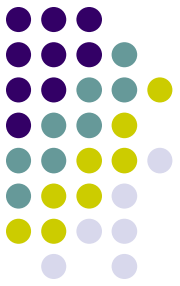
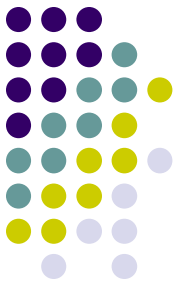


# Corporate Directors



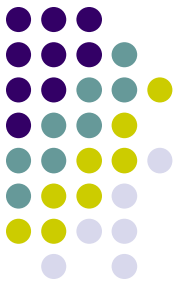
- Have ultimate control over the corporation regarding most issues (except for “fundamental” issues relating to the company, which the shareholders control)
- Directors don’t have to be regular employees of the firm (in fact, it’s good to have many “outside” directors on the board); but outside directors can get compensation for their services
- Consist of a Chairman and other Board members. The directors can also form sub-committees from their own ranks to handle various other tasks

# Operation of the Board of Directors



- Tasks of the Board include:
  - Holding annual meetings (required in many jurisdictions)
  - Declaration of dividends
  - Calling special meetings
  - Creating board committee
  - Hiring and firing executive officers
  - Making recommendations to shareholders
- Board action is accomplished by majority vote; a subcommittee cannot act on behalf of the entire Board

# Corporate Officers

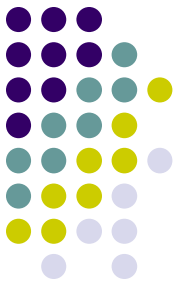


- In charge of the day to day management of the corporation

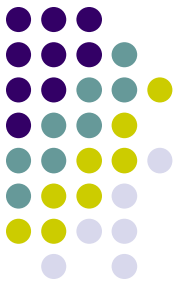
## Examples of Officers:

- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- In house counsel
- President, Vice President etc.

# Officers (cont.)

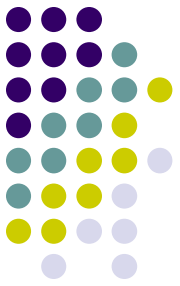


- **Things that distinguish officers from other employees:**
  - **Officers have contracting authority for the firm; which means the power to bind the corporation with deals or promises that the officer makes.**
  - **Officers have “speaking” authority; their statements can be used by other parties as guarantees or policy statements of the firm.**
  - **Officers have an “Obligations to Report” to the Board and/or shareholders as to the status of the firm; the nature of the reporting duty is often governed by the SEC Rules for bigger corporations**



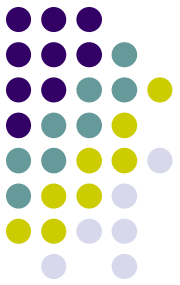
**QUIZ TIME!**

# Fiduciary Duties: The Duty of Loyalty



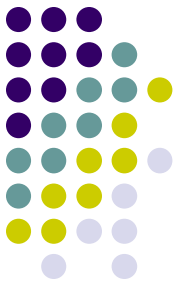
- **This duty requires that the officers and directors put the interest of the corporation over their own financial interests!**

# Examples of breach of the duty of loyalty



- Taking a corporate opportunity for oneself rather than offering it to the corporation. A corporate director who hears of an opportunity relating to the corporation's business in his capacity as director must offer it to the corporation first, unless:
  - The corporation has stated that it doesn't want the opportunity; or
  - The corporation absolutely cannot afford the opportunity
- Starting a “competing venture” – another company that competes with the corporation
- Engaging in an interested director transaction (a transaction with the corporation in which the director stands to benefit financially or otherwise)
  - In the event of an interested (director or officer) transaction, a court will set aside the transaction unless the interested director or officer can show “entire fairness” in the transaction.

# Remedies for Breach of the Duty of Loyalty



- **Set aside the transaction**
- **Establish a “constructive trust” in which the profits from the transaction are held for the benefit of the corporation**
- **The director or officer can be liable in tort if the wrongful act hurt the corporation financially**