

California Dental Association
General Operating Principles of the Board of Trustees
Revised November 2008

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.

2. Duty of Care: The duty of care requires directors to be informed. Directors are expected to attend meetings, ask questions, and obtain the information they need to make reasonable decisions on issues. If a problem arises over a decision made by a board, ignorance of the 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.

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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.

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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.

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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.

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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.

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

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

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

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

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103 A. Standing Guests:

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105 1. The thirteenth district trustee, CDA council and committee chairs, the CalDPAC chair,
106 invited component representatives, guests of the board, CDA staff, and the staff and elected
107 officers of CDA subsidiary and affiliated companies may attend and address meetings of the
108 board.
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110 2. A council or committee chair may request that a representative serve in place of the chair
111 with the consent of the president.
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113 3. Task forces and workgroups may provide written reports to the board, but chairs do not
114 attend unless invited by the board or president to a specific meeting.

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116 B. Other Guests:

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118 1. When a trustee from a single-trustee component or both trustees from a two-trustee
119 component are unable to attend a meeting, the component may make a request to the
120 president that one named, non-voting guest attend. If approved, expenses will be paid by
121 CDA for one guest.

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2. The president or board may invite other guests to attend a meeting.
 3. Other individuals who wish to attend a meeting shall submit a request to the president for approval.
- C. Presentation of New Business: Items of new business not on the agenda of a regular board meeting shall require approval of a majority of the members present and voting prior to consideration.
- D. Suspension of Rules: The General Operating Principles of the Board of Trustees may be suspended for a given time but not for longer than the duration of any meeting by a two-thirds majority vote. This rule shall not be suspended.
- E. Closed Session: A closed session is any meeting or portion of a meeting of the board with limited attendance in order to consider a confidential matter. A closed session will be held upon a majority vote of the trustees present and voting. In a closed session, attendance is limited to officers, trustees and general counsel of the association. The board may invite any other persons to remain during closed session by a majority vote. Any member who breaches confidentiality shall be in violation of the CDA Code of Ethics and is subject to discipline.

142 **IV. CLOSED SESSION:**

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

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

165 **V. DEFINITION OF FINANCIAL TERMS**

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- A. SURPLUS: Surplus is the excess of receipts (income) over disbursements (expense) at the end of the fiscal year. The board shall be authorized to draw from surplus as needed to meet the obligations/liabilities of the association.
- B. RESERVES: Reserves are cash or its equivalent maintained to meet obligations/liabilities of the association for which current surplus funds are not available. An affirmative vote of two-thirds of the votes cast is required to authorize use of reserves for any purpose.
1. Operating Reserve - The target balance in this fund shall be four months operating expenses. The purpose of the operating reserve is to provide a stable cushion against unforeseen events that would impact current year operations. This fund shall be managed with the primary goals of capital preservation and liquidity, with a secondary goal of keeping pace with any annual increases in the size of the operating budget.
 2. Strategic Fund - When the operating reserve has achieved the target balance, additional funds

