

322B.666 GOVERNOR CONFLICTS OF INTEREST.

Subdivision 1. **Conflict and procedure when conflict arises.** A contract or other transaction between a limited liability company and one or more of its governors, or between a limited liability company and an organization in or of which one or more of its governors are governors, directors, managers, officers, or legal representatives or have a material financial interest, is not void or voidable because the governor or governors or the other organizations are parties or because the governor or governors are present at the meeting of the members or the board of governors or a committee at which the contract or transaction is authorized, approved, or ratified, if:

(1) the contract or transaction was, and the person asserting the validity of the contract or transaction sustains the burden of establishing that the contract or transaction was, fair and reasonable as to the limited liability company at the time it was authorized, approved, or ratified;

(2) the material facts as to the contract or transaction and as to the governor's or governors' interest are fully disclosed or known to the members, whether or not entitled to vote, and the contract or transaction is approved in good faith by (i) the owners of two-thirds of the voting power of the membership interests entitled to vote that are owned by persons other than the interested governor or governors, or (ii) the unanimous affirmative vote of all members, whether or not entitled to vote;

(3) the material facts as to the contract or transaction and as to the governor's or governors' interest are fully disclosed or known to the board or a committee, and the board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a majority of the governors or committee members currently holding office, but the interested governor or governors shall not be counted in determining the presence of a quorum and shall not vote; or

(4) the contract or transaction is a distribution described in section 322B.54, subdivision 1, or a merger or exchange described in section 322B.70, subdivision 1 or 2.

Subd. 2. Material financial interest. For purposes of this section:

(1) a resolution fixing the compensation of a governor or fixing the compensation of another governor as a governor, manager, employee, or agent of the limited liability company, is not void or voidable or considered to be a contract or other transaction between a limited liability company and one or more of its governors for purposes of this section even though the governor receiving the compensation fixed by the resolution is present and voting at the meeting of the board or a committee at which the resolution is authorized, approved, or ratified or even though other governors voting upon the resolution are also receiving compensation from the limited liability company; and

(2) a governor has a material financial interest in each organization in which the governor, or the spouse, parents, children and spouses of children, brothers and sisters and spouses of brothers and sisters, and the brothers and sisters of the spouse of the governor, or any combination of them have a material financial interest. For purposes of this section, a contract or other transaction between a limited liability company and the spouse, parents, children and spouses of children, brothers and sisters, spouses of brothers and sisters, and the brothers and sisters of the spouse of a governor, or any combination of them, is considered to be a transaction between the limited liability company and the governor.

History: 1992 c 517 art 2 s 83; 1996 c 361 s 39; 1999 c 85 art 2 s 77; 2000 c 264 s 11; 2008 c 233 art 2 s 9