

CHAPTER 1015BUSINESS CORPORATIONS —
DISTRIBUTIONS AND BUSINESS OPPORTUNITIES

H.F. 2165

AN ACT relating to business corporations, by providing for distributions and business opportunities.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 490.640, subsection 7, Code 2007, is amended to read as follows:

7. Indebtedness of a corporation, including indebtedness issued as a distribution, is not considered a liability for purposes of determinations under subsection 1 if its terms provide that payment of principal and interest are made only if and to the extent that payment of a distribution to shareholders could then be made under this section. If the indebtedness is issued as a distribution, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is actually made.

8. This section shall not apply to distributions in liquidation under division XIV.

Sec. 2. Section 490.831, subsection 1, paragraph a, Code 2007, is amended to read as follows:

a. That any of the following apply:

(1) A provision in the articles of incorporation authorized by section 490.202, subsection 2, paragraph "d", or the protection afforded by section 490.832 if interposed as a bar to the proceeding by the director, does not preclude liability.

(2) The protection afforded by section 490.870 precludes¹ liability.

Sec. 3. NEW SECTION. 490.870 BUSINESS OPPORTUNITIES.

1. A director's taking advantage, directly or indirectly, of a business opportunity may not be the subject of equitable relief, or give rise to an award of damages or other sanctions against the director, in a proceeding by or in the right of the corporation on the ground that such opportunity should have first been offered to the corporation, if before becoming legally obligated respecting the opportunity the director brings it to the attention of the corporation and any of the following apply:

a. Action by qualified directors disclaiming the corporation's interest in the opportunity is taken in compliance with the procedures set forth in section 490.832, as if the decision being made concerned a director's conflicting interest transaction.

b. Shareholders' action disclaiming the corporation's interest in the opportunity is taken in compliance with the procedure set forth in section 490.832, as if the decision being made concerned a director's conflicting interest transaction; except that, rather than making the disclosure as required in section 490.832, in each case the director shall have made prior disclosure to those acting on behalf of the corporation of all material facts concerning the business opportunity that are then known to the director.

2. In any proceeding seeking equitable relief or other remedy based upon an alleged improper taking advantage of a business opportunity by a director, the fact that the director did not employ the procedure described in subsection 1 before taking advantage of the opportunity shall not create an inference that the opportunity should have been first presented to the corporation or alter the burden of proof otherwise applicable to establish that the director breached a duty to the corporation in the circumstances.

Approved March 25, 2008

¹ According to enrolled Act; the phrase "does not preclude" probably intended