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January 21, 2000

HAND DELIVERY

N. Bradley Litchfield, Esq.
Associate General Counsel for Policy
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

AOR 2000-04

Dear Mr. Litchfield:

This letter is an advisory opinion request filed pursuant to 11 CFR 112.1, on behalf of the National Association of Federal Credit Unions ("NAFCU"). (Hereafter, all citations, unless otherwise indicated, are to Title 11 C.F.R. and will be made with a section indicator only.)

Overview

This request concerns a specific activity that NAFCU, in conjunction with its political action committee, NAFCU/PAC, plans to undertake in the future. An advisory opinion is sought with respect to the following questions:

- 1) May NAFCU/PAC solicit voluntary contributions from individual share account *holders* of NAFCU's member credit unions?
- 2) May NAFCU's member credit unions defray the expenses of deducting contributions to NAFCU/PAC from the accounts of their individual share account holders?
- 3) May automatic deductions from the credit union accounts of share account holders be made in connection with the deductions referred to in the preceding question?

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I. BACKGROUND

A. Structure of NAFCU and its members

NAFCU is a trade association, incorporated in the state of California. It is organized under the provisions of the Non-profit Corporation Law of that state. NAFCU has been recognized as an organization exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code.

NAFCU was organized to extend the utility of Federal credit unions to consumers and to improve business conditions for its members. NAFCU has 1,100 members, each of which is a Federally-chartered credit union organized under the auspices of the Federal Credit Union Act, 12 U.S.C. 1751 et seq. ("the FCUA").

Membership in NAFCU is voluntary and open to any Federally-chartered credit union. Any such organization can make written application and, upon the payment of the prescribed dues amounts, will be admitted to membership. See Article I, Section 2 of the NAFCU By-laws ("the By-laws"). (A copy of the By-laws is enclosed.) After April 2, 1993, state chartered credit unions that are federally insured, and that were NAFCU members at the time of conversion to a state charter, may remain a member of NAFCU under the "once a member, always a member" provision. See Article I, Section 1 of the NAFCU By-Laws.

We have enclosed copies of the standard by-laws issued by the National Credit Union Administration ("NCUA") for Federal Credit Unions ("the Standard By-laws"). This document is representative of the by-laws of NAFCU's credit union members.

B. Membership Rights of Federal credit unions within NAFCU

A credit union is a member-owned, member-controlled, not-for-profit cooperative financial institution formed to permit groups of persons to save, borrow, and obtain related financial services and to participate in its management. Member ownership and control make credit unions unique from other business organizations. NAFCU's member Federal credit unions are non-stock corporations organized pursuant to the FCUA. See 17 U.S.C. 1753.

NAFCU qualifies as a membership organization pursuant to the criteria set forth in § 114.1(e)(1) of the Regulations, in that it is:

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Composed of members, some of whom are vested with the power and authority to operate or administer the organization; see the discussion of the NAFCU Board of Directors, including its role in the organization and the procedures for its election, which are set forth below;

Expressly states the qualifications and requirements for membership in its by-laws, see Article I, Section 1 of the By-laws;

Makes its articles and By-laws available to its members upon request;

Expressly solicits persons to become members; and

Expressly acknowledges the acceptance of membership in that NAFCU sends each new member a "new member packet" explaining the benefits of membership, including recent publications. NAFCU also includes a plaque to display in the credit union lobby, a decal and a member logo that can be included in credit union publications.

The management of NAFCU is vested in its Board of Directors ("the Board"), which consists of 12 members: six at-large members; and one regional director, from each of the six geographical regions established by the NCUA to conduct regulation of Federally - insured credit unions. See Article VI, Section 1 of By-laws.

The Board is elected by a process that includes a nominating committee, which submits a slate of at-large and regional nominees to the membership. Directors-at-large are elected by the full membership by mail ballot. Regional directors are elected by the members in their respective regions by mail ballot.

All NAFCU members have the right to vote in elections to choose their respective directors. See Article VI, Section 5 of the By-laws.

