

504.832 Standards of liability for directors.

1. A director shall not be liable to the corporation or its members for any decision to take or not to take action, or any failure to take any action, as director, unless the party asserting liability in a proceeding establishes both of the following:

a. That [section 504.202, subsection 2](#), paragraph “d”, or [section 504.901](#) or the protection afforded by [section 504.833](#), if interposed as a bar to the proceeding by the director, does not preclude liability.

b. That the challenged conduct consisted or was the result of one of the following:

(1) Action not in good faith.

(2) A decision that satisfies one of the following:

(a) That the director did not reasonably believe to be in the best interests of the corporation.

(b) As to which the director was not informed to an extent the director reasonably believed appropriate in the circumstances.

(3) A lack of objectivity due to the director’s familial, financial, or business relationship with, or lack of independence due to the director’s domination or control by, another person having a material interest in the challenged conduct which also meets both of the following criteria:

(a) Which relationship or which domination or control could reasonably be expected to have affected the director’s judgment respecting the challenged conduct in a manner adverse to the corporation.

(b) After a reasonable expectation to such effect has been established, the director shall not have established that the challenged conduct was reasonably believed by the director to be in the best interests of the corporation.

(4) A sustained failure of the director to devote attention to ongoing oversight of the business and affairs of the corporation, or a failure to devote timely attention, by making, or causing to be made, appropriate inquiry, when particular facts and circumstances of significant concern materialize that would alert a reasonably attentive director to the need therefor.

(5) Receipt of a financial benefit to which the director was not entitled or any other breach of the director’s duties to deal fairly with the corporation and its members that is actionable under applicable law.

2. a. A party seeking to hold a director liable for money damages shall also have the burden of establishing both of the following:

(1) That harm to the corporation or its members has been suffered.

(2) The harm suffered was proximately caused by the director’s challenged conduct.

b. A party seeking to hold a director liable for other money payment under a legal remedy, such as compensation for the unauthorized use of corporate assets, shall also have whatever burden of persuasion that may be called for to establish that the payment sought is appropriate in the circumstances.

c. A party seeking to hold a director liable for other money payment under an equitable remedy, such as profit recovery by or disgorgement to the corporation, shall also have whatever burden of persuasion that may be called for to establish that the equitable remedy sought is appropriate in the circumstances.

3. [This section](#) shall not do any of the following:

a. In any instance where fairness is at issue, such as consideration of the fairness of a transaction to the corporation under [section 504.833](#), alter the burden of proving the fact or lack of fairness otherwise applicable.

b. Alter the fact or lack of liability of a director under another section of [this chapter](#), such as the provisions governing the consequences of a transactional interest under [section 504.833](#) or an unlawful distribution under [section 504.835](#).

c. Affect any rights to which the corporation or a member may be entitled under another statute of this state or the United States.

2004 Acts, ch 1049, §91, 192; 2005 Acts, ch 19, §94, 95

Referred to in [§504.843](#)