

Dear CTCI Members---

The last week has no doubt been a trying one for the Board of Directors in general and one board member in particular. Many of you have been bombarded with emails from many different sources. Unfortunately this has been part of a deliberate attempt by certain individuals to distribute misleading information about the actions of the Board involving a board member whose seat was deemed vacated because it turned out that she was not eligible to serve on the Board of Directors. The distribution of these misleading messages has, in the opinion of the Board, been done for the purpose of undermining the future of CTCI for selfish purposes. Contrary to what you have been told, the Board **did not** rule that spouses were ineligible to participate in CTCI activities, nor was this an attack against the director because of her gender, or women in general. Our action was limited to determining the eligibility to serve on the board of directors and nothing more. CTCI has and always will welcome family participation in its activities and some of our most prestigious awards have been awarded to couples.

A concerned member who wishes to remain anonymous, first brought the matter to the attention of the President that one of the directors might not be eligible to serve on the board because that director did not possess a membership, but rather, was the spouse of a member. Because this person had previously served on the board one of our board members, who happens to be an attorney, was asked to review the By-Laws, the OP&P and the California Corporations Code under which CTCI is organized and controlled for guidance. His research revealed that our By-laws and OP&P require that to serve on the Board one must be a **member** under Article V paragraph (b) of the By-Laws.

It was brought up that the club has always recognized the family unit for purposes of defining membership and there have been previous instances where serving board members have been the spouse of a member with no such problem, therefore, this should not be a problem now because of precedent. The fact that this was ignored in previous years by previous boards does not amount to an amendment of the By-laws, any more than the police suddenly deciding to enforce the speed limit on a highway where it was not enforced in the past amounts to a defense when one is ticketed for exceeding the speed limit on that highway. Article IX paragraph (e) of our By-Laws is instructive, there is a phrase which reads: *An Advisory Council Representative must be a member, or the spouse of a member, of CTCI in good standing.* This qualifying language is missing in paragraph (b) of Article V. We were advised that when the same document mentions an expanded definition in one section, but does not mention it in another, a Court would interpret the intention of the rule to be that the narrower definition was what was intended in the context of where it was used, in other words, one must be a member, not the spouse of a member in order to be eligible to serve on the Board of Directors.

As a final resort, the attorney/director then checked the California Corporations Code for nonprofit corporations for guidance and found a provision that this law does not recognize "joint" memberships **unless expressly provided for in the By-laws**. Since club membership of the sort that is involved here is not property, the fact that a member is married does not automatically make the membership joint or community property. Since a family membership would be a "joint" membership as it involved more than one person some provision would have to be found in the By-laws in order to make this so. Unfortunately, there is nothing provided for in our By-laws or the OP&P regarding family or joint memberships or even suggests it even though it had been followed for years by the club when electing board members. We would also note that this restriction also

affected our secretary as well. She was advised of this, obtained a separate membership in her own name, and resigned her position. At the meeting she was elected by the Board to be the Secretary. Unfortunately, this is not so easy with a director.

The Board elects the officers (President, VP, Secretary & Treasurer), but it does not elect directors. On the morning of the meeting, the director in question advised that the day before the meeting her spouse had transferred his membership to her and therefore, the director argued that this should allow her to remain on the board. This would have been an easy solution if the director in question had run for the position unopposed, but she did not. The director in question had an opponent in the election who is a member in his own right. At the time of the election and at the time of taking the seat the director in question was not a member and because of this her election was null, thus leaving her opponent as the duly elected and qualified member of the board. The director in question stated that her opponent in the election had told her he did not want the position, but the board had not received anything in writing from that person declining to serve at the time of the meeting. The board had no choice but to take the action it took.

It would be easy if we could just say "let's ignore this and go on", but it is not as simple as the people writing all the emails would like you to believe. There are several important considerations that must be weighed. First and foremost, CTCI is a corporation organized and operated under the laws of the State of California. While we are a car club, we are also a not for profit corporation that derives its status from the California Corporation Code, and we are bound to follow the provisions of its laws if we want to benefit from the favored tax status. Second, we must be mindful of insurance policy considerations. If the board authorized something that resulted in a lawsuit and the insurance company determined that one of those authorizing the action was not a legitimate member of the board, they might deny coverage and that would be a bad thing. Denial of coverage would subject the club to liability and its assets to possible attachment if a judgment were obtained against it. It would also be a drain on the treasury as attorney fees which are ordinarily paid by the insurance company would have to be borne by the club. For the board to simply ignore this would be dereliction of their fiduciary duty as board members. This was about to be explained to the board members when emotions took hold and two directors resigned and left the meeting. Within an hour of the close of the meeting emails began flying about falsely stating that the director was removed unfairly, that the board was disregarding the contributions of spouses, that families were no longer welcomed by the board and that this was nothing more than an attack on women, or a direct attack on the director in question. The board has received many messages relying upon this false information because the writers do not know all the facts and have been misinformed.

One of the things you do not know because the people who have been responsible for sending out the information you received resigned their positions and left the meeting is that we appointed a committee at the meeting to review the By-Laws and make recommendations for a complete overhaul which would bring CTCI into the 21st century, including amending the offending section in Article V. We would also advise that since last Friday's meeting the individual who rightfully was the duly elected director has advised the board in writing that he does not wish to take the seat and therefore, the Region III seat was vacant. This being the case, Cathy Stubbs has been offered and has accepted appointment by the board to fill the position of Region Three Director.

We are sorry for any misunderstandings this might have caused you. We cannot help it that you have received this false information, but it is our hope that this attempt to advise you of the facts will ease your concerns a bit. Thank you for your understanding.

Respectfully,

CTCI Board of Directors