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California Dental Association
General Operating Principles of the Board of Trustees
Revised November 2007

This document contains the general operating rules and operations of the Board of Trustees (“board”). Reviewing this with the *CDA Bylaws* will provide trustees with some detail and some general information regarding the association.

I. FIDUCIARY RESPONSIBILITIES

- A. VOLUNTEER DISCLOSURE OF CONFLICTS OF INTEREST: Statements of disclosure shall be distributed on an annual basis to all members holding elective or appointive office at the California Dental Association (“CDA” or “association”), its subsidiaries or affiliates. Any information provided in a statement of disclosure resulting in an actual or potential conflict of interest shall be reported to the executive director and corresponding council, committee or chair.
- B. ATTENDANCE AT MEETINGS OF HOUSE OF DELEGATES: All members of the board are required to attend all meetings of the house. Members of the board should be seated with their delegations or in the special section provided for them.
- C. ATTENDANCE AT REFERENCE COMMITTEE MEETINGS: All members of the board are required to attend the reference committees of the house.
- D. MEETING OF COMPONENT DELEGATES: Elected trustees are responsible for attending any pertinent caucuses to discuss information which will be considered by the house.
- E. FISCAL RESPONSIBILITIES: The board serves as the CDA Board of Directors and has the same duties and responsibilities as any corporate board of directors has, including the fiduciary and policy management responsibilities for the association. The association employs a chief financial officer and staff who work with the Finance Committee and treasurer to maintain the association’s day-to-day accounting records and implement investment strategies. The board sets financial policy and is responsible for the association budget, reserves and accounts.
- F. LEGAL RESPONSIBILITIES: In addition to the duties described in the association governing documents, board, committee and council members are also required to comply with applicable state and federal law when acting on behalf of the association. CDA purchases insurance to protect its directors and officers. It is their responsibility to act (1) in good faith, (2) with the care an ordinary prudent person in a like position would exercise in similar circumstances, and (3) in the best interest of the corporation and its shareholders. These duties are generally called the three basic duties of corporate directors: (1) the duty of loyalty, (2) the duty of care, and (3) the duty of obedience.
- G. DUTIES:
1. Duty of Loyalty: The duty of loyalty requires directors to exercise their powers in the interests of the corporation and its shareholders rather than in their own or another's interest. It includes avoiding conflicts of interest, confidentiality, and not taking personal advantage of corporate opportunities. A director has the fiduciary obligation to work solely for the benefit of the corporation. Any activity by a director to the detriment of a corporation is contrary to this duty. When a director has a material financial interest in a transaction involving the corporation, all material facts as to the transaction and the director’s financial interest must be disclosed to the board and the interested director may not vote on the matter. If a director is a member of a board which is entering into a contract or other transaction with another corporation or association of which he or she is also member (and which is not a wholly-owned corporation of a common parent), the material facts of the transaction and the common directorship must also be disclosed. The contract or transaction must be approved by a sufficient vote without the common directors.

58 2. Duty of Care: The duty of care requires directors to be informed. Directors are expected to
59 attend meetings, ask questions, and obtain the information they need to make reasonable
60 decisions on issues. If a problem arises over a decision made by a board, ignorance of the
61 facts is not an excuse. California law mandates that directors be “reasonably” informed
62 about the corporation’s performance. Although the board is responsible for management of
63 the corporation’s business, many of its functions can be delegated. A director must be
64 satisfied that the corporation’s information gathering and reporting system represents a good
65 faith attempt to provide senior management and the board with information concerning
66 material acts, events or conditions within the corporation, including compliance with
67 applicable statutes and regulations.

68
69 To satisfy their duty of care, the law permits a board member to rely on information provided
70 by others as long as the information provided is within the area of expertise of the person
71 providing the information. For example, a director can rely on information provided by
72 accountants and lawyers. If a director relies on such information and advice in making a
73 decision, no liability would attach even if those decisions were ultimately found to be
74 erroneous. Decisions contrary to such advice may create legal issues. Directors are
75 cautioned to proceed cautiously when acting contrary to the advice of experts.

76
77 The “business judgment rule” protects directors. A court will not second-guess the decisions
78 of a board which are taken in conformance with the general fiduciary standards of directors.
79 In other words, the director must exercise reasonable diligence in obtaining the facts, and rely
80 on the expert advice obtained. If honest and unbiased judgment is exercised, even decisions
81 later determined to be wrong or injurious to the corporation, are protected from liability.

82
83 3. Duty of Obedience: The duty of obedience requires that directors comply with the laws and
84 governing and policy documents of the association. Trustees are expected to read and
85 understand the Articles of Incorporation, the *CDA Bylaws*, and all other guidelines and
86 manuals of the organization.

