Legal Responsibilities of a Board of Directors

Outline

I. Board Authority
   a. Board as supreme decision center
     b. Authority granted by Articles of Incorporation
        1. Articles of Incorporation specify purpose and limits
   c. Authority established by bylaws
      1. Bylaws define powers and duties
      2. Bylaw limitations to Board authority
   d. Judicial trends on co-op responsibility and authority
      1. Tendency to protect individual member
      2. Board authority which has been recognized by courts
         A. With regard to membership selection
         B. Creation and enforcement of house rules

II. Board Responsibilities
    a. Fundamental responsibility as stated in Model Business Corporation Act
    b. Generally accepted legal responsibilities

III. Duties of Directors
    a. Duty of attention
       1. Active participation
    b. Duty of loyalty
       1. Honesty
       2. Conflict of interest
       3. Corporate opportunity
       4. Confidentiality
    c. Duty of care
       1. Good faith
       2. Guidelines to directors

IV. Reducing Director Liability
    a. Documentation
    b. “Counsel to the Board”
    c. Stockholder-member ratification
    d. Indemnification
       1. In bylaws
       2. D & O insurance