



CLAIM SCENARIOS

NON-PROFIT D&O CLAIM EXAMPLES

Breach of Bylaws

Members of an association filed a lawsuit alleging the recent election of a new Executive Director did not follow the correct procedures outlined in the association's bylaws. Members argued that the majority vote required was not obtained and the bylaws were modified to suit the self-interest of the board. Defense costs and settlement exceeded \$75,000.

Defamation

The long time founding yacht club members had their privileges revoked. They alleged some of the younger board members made false statements and coerced other club members into a bias voting position. They sued for defamation and non-monetary damages to restore their senior club member benefits. Through arbitration a settlement was reached that exceeded \$20,000.

Misrepresentation

A non-profit cooperative was attempting to merge with another because of financial difficulties. The surviving co-op requested membership information and the most recent balance sheet and income statement from the distressed co-op. Soon after the merger it became apparent that the acquired co-op overstated their sales and membership enrollment. The board of the newly formed co-op felt misled and immediately sued the former Treasurer, alleging misrepresentation. The prior co-op's insurance policy provided defense costs to the individual.

Misappropriation of Funds

A grant making foundation receiving private donations was alleged to have used those funds for purposes not associated with the foundation's underlying mission. A group of supporters sued the foundation's board alleging misappropriation of funds and breach of duty. Defense costs exceeded \$65,000.

Anti-trust

A large trade association was being investigated for violations of restraint of trade and anti-trust activities associated with their accreditation and certification program. The case was settled out of court after the association agreed to modify its standard setting and trade practices. However, the legal defense amounted to \$150,000.

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