

## **BUSINESS JUDGMENT RULE**

It is a deferential standard of judicial review used in analyzing director conduct.

Essentially, the business judgment rule provides that courts will not second-guess corporate decisions made by directors through a proper process however wrong a decision may turn out. The business judgment rule presumes that, in making a business decision, directors were (i) meaningfully informed, (ii) disinterested, and (iii) acted with a good faith belief that the action taken was in the best interests of the corporation. If the predicates are established, courts will not examine the relative merits underlying the decision of the directors. However, a director will lose the protection of the business judgment rule if "the directors individually and the board collectively have failed to inform themselves fully and in a deliberate manner before voting as a board upon a transaction as significant as a proposed merger or sale of the company."