87
88 H. COMMUNICATING WITH COMPONENTS: Trustees and council/committee chairs may discuss
89 board/council/committee actions at their respective component board or membership meetings as a
90 means to increase communication unless discussed in closed session. The CDA Web site has all
91 association minutes and policy documents online which can be easily accessed, printed or reviewed for
92 reference.

93
94 **II. ADDITIONAL DUTIES OF THE BOARD**

95
96 The board has the following duties which are not listed in the *CDA Bylaws*:

- 97
98 • To be familiar with the *CDA Bylaws*.
99 • To attend meetings of their respective component societies, and to communicate information between
100 the component and CDA.

101
102 **III. ATTENDANCE AT MEETINGS AND CLOSED SESSIONS**

103
104 A. Guests: The thirteenth district trustee, CDA council and committee chairs, the CalDPAC chair, invited
105 component representatives, guests of the board, CDA staff, and the staff and elected officers of CDA
106 subsidiary and affiliated companies may attend and address meetings of the board; other individuals
107 who wish to appear before and address the board shall submit a request to the president.

108
109 B. Presentation of New Business: Items of new business not on the agenda of a regular board meeting
110 shall require approval of a majority of the members present and voting prior to consideration.

111
112 C. Suspension of Rules: *The General Operating Principles of the Board of Trustees* may be suspended
113 for a given time but not for longer than the duration of any meeting by a two-thirds majority vote.
114 This rule shall not be suspended.

115

116 D. Closed Session: A closed session is any meeting or portion of a meeting of the board with limited
117 attendance in order to consider a confidential matter. A closed session will be held upon a majority
118 vote of the trustees present and voting. In a closed session, attendance is limited to officers, trustees
119 and general counsel of the association. The board may invite any other persons to remain during
120 closed session by a majority vote. Any member who breaches confidentiality shall be in violation of
121 the CDA *Code of Ethics* and is subject to discipline.
122

123 IV. CLOSED SESSION:

124 The house has also defined the four subject areas appropriate for a closed session as:

- 125 1. Legal Matters: Confidential communications between clients and attorneys require closed session in
126 order to maintain attorney-client privilege. Such matters could include litigation, strategy or reports on
127 lawsuits and contract terms.
128
- 129 2. Personnel Matters: It is appropriate to exclude staff from a discussion of personnel matters when such
130 discussions involve evaluation of performance or other material that would be inappropriate to discuss,
131 with staff members present.
132
- 133 3. Business Secrets: Discussion of information about business practices (for example, setting insurance
134 product rates, or discussing trade secrets) may require closed sessions.
135
- 136 4. Other Occasions Calling for Closed Session: The three instances outlined above cover most situations
137 in which a closed session might be necessary. From time to time, however, sensitive material may
138 arise that should not be widely publicized. Boards of directors should be guided by a sense of
139 discretion in determining what information should be made public and what information should remain
140 confidential. Although the general rule is that proceedings should be characterized by openness rather
141 than secrecy, there will always be times in which directors must decide to maintain certain information
142 in confidence.
143
144

145 V. DEFINITION OF FINANCIAL TERMS

- 146 A. SURPLUS: Surplus is the excess of receipts (income) over disbursements (expense) at the end of the
147 fiscal year. The board shall be authorized to draw from surplus as needed to meet the
148 obligations/liabilities of the association.
149
- 150 B. RESERVES: Reserves are cash or its equivalent maintained to meet obligations/liabilities of the
151 association for which current surplus funds are not available. An affirmative vote of two-thirds of the
152 votes cast is required to authorize use of reserves for any purpose.
153
- 154 1. Operating Reserve - The target balance in this fund shall be four months operating expenses.
155 The purpose of the operating reserve is to provide a stable cushion against unforeseen
156 events that would impact current year operations. This fund shall be managed with
157 the primary goals of capital preservation and liquidity, with a secondary goal of
158 keeping pace with any annual increases in the size of the operating budget.
159
- 160 2. Strategic Fund - When the operating reserve has achieved the target balance, additional
161 funds shall be placed into the strategic fund. These funds could potentially be used
162 for any purpose and at any time on approval of the board. The primary goal is capital
163 preservation with a secondary goal of keeping pace with inflation.
164
- 165 3. Issues Fund – Twenty-five dollars from each dues-paying member is allocated to the issues
166 fund annually. These funds may be used at any time on approval of the board to fund
167 public initiatives or matters that are legal, legislative, or regulatory in nature.
168
- 169 C. CAPITAL EXPENDITURES: Capital expenditures are depreciable items with a purchase price in
170 excess of \$1,000. Purchases are to be submitted to and approved by the board.
171
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173

174 D. CONTRACTS: A contract is a formal, written agreement between CDA, its subsidiaries or its
175 affiliates and a second party. This definition shall not be construed, however, as applying to
176 memoranda of agreement or routine purchase orders for equipment, supplies and services.
177