NAFCU's elected officers are a Chair, a Vice Chair, a Treasurer and a Secretary, all of whom are elected by the Board from among its members. See Article VII, Section 1 of the By-laws. The President of NAFCU is a salaried officer appointed by the Board

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to serve as chief executive officer, for a term and at such compensation as it shall determine.

In this connection, we note that the two entities specifically referenced in Advisory Opinion ("AO") 1998-19 (San Antonio Telephone Federal Credit Union and Patriot Federal Credit Union) are Federally-chartered credit unions established under the FCUA whose structure is identical to NAFCU member Federal credit unions in all material organizational respects. Moreover, the San Antonio Federal Credit Union is a NAFCU member.

The NAFCU member Federal credit unions satisfy the definition of the term "members" in the Regulations. See § 114.1(e)(2). The NAFCU member Federal credit unions currently satisfy requirements for membership in NAFCU. They had previously affirmatively accepted NAFCU's invitation to become members. Moreover, the members pay dues of a specific amount predetermined by the organization and, as noted above, have direct participatory rights in its governance.

C. Membership Rights of Individual Account Holders at Credit Unions

Membership in a Federal Credit Union is limited to one or more groups of persons sharing a common bond of occupation, association or community. In approving formation of a Federally-chartered credit union, the NCUA. authorizes the credit union to serve members of certain occupational or associational groups or of a well-defined local community. Individuals from outside this NCUA field of membership are not eligible to join the credit union. See 12 U.S.C. 1759. The Standard By-laws provide for membership by eligible individuals through an application process. See Article II of the Standard By-laws.

Federal credit unions have boards of directors which have responsibility for the general direction and control of the affairs of the entity and which are otherwise responsible for performing all the duties customarily performed by such bodies. See 12 U.S.C. 1761b

D. The Nature of the Interest of Individual Share Account Holders in NAFCU Member Credit Unions

Upon acceptance into membership, individual share account holders in a Federal credit union purchase shares in that credit union and thereafter qualify for the rights to receive dividends (See 12 U.S.C. 1763); to vote for members of the board of directors; to

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stand for an election to the board of directors (See 12 U.S.C. 1761); and the right to be considered for loans and lines of credit. (See 12 U.S.C. 1757(5)).

A comparison of the difference in the nature of the relationship between banks and their depositors, and credit unions, and their members, provides a clear illustration of the proprietary nature of members' interests in their respective credit unions. Banks and their depositors share the same relationship as debtors and creditors. Realistically, opening a bank account, merely represents an indebtedness by the bank to the depositor.

There is a sharp contrast in the relationship between Federal credit unions and their members, who are considered to be the institutions' owners. This equity interest is evidenced not only by the nature of the shareholders' proprietary interest in their accounts, but also by credit unions' own treatment of the shares as equity in their financial statements. The NCUA's Accounting Manual instructs Federally-insured credit unions that "shares function as equity and represent ownership," and that, as such, should be "classified as equity in the credit union's Statement of Financial Condition."¹

As part of an effort to make the distinction between depositors and members clear, credit unions have developed analogous terminology for, among other things, deposits, checks and capital.² A recent study conducted by the Department of the Treasury noted that "[i]n credit union parlance, deposits are 'shares,' savings accounts are 'share accounts', and checks are 'share drafts.'³

Even though the terms appear to be synonymous, the cooperative nature of Federal credit unions will, on occasion, prohibit the use of banking terminology to describe credit union transactions. For example, the NCUA's official commentary to the Truth in Savings Act provided that, "under no circumstances may a credit union describe a share account as a deposit account, or vice versa.... [and] the term 'certificate of deposit' or 'CD' may not be used to describe share certificates and other dividend-bearing term share accounts."⁴

¹ National Credit Union Association Accounting Manual, 2-14.

² U.S. Department of the Treasury, Credit Unions, xiii (1997).

³ Id.

⁴ Commentary to 12 C.F.R. 707.2(a)(5)(v).

