

### **273.215 General standards for directors.**

- (1) A director of a nonprofit corporation subject to the provisions of KRS 273.161 to 273.387 shall discharge his duties as a director, including his duties as a member of a committee:
  - (a) In good faith;
  - (b) On an informed basis; and
  - (c) In a manner he honestly believes to be in the best interests of the corporation.
- (2) Such director shall be considered to discharge his duties on an informed basis if he makes, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, inquiry into the business and affairs of the corporations, or into a particular action to be taken or decision to be made.
- (3) In discharging his duties such director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
  - (a) One (1) or more officers or employees of the corporation whom the director honestly believes to be reliable and competent in the matters presented;
  - (b) Legal counsel, public accountants, or other persons as to matters the director honestly believes are within the person's professional or expert competence; or
  - (c) A committee of the board of directors of which he is not a member if the director honestly believes the committee merits confidence.
- (4) A director of a nonprofit corporation shall not be considered to act in good faith if he has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (3) of this section unwarranted.
- (5) In addition to any other limitation on such director's liability for monetary damages contained in any provision of the corporation's articles of incorporation adopted in accordance with the provisions of KRS 273.248, any action taken as a director, or any failure to take any action as a director, shall not be the basis for monetary damages or injunctive relief unless:
  - (a) The director has breached or failed to perform the duties of the director's office in compliance with this section; and
  - (b) In the case of an action for monetary damages, the breach or failure to perform constitutes willful misconduct or wanton or reckless disregard for human rights, safety or property.
- (6) A person bringing an action for monetary damages under this section shall have the burden of proving by clear and convincing evidence the provisions of subsection (5)(a) and (b) of this section, and the burden of proving that the breach or failure to perform was the legal cause of the damages suffered.
- (7) Nothing in this section shall eliminate or limit the liability of any director for any act or omission occurring prior to July 15, 1988.

**Effective:** July 15, 1988

**History:** Amended 1988 Ky. Acts ch. 224, sec. 12, effective July 15, 1988. -- Created 1988 Ky. Acts ch. 23, sec. 245, effective January 1, 1989.

**Legislative Research Commission Note.** This section was created by two 1988 Acts which do not appear to be in conflict and have been compiled together.