

FIDUCIARY DUTIES OF SERC BOARD MEMBERS

The SERC Board of Directors (“Board”) is the governing body of the SERC Reliability Corporation (“Corporation”), responsible for the ultimate direction of the management of the affairs of the Corporation. The SERC Board is responsible for policymaking, while the President and CEO is responsible for the management and execution of SERC Board-made policy and day-to-day affairs of the Corporation.

A corporate, fiduciary duty arises when a person has an obligation to act for the benefit of a corporation. SERC Board members have fiduciary duties to the organization, including duties of care, loyalty, and obedience. SERC Board members are required to act reasonably, prudently, in good faith, in the best interests of SERC, and in furtherance of SERC’s mission.

Duty of Care

- SERC Board members must act with such care that a person in a like position would reasonably believe appropriate under similar circumstances. SERC Board members:
 - must be informed, based on reasonable inquiry;
 - may rely on information and reports received from trustworthy sources; and
 - must protect any confidential information obtained while serving the Corporation.

Duty of Loyalty

- The duty of loyalty requires SERC Board members to exercise their powers in the interest of the Corporation and not put their own interests or the interests of another entity or person above the Corporation’s interests. SERC Board members:
 - must avoid any actual or apparent Conflict of Interest; and
 - must act in good faith.

Duty of Obedience

- SERC Board members should act in furtherance of the Corporation’s mission. Because SERC is a not-for-profit corporation with members, directors owe the fiduciary duty of obedience to SERC’s mission, *not* to SERC’s members. SERC’s purpose as defined in its articles of incorporation and bylaws is to promote effective and efficient administration of Bulk Power System reliability in the SERC Region.

Basic Responsibilities of Directors:

- Attend and participate in SERC Board meetings
- Diligently read, review and inquire about corporate material
- Monitor affairs and finances of the Corporation
- Exercise ordinary and reasonable judgment
- Be fully engaged