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E. NAFCU/PAC "Invest In Democracy" Fundraising Program

NAFCU/PAC proposes to raise contributions, among other ways, through the "Invest in Democracy Fundraising Program" ("the Program"). Pursuant to the Program, NAFCU or NAFCU/PAC would solicit share account holders of NAFCU's credit union members. A procedure would be developed so that any account holders, which are (1) foreign nationals, (2) corporations, or (3) individual sole proprietors who are Federal contractors, would not be solicited.

Participating credit unions would sign written prior approval authorizations for solicitation forms, pursuant to § 114.8(c), prior to any solicitation by NAFCU/PAC. Member Federal credit unions would not be allowed to give such prior approval if they had already given such permission to another trade association in the same calendar year. See Id.

Subsequently, individual account holders who wished to participate would sign automatic account transfer forms instructing their respective credit unions to transfer a designated amount from their share account to NAFCU/PAC. The credit union in question would establish debits from member's individual share accounts and submit the funds directly to NAFCU/PAC. Procedures would be established so that the requirements of § 102.8, with respect to receipt of contributions, would be met.

II. Regulatory Principles Governing Questions as to which an Advisory Opinion is Requested.

A. General Principles

NAFCU is a trade association, i.e., a membership organization of persons engaged in a similar or related line of commerce. See §114.8(a). NAFCU/PAC is a separate segregated fund organized pursuant to § 114.5. The Regulations allow a membership organization, including a trade association, to use treasury funds for the establishment, administration, and solicitation of contributions to its separate segregated fund. See §114.5 (b).

A trade association also may solicit the stockholders and executive and administrative personnel, and families, of its member corporations, that separately and specifically approve the solicitations and that have not approved a solicitation by any other trade association for the same calendar year. See § 114.8 (c).

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B. Voluntary Contributions May Be Solicited from the Individual Share Account Holders of NAFCU's Member Credit Unions

Commission precedent, as set forth in the AOs discussed below, establishes that voluntary contributions may be solicited from the individual share account holders of NAFCU member credit unions.

In AO 1982-12, the Commission permitted a trade association to solicit the individual members of its non-stock membership organizations. In this opinion, the Commission stated that:

Although the Act and the Regulations do not expressly authorize solicitation of the individual members of a trade association's non-stock corporate members, the statutory scheme and legislative history reflect Congress' intent that members of non-stock corporations be accorded the same treatment as stockholders of corporations with stock. In amending the Act in 1976 to allow membership organizations, cooperatives or corporations without capital stock to establish separate segregated funds and solicit their members, . . . Congress recognized that members of such organizations "still make up the corporation" in the same sense as the stockholders. (citations omitted.)

In AO 1984-22, the Commission addressed the issue of solicitation of members of a non-stock corporation. In that opinion the Commission noted the Supreme Court's decision in Federal Election Commission vs. National Right to Work Committee, 459 U.S. 197 (1982), in which the Court concluded that members of non-stock corporations "would be defined at least in part by analogy to stockholders of business corporations and members of labor unions" and that the "analogy to stockholders and union members suggests that some relatively enduring and independently significant financial organization or attachment is required to be a member." Id.

In AO 1984-63, the Commission addressed the solicitation of savings and loans account holders of savings and loan associations. It concluded that the PAC of a savings and loan association may solicit account holders and borrowers of such associations since they are "members". In this opinion, the Commission stated that:

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It is apparent from your request that obligations of a financial nature exist between Amerifirst and its savings and account holders and between Amerifirst and its borrowers. In addition Amerifirst's Federal Mutual Charter indicates that holders of savings and demand accounts and loan customers of Amerifirst have sufficient rights in the governance of the organization to be considered attached to the organization's corporate structure, and analogous to share holders in the business corporation.

These rights, outlined above, include the right to vote at membership meetings, to elect directors, to participate in nominating directors, to make proposals at membership meetings and to receive a pro rata share of assets on dissolution. Accordingly the Commission concludes that individuals who hold Amerifirst savings and demand accounts, as well as individual borrowers from Amerifirst, are sufficiently analogous to share holders in a stock corporation, and sufficiently attached to the organization's corporate structure that they are members of Amerifirst and may be solicited by the Committee.

