

489.409 Standards of conduct for members and managers.

1. A member of a member-managed limited liability company owes to the company and, subject to section 489.901, subsection 2, the other members the fiduciary duties of loyalty and care stated in subsections 2 and 3.

2. The duty of loyalty of a member in a member-managed limited liability company includes all of the following duties:

a. To account to the company and to hold as trustee for it any property, profit, or benefit derived by the member regarding any of the following:

- (1) In the conduct or winding up of the company's activities.
- (2) From a use by the member of the company's property.
- (3) From the appropriation of a limited liability company opportunity.

b. To refrain from dealing with the company in the conduct or winding up of the company's activities as or on behalf of a person having an interest adverse to the company.

c. To refrain from competing with the company in the conduct of the company's activities before the dissolution of the company.

3. Subject to the business judgment rule as stated in subsection 7, the duty of care of a member of a member-managed limited liability company in the conduct and winding up of the company's activities is to act with the care that a person in a like position would reasonably exercise under similar circumstances and in a manner the member reasonably believes to be in the best interests of the company. In discharging this duty, a member may rely in good faith upon opinions, reports, statements, or other information provided by another person that the member reasonably believes is a competent and reliable source for the information.

4. A member in a member-managed limited liability company or a manager-managed limited liability company shall discharge the duties under this chapter or under the operating agreement and exercise any rights consistently with the contractual obligation of good faith and fair dealing.

5. It is a defense to a claim under subsection 2, paragraph "b", and any comparable claim in equity or at common law that the transaction was fair to the limited liability company.

6. All of the members of a member-managed limited liability company or a manager-managed limited liability company may authorize or ratify, after full disclosure of all material facts, a specific act or transaction that otherwise would violate the duty of loyalty.

7. a. A member satisfies the duty of care in subsection 3 if all of the following apply:

- (1) The member is not interested in the subject matter of the business judgment.
- (2) The member is informed with respect to the subject of the business judgment to the extent the member reasonably believes to be appropriate in the circumstances.
- (3) The member has a rational basis for believing that the business judgment is in the best interests of the limited liability company.

b. A person challenging the business judgment of a member has the burden of proving a breach of the duty of care, and in a damage action, the burden of proving that the breach was the legal cause of damage suffered by the limited liability company.

8. In a manager-managed limited liability company, all of the following rules apply:

- a. Subsections 1, 2, 3, 5, and 7 apply to the manager or managers and not the members.
- b. The duty stated under subsection 2, paragraph "c", continues until winding up is completed.
- c. Subsection 4 applies to the members and managers.
- d. Subsection 6 applies only to the members.
- e. A member does not have any fiduciary duty to the company or to any other member solely by reason of being a member.

2008 Acts, ch 1162, §39, 155

Referred to in §489.110, 489.406, 489.408, 489.602, 489.1203