182 shall be placed into the strategic fund. These funds could potentially be used for any purpose
183 and at any time on approval of the board. The primary goal is capital preservation with a
184 secondary goal of keeping pace with inflation.
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186 3. Issues Fund – Twenty-five dollars from each dues-paying member is allocated to the issues
187 fund annually. These funds may be used at any time on approval of the board to fund public
188 initiatives or matters that are legal, legislative, or regulatory in nature.
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190 C. CAPITAL EXPENDITURES: Capital expenditures are depreciable items with a purchase price in
191 excess of \$1,000. Purchases are to be submitted to and approved by the board.
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193 D. CONTRACTS: A contract is a formal, written agreement between CDA, its subsidiaries or its
194 affiliates and a second party. This definition shall not be construed, however, as applying to
195 memoranda of agreement or routine purchase orders for equipment, supplies and services.
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197 **VI. LEADERSHIP APPLICATION AND PLACEMENT**
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199 A. PROCESS: The following shall govern the leadership application and placement procedure for the
200 positions of officer, council member, committee member, ADA delegate and alternate delegate,
201 thirteenth district trustee nominee, boards of directors of all subsidiary and affiliated companies, and
202 Product Evaluation Committee members:
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204 1. Committee on Volunteer Placement reviews and revises application process, forms and time
205 deadlines for nomination to elective positions.
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207 2. Committee on Volunteer Placement develops applications and Leadership Development
208 Committee distributes applications.
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210 3. With the exception of the president and immediate past president positions, applicants submit
211 applications to the Committee on Volunteer Placement. Applicants may utilize past
212 applications by completing the appropriate form.
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214 4. A member of the Committee on Volunteer Placement:
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- Shall not be eligible to apply for any council, committee, or at-large positions on the
216 affiliate or subsidiary boards of directors during their tenure.
- May apply for any officer or board-elected trustee position. Any member applying
217 for an officer position shall resign from the committee immediately upon applying.
- May apply for positions on the ADA delegation (delegate or alternate) and ADA
218 councils. Any member doing so shall recuse himself or herself from the
219 deliberation process related to these positions.
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222 5. Committee on Volunteer Placement suggests and forwards one or more candidates per
223 position to the Nominating Committee for officers. Committee on Volunteer Placement
224 suggests and forwards one candidate per position to the board for all other positions.
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227 6. Members of the Executive Committee, council/committee chairs, subsidiary and affiliate
228 chairs/presidents and CDA staff may attend all candidate addresses to the Nominating
229 Committee, including any question and answer portions of those presentations.
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231 B. NOMINATIONS:
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233 1. Candidates for the following positions are proposed by the Committee on Volunteer
234 Placement, nominated by the board and elected by the house:
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- Members of councils, standing committees of the association (except president-
236 appointed and board-elected trustee positions)
- Scientific Sessions Board of Managers members (except associate members)
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- ADA Delegates and Alternate Delegates
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- 241 2. Candidates for the following positions submit their application to the Committee on
242 Volunteer Placement for confirmation of eligibility. Eligible candidates are forwarded to the
243 board for election as set forth in Section VI.C below:
- 244 • Trustee members of standing committees of the board (excluding the Committee on
 - 245 • Reports)
 - 246 • Trustee members of the Committee on Volunteer Placement and Leadership
 - 247 Development Committee
 - 248 • Trustee directors of the CDA Foundation
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- 250 3. Candidates for the following positions are proposed by the Committee on Volunteer
251 Placement, nominated by the board, selected by the house, and elected by the shareholder of
252 the subsidiary boards.
- 253 • At-large members of subsidiary boards
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- 255 4. Candidates for the following positions submit their application to the Committee on
256 Volunteer Placement for confirmation of eligibility. Eligible candidates are forwarded to the
257 board for nomination, as set forth in section VI.C below, selection by the house, and elected
258 by the shareholders of the subsidiaries or CDA Holding Company, Inc.
- 259 • Trustee members of subsidiary boards and CDA Holding Company, Inc.
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- 261 5. Candidates for the following positions submit their application to the Committee on
262 Volunteer Placement for confirmation of eligibility. Eligible candidates are forwarded to the
263 CDA Foundation Board of Directors for selection, and elected by the board as set forth in
264 section VI.C below:
- 265 • At-large directors of the CDA Foundation
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- 267 6. Candidates for the following position submit their application to the Committee on Volunteer
268 Placement, are selected by the board, are selected by the house, and are elected by the ADA
269 House of Delegates. No person may be nominated for the position of thirteenth district
270 trustee if they have previously served in that position. Additional election and campaign
271 information can be found in section IV.B.8. below, and the General Operating Principles of
272 the House (Section V. Voting and Election Procedures).
- 273 • Thirteenth District Trustee
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- 275 7. Candidates for the following positions submit their application to the Committee on
276 Volunteer Placement, are selected by the Nominating Committee, and are elected by the
277 house. Additional election and campaign information can be found in section IV.B.8. below,
278 and the General Operating Principles of the House (Section V. Voting and Election
279 Procedures).
- 280 • Officers: President-elect, Vice President, Secretary, Treasurer, and Speaker of the
281 House
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283 The Nominating Committee shall, preferably, forward only one candidate for an officer position as its
284 selection to the house.