Finally, in AO 1998-19, the Commission advised another credit union trade association, the Credit Union National Association, with respect to the status of individual deposit holders of credit unions, that:

In this specific circumstance, . . .the ties between individual members (or share account holders) of the San Antonio Credit Union and the Patriot Credit Union would permit the solicitations for contributions to the SSF's of those entities, if they existed. The Commission likewise concludes that the analogy of stockholder in a corporation (with stock) is close enough to permit the solicitation by a trade association SSF of the shareholders of member credit unions under 11 CFR 114.8(c). Therefore, in response to your first question, CULAC may solicit contributions from individuals who are members of CUNA's member credit unions, provided that CUNA (and CULAC) comply with

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the procedures regarding contribution solicitations by trade associations in the Commission's regulations.

C. NAFCU's Member Credit Unions May Defray The Expenses of Deducting Contributions to NAFCU/PAC from the Accounts of Their Individual Share Account Holders

Commission precedent establishes that NAFCU's member credit unions may defray the expenses of deducting contributions to NAFCU/PAC from the accounts of their individual share account holders.

The Commission has previously ruled that the member firms of a membership association may defray the costs of automatic deductions of contributions to the association's PAC. See AO 1997-9. Furthermore, legal and accounting services rendered to a political committee are not contributions if the payor is a regular employer of the individual rendering the services, and if they are solely to ensure compliance with the Act. See § 114.1(a)(2)(vii). As the Commission wrote in AO 1997-9:

The review of each trader's account ... would be for the purposes of ensuring compliance... with the Act's prohibitions on the receipt of corporate or excessive contributions and contributions in the name of another. . . . Moreover, setting up the process for deducting contributions from the trader's accounts and sending them to CBOT, which includes, as an integral part, a method for ensuring that sufficient funds are available, would also be for the purpose of ensuring AMPAC's compliance. Hence, the costs of the performance of the foregoing functions by the firm's regular employees; that is, salary and other compensation to the employees for the hours worked and cost of the use of the firms facilities; would be exempt from the definition of contribution.

NAFCU member credit unions may, therefore, defray the cost of the automatic deductions for the Invest in Democracy Fundraising program. In so doing, they will devise procedures whereby, prior to deducting any amounts for contributions to NAFCU/PAC, they will review accounts to determine that: (a) the account balance is sufficient to support the deduction; (b) the account belongs to an individual; (c) the

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account holder is not a corporation; (d) the account holder is not a foreign national, as the term is used in the Regulations; and (e) the account holder is not a sole proprietor who is a federal contractor. In this instance, the persons implementing the procedures would be employees of the payor member credit unions.

The Commission indicated in AO 1997-9 that:

The member firm of CBOT is also involved in the process of transmitting the trader's contributions to AMPAC. It is not, however, a connected organization of AMPAC, which would be able to engage in exempt activities under 2 U.S.C. § 441 b(b)(2)(C), nor does it otherwise qualify as a collecting agent under 11 C.F.R. 102.6(b)(1). Therefore, the transmittal and account review functions that it performs would entail in-kind contributions subject to the Act's prohibitions . . . , unless another exemption applies or CBOT pays for such services.

Under the Act and Commission Regulations, legal and accounting services rendered to a political committee are not contributions if the person paying for such services is the regular employer of the individual rendering the services and if such services are solely to ensure compliance with the Act Moreover, setting up the process of deducting contributions from the trader's accounts and sending them to CBOT, which includes as an integral part, a method for ensuring that sufficient funds are available, would also be for the purpose of ensuring AMPAC's compliance. Hence the cost of the performance of the foregoing functions by the Firm's regular employees; that is, salary and other compensation to the employees for the hours worked and cost of the use of the Firm's facilities; would be exempt from the definition of contribution.

We believe that the proposed procedure for NAFUCU is indistinguishable from that approved for CBOT by the Commission.

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D. Automatic Deductions May be Used in the Invest in Democracy Fundraising Program

Commission precedent establishes that automatic deductions may be used in the Invest in Democracy Fundraising Program. See AO 1998-19.

