Fiduciary Obligations of Trustees

The duties of the members of ISOC’s Board of Trustees are governed by the District of Columbia’s Non-Profit Corporation Act of 2010 (the “Non-Profit Corporation Act”) and related cases decided by the District of Columbia courts. The Non-Profit Corporation Act codifies the common fiduciary duties of care and loyalty that the Trustees owe to ISOC and its members.

The duty of care requires the Trustees to be diligent and informed and to exercise honest and unbiased business judgement. In particular, the Trustees are required to exercise the care that a “person in a like position would reasonably believe appropriate under similar circumstances.”

The duty of loyalty requires the Trustees to act in a good faith and in a manner the Trustee reasonably believes to be in ISOC’s best interest. Further, the Trustee may not permit his or her own interests to prevail over those of ISOC.

The District of Columbia law imposes a third duty that is generally referred to as the “duty of obedience.” The duty of obedience requires the Trustees to act with fidelity to ISOC’s mission and avoid engaging in ultra vires acts, i.e. acts not permitted by ISOC’s articles of incorporation or in violation of applicable National, State or Local law. Please note that ISOC’s articles of incorporation provide that ISOC shall be operated exclusively for educational, charitable and scientific activities in compliance with the scope of its tax exempt status as a public charity.

In order to properly discharge these fiduciary obligations, a Trustee should exercise his or her best business judgment on behalf of ISOC. Even if a proposed action is endorsed by ISOC management, in order for the Board to approve such action, a Trustee should independently determine, and reasonably believe, that the proposed action is in the best interests of ISOC.

Note that the foregoing duties are owed to ISOC and to all of its constituents. Under ISOC’s election procedures, Trustees are elected or appointed by different communities within ISOC. However, a Trustee's fiduciary duties are owed to all of ISOC, not just the group that elected or appointed such Trustee. Accordingly, it would not be appropriate for a Trustee to evaluate a proposed decision while taking into account only the interests of the stakeholder who elected or appointed such Trustee. Each Trustee should act in the best interests of ISOC and all of its constituents and not limit his or her considerations to a specific group within ISOC.

Based on the foregoing legal principles, Trustees should:

• Become adequately informed regarding all relevant aspects of any proposed action or decision;
• Actively ask questions regarding any and all aspects of a proposed action or resolution, including questions regarding the information received as well as the strategies and alternatives considered; Be active participants in all aspects of the
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decision-making process, including assessing the relative merits of a proposed action; and

• Consider whether expert legal, financial or other advice should be obtained in connection with a proposed course of action or decision. Note that Trustees are entitled to rely on the opinions and reports of the corporation's management and its financial and legal advisors with respect to matters reasonably believed to be within their expertise.