining, at the rates generally available to the general public or as part
30 of a group, any medical insurance coverage or medical treatment from or at a corporation subject
31 to this chapter.

32 SECTION 2. This act shall take effect upon passage.

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO CORPORATIONS, ASSOCIATIONS AND PARTNERSHIPS – RHODE
ISLAND NONPROFIT CORPORATION ACT

1 This act would prohibit a corporation from entering into a contract or transaction with
2 one or more of its officers or directors whereby the corporation is acquiring goods or services
3 from said officer or director. This act would further preclude any director or officer from serving
4 as a director or officer of any other entity doing business with a corporation in which such
5 individual serves.

6 This act would take effect upon passage.

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