The Regulations provide that member corporations of trade associations may not use payroll deductions or checkoff systems for the executive or administrative personnel contributing to a trade association PAC. See §114.8(e)(3). The prohibition does not reach shareholders, and, in any event, does not reach deductions which are made voluntarily from sources other than payroll (e.g., share accounts).

III. Application of the Law and Implementing Regulations to the Facts

We believe that the application of the Act, and applicable Regulations, to NAFCU's facts yields the following conclusions:

NAFCU/PAC may solicit the member/share account holders of NAFCU's member credit unions. The share account holders of NAFCU's member credit unions constitute shareholders in the same manner that members were deemed to be shareholders in the prior Commission Advisory Opinions cited above.

The share account holders satisfy the requirements for membership in their respective credit unions, in that they are part of an NCUA-defined field of membership, have affirmatively accepted the credit union's invitation to become members by purchasing shares, and have significant financial attachments to the membership association through their share accounts. Moreover, they are entitled to vote directly for all of the members on the highest governing body, the board of directors, of their respective credit unions.

We believe that the procedure outlined above that would be implemented by NAFCU's individual credit union members is indistinguishable from that exercised by CBOT's member firms which were reviewed by the Commission in AO 1997-9. The payors for the services in this case would be the regular employers of the individuals rendering the services, and the services would be solely to ensure compliance with the Act and the Regulations

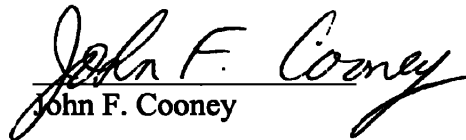
The Regulations clearly establish that automatic deductions from share account holders may be made in connection with the deductions of contributions to NAFCU/PAC. Section 114.8(e)(3) prohibits member corporations of trade associations

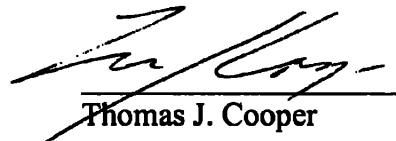
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from using payroll deductions or checkoff systems for executive or administrative personnel contributing to the separate segregated fund of the trade association. We believe that this provision is inapplicable to the instant case since the funds in question would not be deducted by means of a payroll deduction system, but rather would be contributed from member share accounts. See AO 1998-19 and 1997-9.

Please contact us if you have additional questions regarding this matter.

Very truly yours,


John F. Cooney


Thomas J. Cooper

Enclosures

NAFCU BYLAWS

ARTICLE I MEMBERSHIP

Section 1 – Eligibility

Membership in this Corporation shall be open to any federally-chartered credit union. After April 2, 1993, state chartered credit unions that are federally insured, that were NAFCU members at the time of conversion to state charter, may remain a member of this Corporation under the “once a member, always a member” provision.

Section 2 - Procedure

Any credit union eligible for membership in this Corporation, on making written application therefore to the Secretary or other designee and upon the payment of the prescribed dues amount (unless otherwise waived by the Board), will be admitted to membership.

Section 3 – Voting

Each member shall be entitled to one vote.

Section 4 – Termination

Membership in this Corporation will terminate by a member's dissolution, voluntary withdrawal as herein provided, or as otherwise provided by these bylaws. The right of a member to vote and all other rights, privileges, and interests of a member in or to this Corporation, its rights, privileges, and property, shall cease on the termination of membership. Any member may, by giving written notice of such intention, withdraw from membership. Such notice shall be presented to the Board of Directors at its next succeeding meeting. Withdrawal shall be effective upon fulfillment of all obligations to the date of withdrawal. Membership may be terminated by the Board of Directors upon 30 days notice for failure to pay dues.

ARTICLE II OFFICES

Section 1 - Principal Office

The principal office of the Corporation shall be in the County of Arlington, Commonwealth of Virginia.

Section 2 - Other Offices

The Corporation may also have and maintain offices in such other places as the Board of Directors may from time to time establish.

ARTICLE III SEAL

Section 1 – Seal

The Corporation seal shall have inscribed thereon the following wording: National Association of Federal Credit Unions Incorporated April 26, 1967 California.

