

What are the duties of the Board of Directors?

The charges for Boards are several: fiduciary responsibility; policy and operational decisions;; loyalty and reporting to the building's residents; and long-term care for the physical aspects of the corporation.

- Boards have the fiduciary duty to comply with applicable law and all of the governing documents of the corporation, and to protect and represent shareholders.
- As trustees of the corporation, Board members have a responsibility to make business decisions focused strictly on what will or will not benefit the cooperative/condo and **all** of its members/shareholders. They should never even appear to be dealing in their own self-interest.
- Boards act as trustees on behalf of the shareholders of the corporation and must act to protect members' investments.
- Boards must act to ensure sound administration of the co-op or condo by hiring and monitoring the building's management.
- Boards establish policies for management then review management reports, monitor key indicators (such as financial documents) and evaluate
- management performance in achieving the established goals.
- Boards must plan for the co-op's future by establishing long-range goals and participating in strategic planning, by approving yearly and long-range plans, and by establishing performance goals.
- The Board is responsible for preserving the cooperative attractiveness of the organization. Boards should exercise great caution before they consider wholesale changes that will drastically alter the established character of their buildings.

Directors must resist saying, "Well I'm on the Board now, and things are going to change."

<p>Remember: tenant shareholders made informed decisions to move into your building over the course of decades because of what the building offered thanks to the capable efforts of your predecessors.</p>
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What is the measure of sound decision-making?

The fundamental legal standard for board members is that they must act in good faith, in a manner they believe to be in the best interests of the cooperative, and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances.

The Board's decisions must never benefit its individual Directors in any way.

What documents govern the operation of a Board of Directors?

Every Director should be thoroughly familiar with the basic documents that describe the governance of the corporation:

- The **Articles of Incorporation** states the purpose of the corporation and its legal definitions, and focuses on the business aspects of the association. The rules of Board conduct are established under legal statutes, case law and each cooperative's governing documents.
- The **Bylaws** include the over-arching rules for the individual tenants residing in the building.
- The **Proprietary Lease** (co-ops only) outlines the rules and restrictions of tenancy.
- **House Rules** are building specific and are usually developed by Boards to meet the common interests and goals expressed by the cooperative.

Where should a new Director begin?

- Read and understand your building's legal documents.
- Understand the laws that govern your corporation.
- Embrace your ethical obligations.
- Read your Board's minutes.
(for at least the past two years)
- Ask questions of former directors and Board presidents.
- Review recent judicial decisions