

# Table of Contents

<b>INTRODUCTION</b> .....	vii
<b>ABOUT THIS GUIDEBOOK</b> .....	viii
<b>BOARD GOVERNANCE</b> .....	1
Section 1 Qualifications and Expectations of a Director .....	1
Section 2 Board Member Responsibilities .....	2
Section 3 Characteristics of a Good Board .....	3
Section 4 Board Tasks and Accountabilities .....	3
Section 5 Criteria for Separating Board and CEO Decisions .....	5
(a) The Board .....	5
(b) The CEO .....	6
Section 6 The Board and CEO Decision-Making Boundaries .....	6
(a) Board Decisions Solely .....	7
(b) CEO Decisions Solely .....	7
(c) Shared Decision Areas (Board and CEO) .....	8
Section 7 Why Boards Succeed .....	9
Section 8 The Board as a Partner .....	10
Section 9 The CEO as a Partner .....	10
Section 10 Ten Questions that Matter .....	11
Section 11 The Board-CEO Partnership: Four Critical Questions ....	11

Section 12 Legal Responsibilities of Board Members .....	12
(a) Duty of Loyalty .....	12
(b) Duty of Confidentiality .....	12
(c) Duty of Care .....	13
(d) Duty of Obedience .....	13
(e) Code of Conduct .....	14
 Section 13 The Business Judgment Rule .....	 14
 Section 14 Director Ethical Responsibilities .....	 16
(a) Warning Signs .....	16
(b) When In Doubt, Directors Should Ask .....	17
 Section 15 Removal of a Board Member .....	 17
 Section 16 Director Indemnification .....	 18
 Section 17 Board Member Risk Management Responsibilities .....	 18
(a) Use of Commercial Property Insurance .....	18
(b) Use of General Liability Insurance .....	19
(c) Use of Directors and Officers Liability Insurance (D&O Insurance) .....	19
(d) Independent Director Liability Insurance .....	19
(e) Use of Employment Practices Insurance .....	20
(f) Use of Crime Insurance .....	20
(g) Use of Fiduciary Liability Insurance .....	20
(h) Cyber Insurance .....	22

## **SPECIAL GOVERNANCE CONSIDERATIONS**

Section 1 Board Committees .....	23
(a) Executive Committee .....	23
(b) Finance/Audit Committee .....	24
 Section 2 Bylaw Amendments .....	 24
 Section 3 Board Meetings .....	 24
(a) Using Robert's Rules of Order to Conduct Board and Shareholder Meetings .....	25
(b) The Board Meeting Agenda .....	25
(c) The Executive and Closed Board Meetings .....	26

(d) Board Meeting Minutes .....	27
(e) Shareholder Attendance .....	30
Section 4 New Director Orientation .....	30
Section 5 The Board Policy Manual .....	34
Section 6 Conflict Resolution in the Boardroom.....	37
Section 7 Director Communication Styles .....	39
Section 8 Evaluating Board Performance.....	42
Section 9 Evaluating CEO Performance .....	43
Section 10 The CEO Succession Planning Process .....	45
Section 11 CEO, Senior, and Support Staff Compensation .....	47
(a) The Board’s and CEO’s Role in Compensation.....	47
(b) Performance Based Compensation .....	47
(c) The CEO’s Compensation .....	48
(d) Determining CEO, Senior, and Support Staff Compensation .....	48
Section 12 Understanding, Monitoring, and Reviewing Financial Performance .....	49
(a) Overview and Board Responsibilities .....	49
(b) Accrual Accounting versus Cash-Based Accounting... ..	51
(c) What to Expect from Your Auditor .....	51
(d) What Should Be Included in the Audit Report .....	52
Section 13 The Strategic Planning Process.....	54

## **APPENDICES**

A. Example Director Pledge .....	57
B. Example Board Code of Conduct .....	59
C. The Fundamental Motions of Robert’s Rules of Order .....	62
About the Author .....	65