ARTICLE IV MEETINGS

Section 1 - Annual Meeting

There shall be an annual meeting of the members of this Corporation during each calendar year and at a time and place designated by the Board of Directors, for the purposes of receiving annual reports and the transaction of other business. Notice of such meeting shall be mailed to the last recorded address of each member at least 60 days before the time appointed for the meeting. Any credit union delegate will have the privilege of the floor at the annual meeting if so requested.

Section 2 - Special Meetings

Special meetings of the members of this Corporation may be called by a majority of the Board of Directors or upon the written request of one-third of the members. The Board of Directors shall call a special meeting of the members to consider a specific subject(s). Notice of such special meeting shall be mailed to each member at its last recorded address postmarked at least 30 days in advance, with a statement of time and place, and information as to the subject(s) to be considered.

Section 3 – Quorum

A quorum at any meeting of the members of this Corporation shall consist of 25 members or one-third of the total membership, whichever is the smaller number.

**ARTICLE V
MAIL VOTE**

Section 1 - Mail Vote

Whenever, in the judgment of the Board of Directors, any question shall arise which it considers should be put to the vote of the membership and when it deems it inexpedient to call a special meeting for such purpose, the directors may, unless otherwise required by these bylaws, submit such matter to the members in writing, by mail, for vote and decision, and the questions thus presented shall be decided according to a majority of the votes received by mail within 30 days from the date of postmark of such mailing, provided that in each case a number of votes sufficient to constitute a quorum of the members shall have been received. Any and all action taken in pursuance of a mail vote in each case shall be binding upon the Corporation and upon each member.

**ARTICLE VI
BOARD OF DIRECTORS**

Section 1 – Number

The management, affairs, business and concerns of this Corporation shall be vested in the Board of Directors consisting of six directors-at-large and one regional director for each of the geographical regions of the National Credit Union Administration.

Section 2 – Qualifications

A person may not be elected as a director unless such person is a current Board member or the Chief Executive Officer of a federal credit union which is a member of this Corporation. Any person from a state chartered, federally insured credit union which remains a NAFCU member, under Article I, Section 1 of these Bylaws as a “once a member, always a member” is excluded from serving on the NAFCU Board of Directors.

Section 3 – Powers

The Board, through a majority vote of members present, shall have control and management of the affairs of this Corporation, and do everything necessary and desirable in the conduct of the business of this Corporation in accordance with the bylaws. In addition to the powers and authorities by these bylaws expressly conferred upon them, the Board may exercise all such powers of the Corporation and do all lawful acts and things as are not by statute or by the Articles of incorporation or by these bylaws directed or required to be exercised or done by the members. Funds may be drawn on signatures as authorized by the Board of Directors.

Section 4 - Fiduciary Responsibilities and Overview of Time Commitments

Notification of fiduciary responsibilities and time commitments will be given to each nominee to review before the nominee actually confirms a commitment to serve. The nominee must return a signed acknowledgment no later than ten (10) calendar days after the date of the postmark of the notice.

Section 5 – Elections

If a candidate is nominated in two simultaneous elections during the same year, that candidate must declare in writing in which election the candidate will compete. This declaration shall be requested at the time the candidate is notified of nomination and shall be due within three days thereafter. Failure to submit such a declaration to the NAFCU Secretary within the specified time shall cause the nominee's name to be removed from all ballots.

The Board of Directors shall consist of representatives from federally-chartered credit unions.

Directors shall be elected in the following prescribed manner:

A. Nominating Committee

The Chair shall appoint a Nominating Committee of not less than three persons who will submit a slate of at-large nominees. This Nominating Committee will submit a slate of regional nominees, if required.

B. Directors-at-Large

Directors-at-Large shall be elected by the membership by mail ballot. The term of each director shall be for three years, unless elected for a lesser term. Their terms shall be so arranged as to insure that no more than two Directors-at-Large shall go off the Board at any one time.