178 **VI. LEADERSHIP APPLICATION AND PLACEMENT**
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180 A. PROCESS: The following shall govern the leadership application and placement procedure for the
181 positions of officer, council member, committee member, ADA delegate and alternate delegate,
182 thirteenth district trustee nominee, boards of directors of all subsidiary and affiliated companies,
183 Product Evaluation Committee members and trustee members of any committees:
184

- 185 1. Committee on Volunteer Placement reviews and revises application process, forms and time
186 deadlines for nomination to elective positions.
187
- 188 2. Committee on Volunteer Placement develops applications and Leadership Development
189 Committee distributes applications.
190
- 191 3. With the exception of the president and immediate past president positions, applicants submit
192 applications to the Committee on Volunteer Placement. Applicants may utilize past
193 applications by completing the appropriate form.
194
- 195 4. Membership on the Committee on Volunteer Placement shall not preclude that person from
196 consideration as an applicant. If a member of the Committee on Volunteer Placement is an
197 applicant for any position, he or she will not be present for any discussions or votes
198 concerning that position.
199
- 200 5. Committee on Volunteer Placement suggests and forwards one or more candidates per
201 position to the Nominating Committee for officers. Committee on Volunteer Placement
202 suggests and forwards one candidate per position to the board for all other positions.
203
- 204 6. Members of the Executive Committee, council/committee chairs, subsidiary and affiliate
205 chairs/presidents and CDA staff may attend all candidate addresses to the Nominating
206 Committee, including any question and answer portions of those presentations.
207

208 B. NOMINATIONS:
209

- 210 1. Candidates for the following positions are proposed by the Committee on Volunteer
211 Placement, selected by the board and elected by the house:
212
 - 213 • Council members, committee members (except president-appointed positions),
214 Scientific Sessions Board of Managers members
 - 215 • ADA Delegates and Alternate Delegates
 - 216 • Trustee members of CDAHCI
217
- 218 2. The trustee members of the Committee on Volunteer Placement are elected by the board, not
219 by the house.
220
- 221 3. Candidates for the following positions are proposed by the Committee on Volunteer
222 Placement, selected by the board, selected by the house, and elected by the shareholder of the
223 subsidiary or affiliated boards.
224
 - 225 • Members of subsidiary boards and affiliated companies.
226
- 227 4. Candidates for the following position submit their application to the Committee on Volunteer
228 Placement, are selected by the board, are selected by the house, and are elected by the ADA
229 House of Delegates. No person may be nominated for the position of thirteenth district
230
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232 trustee if they have previously served in that position. Additional election and campaign
233 information can be found in section IV.B.6. below, and the General Operating Principles of
234 the House (Section V. Voting and Election Procedures).

- 235
- 236 • Thirteenth District Trustee
- 237

238 5. Candidates for the following positions submit their application to the Committee on
239 Volunteer Placement, are selected by the Nominating Committee, and are elected by the
240 house. Additional election and campaign information can be found in section IV.B.6. below,
241 and the General Operating Principles of the House (Section V. Voting and Election
242 Procedures).

- 243
- 244 • Officers: President-elect, Vice-president, Secretary, Treasurer, and Speaker of the
245 House.
- 246

247 The Nominating Committee shall, preferably, forward only one candidate for an officer
248 position as its selection to the house.

249

250 6. Campaigning for Officer and Thirteenth District Trustee Positions.

251

252 a. Candidates who submit their application to the Committee on Volunteer Placement
253 may send a letter directly to the CDA President or the Executive Director with a
254 copy to the trustees and the Executive Committee summarizing the basis for the
255 candidate's interest in and qualifications for the position. Candidates may receive a
256 set of mailing labels by request for the Executive Committee and trustees.

257

258 b. All candidates who submit their applications within the parameters of the
259 Committee on Volunteer Placement process will be given the opportunity to present
260 their platforms and speak to their qualifications at the Nominating Committee
261 meeting. Each candidate will have five minutes to speak, followed by a short
262 standardized interview of three questions, and then the candidate will be given an
263 additional two minutes for closing remarks.

264

265 C. COMMITTEE ON VOLUNTEER PLACEMENT CHAIR: The chair of the Committee on Volunteer
266 Placement shall be a trustee serving in his or her second year on the committee unless there is no
267 trustee who meets this requirement, in which case the chair shall be a trustee member of the
268 committee.

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270 D. NOMINATING COMMITTEE CHAIR: The chair of the Nominating Committee shall be a trustee
271 serving in his or her second year on the Committee on Volunteer Placement unless there is no trustee
272 who meets this requirement, in which case the chair shall be a trustee member of the Committee on
273 Volunteer Placement.

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