



# LEGAL OBLIGATIONS OF BOARD MEMBERS

*The Reasonably Prudent Person Test* and *The Principle of Good Faith*.

**The Reasonably Prudent Person** avoids:

- ✦ *Mismanagement*  
Failure to follow fundamental management principles, e.g. failure to ensure that planning occurs; failure to review reports for problems.
- ✦ *Non-management*  
Failure to use existing opportunities for good management, e.g. failure to use available accounting control systems to insure proper management of funds.
- ✦ *Self-dealing*  
Involvement in activities or voting on decisions in which there exists the potential for personal gain.

**The Principle of Good Faith** states that board members should:

- ✦ Attend all board and committee meetings regularly.
- ✦ Have a thorough knowledge of the organization's charter and by-laws.
- ✦ Heed corporate affairs and keep informed of general organizational activities.
- ✦ Ensure that minimum legal/technical requirements are met.
- ✦ Record personal conduct and register dissents officially.
- ✦ Avoid the semblance of self-dealing or conflict of interest.
- ✦ Make no financial profit from association with organization.