

273.219 Conflict-of-interest transaction.

- (1) A conflict-of-interest transaction is a transaction with the corporation in which a director of the corporation has a direct or indirect interest. A conflict-of-interest transaction shall not be the subject of equitable relief on the ground of the director's interest in the transaction if:
 - (a) The material facts of the transaction and the director's interest were disclosed or known to the board of directors, or a committee of the board duly constituted under KRS 273.221, and the board of directors or the committee authorized, approved, or ratified the transaction; or
 - (b) The transaction was fair to the corporation.
- (2) For purposes of this section, a director of the corporation has an indirect interest in a transaction if:
 - (a) Another entity in which he or she has a material financial interest is a party to the transaction; or
 - (b) Another entity of which he or she is a director, officer, general partner, manager, trustee, or person in a similar position is a party to the transaction, and the transaction is or should be considered by the board of directors of the corporation.
- (3) For purposes of subsections (1)(a) and (2)(b) of this section, director authorization, approval, or ratification is effective if done by a majority vote of the directors who do not have a direct or indirect interest in the transaction within the meaning of this section, even if the majority is less than a quorum, but a transaction may not be authorized, approved, or ratified by a single director. Director authorization may be delegated to a committee under KRS 273.221, provided that no director appointed to the committee has a direct or indirect interest within the meaning of this section. Director action under this section shall be done by a higher number than a majority, if the articles of incorporation or bylaws so provide.
- (4) For purposes of subsection (1) of this section, a director who has a direct or indirect interest in a transaction with the corporation shall bear the burden of proving that the transaction was fair to the corporation.

Effective: July 14, 2018

History: Repealed and reenacted 2018 Ky. Acts ch. 193, sec. 5, effective July 14, 2018.
-- Created 1988 Ky. Acts ch. 224, sec. 13, effective July 15, 1988.