GRAND PARK LAW GROUP
A PROFESSIONAL CORPORATION

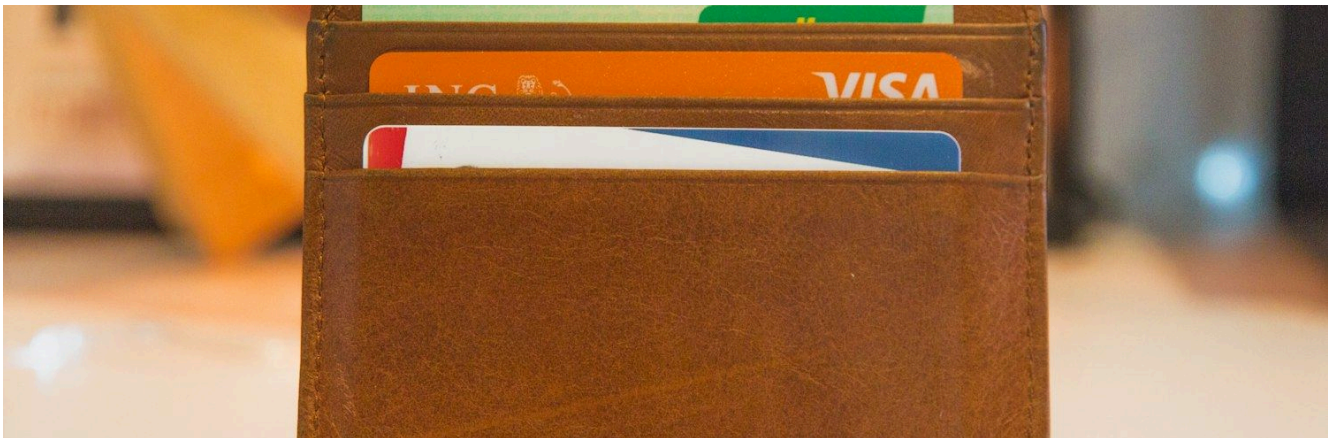
WESTSIDE TOWERS
11835 W. Olympic Boulevard #870E
Los Angeles, California 90064

O:+1 888.629.4754
F: +1 310.900.0805

PRACTICE GUIDE · CORPORATE GOVERNANCE

Derivative Actions

Grand Park Law Group · 2026



A. **Demand Requirement Under Corp. Code § 800**

Cal. Corp. Code § 800 governs derivative actions on behalf of California corporations. Subdivision (b)(2) requires the plaintiff to **allege with particularity** the plaintiff's efforts to secure board action or the reasons for not making the effort. Subdivision (c) authorizes the corporation, on noticed motion, to require the plaintiff to furnish a bond of up to $50,000 if the corporation establishes that there is no reasonable possibility that prosecution of the action will benefit the corporation or its shareholders, or that the moving party did not participate in the alleged transaction. The statute also imposes a contemporaneous-ownership requirement that has been read flexibly enough to accommodate post-merger and successor-shareholder standing in appropriate cases.

B. **Demand Futility After Bader v. Anderson**

Bader v. Anderson (2009) 179 Cal.App.4th 775, is the leading modern California opinion on demand futility. The court of appeal confirmed that California's standard is materially aligned with Delaware's *Aronson/Rales* framework: demand is excused only where the particularized facts pleaded raise a reasonable doubt that a majority of the board (i) is disinterested and independent, or (ii) exercised valid business judgment in the challenged transaction. *Bader* rejected what it called "shotgun" pleading and emphasized that conclusory allegations of director domination by an interested CEO will not suffice; the complaint must allege concrete facts — financial ties, personal relationships, prior litigation patterns — that compromise the directors' independence as to the specific transaction at issue. The decision substantially raised the pleading bar in California derivative practice and remains the touchstone in motions to dismiss for failure to make demand.

| Beverly Hills • San Francisco • San Diego • Chicago |
| Main: (888) 629-GPLG (4754) • Fax: (310) 900-0805 • www.GrandParkLawGroup.com |

C. **Special Litigation Committees**

When the board, having received a demand or facing a derivative suit, appoints a special litigation committee (SLC) to investigate and recommend whether the corporation should pursue the claim, the SLC's recommendation is reviewed under standards drawn from Delaware's *Zapata* framework as adapted to California. The court evaluates the independence and good faith of the SLC, the adequacy of its investigation, and — at the court's discretion — the substantive reasonableness of its conclusion. SLC procedures must be carefully insulated from the influence of the challenged directors; failure to do so collapses the deference and exposes the underlying conduct to direct judicial scrutiny.

D. **Settlement Approval and Cy Pres**

Derivative settlements require court approval and notice to shareholders. Trial courts evaluate the settlement for fairness, adequacy, and reasonableness, considering the strength of the claims, the risks of continued litigation, and the value of any therapeutic relief (governance reforms). Where direct distribution to shareholders is impractical, courts may approve cy pres distributions to non-profit organizations whose missions reasonably approximate the interests of the absent shareholders. Plaintiffs' counsel fees in derivative settlements are typically awarded under the common-fund or substantial-benefit doctrines and require an evidentiary record on lodestar, multiplier, and benefit conferred.

Practice	Corporate Governance
Topics	Derivative Actions
Publication	Practice guide · Chapter IV · 2026

Available online at corporate.grandparklawgroup.com/articles/derivative-actions. This publication is provided for general information and is not legal advice.
© 2026 Grand Park Law Group, A.P.C. Attorney Advertising.

| Beverly Hills • San Francisco • San Diego • Chicago |
| Main: (888) 629-GPLG (4754) • Fax: (310) 900-0805 • www.GrandParkLawGroup.com |