

**501.412 Permissible indemnification.**

1. Except as otherwise provided in [this section](#), a cooperative may indemnify an individual who is a party to a proceeding because the individual is a director against liability incurred in the proceeding if either of the following apply:

a. All of the following apply:

(1) The individual acted in good faith.

(2) The individual reasonably believed:

(a) In the case of conduct in the individual's official capacity, that the individual's conduct was in the best interests of the cooperative.

(b) In all other cases, that the individual's conduct was at least not opposed to the best interests of the cooperative.

(3) In the case of any criminal proceeding, the individual had no reasonable cause to believe the individual's conduct was unlawful.

b. The individual engaged in conduct for which broader indemnification has been made permissible or obligatory under a provision of the articles of organization as authorized by [section 501.407, subsection 2](#).

2. A director's conduct with respect to an employee benefit plan for a purpose the director reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirement of [subsection 1](#), paragraph "a", subparagraph (2), subparagraph division (b).

3. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the relevant standard of conduct described in [this section](#).

4. Unless ordered by a court pursuant to [section 501.415, subsection 1](#), paragraph "c", a cooperative shall not indemnify a director in either of the following circumstances:

a. In connection with a proceeding by or in the right of the cooperative, except for reasonable expenses incurred in connection with the proceeding if it is determined that the director has met the relevant standard of conduct under [subsection 1](#), paragraph "a".

b. In connection with any proceeding with respect to conduct for which the director was adjudged liable on the basis that the director received a financial benefit to which the director was not entitled, whether or not involving action in the director's official capacity.

[98 Acts, ch 1152, §21, 69; 2003 Acts, ch 66, §17; 2009 Acts, ch 41, §263](#)

Referred to in [§501.414](#), [§501.415](#), [§501.416](#), [§501.419](#), [§501.712](#)