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- 286 8. Campaigning for Officer and Thirteenth District Trustee Positions
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- 288 a. Candidates who submit their application to the Committee on Volunteer Placement
289 may send a letter directly to the CDA president or the executive director with a
290 copy to the trustees and the Executive Committee summarizing the basis for the
291 candidate's interest in and qualifications for the position. Candidates may receive a
292 set of mailing labels by request for the Executive Committee and trustees.
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 - 294 b. All candidates who submit their applications within the parameters of the
295 Committee on Volunteer Placement process will be given the opportunity to present
296 their platforms and speak to their qualifications at the Nominating Committee
297 meeting. Each candidate will have five minutes to speak, followed by a short
298 standardized interview of three questions, and then the candidate will be given an
299 additional two minutes for closing remarks.
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- 301 C. BOARD ELECTION PROCEDURES: The following procedures shall be used for board-elected
302 trustee positions.
303
- 304 1. Applicants submit applications to the Committee on Volunteer Placement for verification of
305 eligibility, as described in Chapter V, Section 120, of the CDA Bylaws. Applicants may
306 utilize past applications by completing the appropriate form.
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- 308 For each applicant who applies by the application deadline, the following material shall be
309 submitted to the board of review prior to the election:
- 310 • Description of the open positions
 - 311 • List of all eligible applicants
 - 312 • Applications and curriculum vitae for each eligible candidate
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- 314 2. Trustees may be nominated on the floor of the board. Eligibility will be verified prior to a
315 vote on the applicable position. Nominees may submit their application and curriculum vitae
316 for distribution to the board.
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- 318 3. The CDA secretary shall oversee the election in accordance with the following procedures:
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- 320 a. When the number of candidates equals the number of positions available, such
321 candidates shall be declared elected by the secretary.
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 - 323 b. When the number of candidates is greater than the number of positions available,
324 the secretary shall conduct an election by ballot. Candidates must receive a
325 majority of the votes cast to be elected.
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 - 327 c. In the event no candidates for such positions receive a majority of the votes cast on
328 the first ballot, the candidate receiving the fewest votes shall be dropped from
329 consideration. Balloting will be repeated until the appropriate number of candidates
330 have received a majority of the votes cast.
331
 - 332 d. If the open positions on a committee are for different terms or if a newly created
333 committee calls for staggered terms for the trustee member(s), the candidate with
334 the greatest number of votes shall serve the longest term for which he or she is
335 eligible. If successful candidates receive an equal number of votes on the same
336 ballot, those candidates shall draw lots to determine the order in which their terms
337 are assigned.
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- 339 D. NOMINATING COMMITTEE SELECTION PROCEDURES: The following procedures shall be
340 used for selections of candidates made by the nominating committee.
341
- 342 1. Applicants submit applications to the Committee on Volunteer Placement for verification of
343 eligibility.
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- 345 2. The following material for each open position shall be submitted to the Nominating
346 Committee for selection:
- 347 • Description of the open position(s)
 - 348 • List of all eligible applicants
 - 349 • Application and curriculum vitae for each eligible candidate
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- 351 3. The Nomination Committee chair shall oversee the selection in accordance with the
352 following procedure.
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- 354 a. Following any candidate presentations as described in Sections VI.B.8, a closed
355 session discussion and selection process shall be conducted.
356
 - 357 b. The chair shall conduct the selection by vote (written, ballot, electronic or
358 otherwise, as consistent with voting practices of the board). Candidates must receive
359 a majority of the votes cast to be nominated for consideration by the House of
360 Delegates.

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- c. In the event no candidate for a position receives a majority of the votes cast on the first ballot, the candidate receiving the fewest votes shall be dropped from consideration. Balloting will be repeated until a single candidate has received a majority of the votes cast for each position selected by the nominating committee.
 - E. COMMITTEE ON VOLUNTEER PLACEMENT CHAIR: The chair of the Committee on Volunteer Placement shall be a trustee serving in his or her second year on the committee unless there is no trustee who meets this requirement, in which case the chair shall be a trustee member of the committee.
 - F. NOMINATING COMMITTEE CHAIR: The chair of the Nominating Committee shall be a trustee serving in his or her second year on the Committee on Volunteer Placement unless there is no trustee who meets this requirement, in which case the chair shall be a trustee member of the Committee on Volunteer Placement.

377 **VII. REMOVAL FROM OFFICE**

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- A. TRUSTEES: Trustees may be removed from office by a majority vote of the board at a properly noticed meeting for reasons as described in the CDA Bylaws, Chapter V, Section 50.
 - 1. The secretary shall review attendance records and qualifications of office for trustees, and shall begin the removal as necessary.
 - 2. The secretary of the association shall notify the trustee, component executive director, and the Executive Committee when removal proceedings have been initiated, including the reason for consideration of removal and the date on which the board will consider such action.
 - B. OFFICERS: Removal of officers may only be done by the CDA House of Delegates as described in the CDA Bylaws, Chapter VI, Section 80.
 - C. COUNCIL, COMMITTEE, BOARD OF MANAGERS, AND ADA DELEGATES: Members of councils, standing committees, boards of managers, and ADA delegates may be removed from office as described in the CDA Bylaws, Chapter VIII, Section 70.
 - 1. Councils, committees, boards of managers, and the ADA Delegation shall submit an attendance report to the secretary following each regular or special meeting.
 - 2. The secretary of the association shall review attendance and qualification records of councils, committees, boards of managers, and ADA delegations, and shall initiate removal procedures as necessary through the notification of the Executive Committee of the reason for removal consideration.
 - a. In cases in which the member failed or ceased to meet the qualifications of office, the president shall declare the office vacant.
 - b. In cases in which removal is being considered for cause, the Executive Committee shall advise the council member of the reason for removal and the date in which the proceedings will be considered by the board. The member shall be given an opportunity to submit a written or oral statement to the board, and shall leave the meeting prior to the discussion and vote on the matter, which shall be conducted in closed session.