

**271B.8-420 Standards of conduct for officers.**

- (1) An officer with discretionary authority shall discharge his duties under that authority:
  - (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) An officer 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 corporation, or into a particular action to be taken or decision to be made.
- (3) In discharging his duties an officer 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 officer honestly believes to be reliable and competent in the matters presented; or
  - (b) Legal counsel, public accountants, or other persons as to matters the officer honestly believes are within the person's professional or expert competence.
- (4) An officer shall not be considered to be acting 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) Any action taken as an officer, or any failure to take any action as an officer, shall not be the basis for monetary damages or injunctive relief unless:
  - (a) The officer has breached or failed to perform his duties 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 the best interests of the corporation or its shareholders.
- (6) A person bringing an action or 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 damages suffered by the corporation.
- (7) Nothing in this section shall eliminate or limit the liability of any officer for any act or omission occurring prior to July 15, 1988.

**Effective:** July 15, 1988

**History:** Created 1988 Ky. Acts ch. 23, sec. 91, effective January 1, 1989 and ch. 224, sec. 10, effective July 15, 1988.

**Formerly codified as** KRS 271A.257.