1) Nomination by Nominating Committee

The Nominating Committee will submit a slate of nominees of not less than one person and not more than two persons per vacancy. At least 120 days prior to the annual business meeting, the NAFCU Secretary shall forward to the members the Nominating Committee's slate of candidates together with a nominating ballot on which the name(s) of additional nominee(s) may be placed. The nominating ballot must be signed by the Chief Elected Official, Board Secretary, or Chief Executive Officer/President/Manager of the voting credit union with identification of title provided on the ballot and must be in the hands of the NAFCU Secretary not less than 90 days prior to the annual business meeting.

2) Nomination by Petition

In order for the name of the nominee(s) to be considered for placement on the slate of candidates, the nominee's name must have been submitted on five valid nominating ballots returned to the NAFCU Secretary.

3) Election during Nominating Process

In the event that only one person is nominated per vacancy, such nomination shall constitute an election of the person nominated within the meaning of the word "election" appearing in Article 7(b) of the Articles of Incorporation of NAFCU, Incorporated.

4) Official Ballot

The NAFCU Secretary shall then prepare an official ballot containing the names of the nominees and the name and address of the credit union with which each is associated and, not less than 70 days prior to the annual business meeting, mail it to the members. Once a nominee's name has been considered for placement on the official ballot, an entire membership listing will be sent to that nominee. Each member credit union, acting through its Chief Elected Official, Board Secretary, or Chief Executive Officer/President/Manager shall mark the official ballot to indicate from the names appearing thereon its choices for Director-at-Large. The official ballots, in order to be counted and tabulated, shall be signed by the Chief Elected Official, Board Secretary, or Chief Executive Officer/President/Manager of the voting credit union with identification of title provided on the ballot and returned to and must be in the hands of the NAFCU Secretary not less than 40 days prior to the annual business meeting. The candidates receiving the highest number of votes shall be duly elected to the Board.

C. Regional Directors

Regional Directors shall be elected by the membership in the appropriate region by mail ballot. The term of each director shall be for three years unless elected for a lesser term. Their terms shall be so arranged as to insure that no more than two such terms shall expire at any one time.

1) Nomination Process

At least 120 days prior to the next annual business meeting, the NAFCU Secretary shall mail to each member in its respective designated region a list of the members in its region. The member may designate its choice for membership on the Board of Directors and must certify the nomination by the signature of the Chief Elected Official, Board Secretary, or Chief Executive Officer/President/Manager with identification of title provided on the ballot. The nominating ballot must be returned to be in the hands of the NAFCU Secretary not less than 90 days prior to the annual business meeting. In order for the name of the nominee to be considered for placement on the official ballot, the nominee's name must have been submitted on three valid nominating

ballots returned to the Secretary. If no nominee receives three valid nominating ballots, the NAFCU Nominating Committee will submit a slate of nominees of not less than one person and not more than two persons per regional vacancy. In the event that the Nominating Committee is not able to develop a regional slate of candidates, the Board of Directors may appoint an eligible individual from the Region to fill the vacancy and serve as Director. The NAFCU Secretary will prepare official ballots listing the names, addresses, and credit unions of the nominees and mail them to the appropriate members not less than 70 days prior to the annual business meeting.

2) Election during Nominating Process

In the event that only one person is nominated per vacancy, such nomination shall constitute an election of the person nominated within the meaning of the word "election" appearing in Article 7(b) of the Articles of Incorporation of NAFCU, Incorporated.

3) Official Ballot

Once a nominee's name is on the official ballot, a membership listing for that nominee's region will be sent to that regional nominee. Each voting member credit union acting through its Chief Elected Official, Board Secretary, or Chief Executive Officer/President/Manager shall mark and return the official ballot to indicate from the names appearing thereon its choice for Regional Director. The official ballots, in order to be counted and tabulated, shall be signed by the Chief Elected Official, Board Secretary, or Chief Executive Officer/President/Manager with identification of title provided on the ballot and must be in the hands of the NAFCU Secretary not less than 40 days prior to the annual business meeting. The nominee with the highest number of votes will be elected to the Board of Directors.

D. Candidate's Willingness to Serve/Candidate's Biography

1) Candidate's Willingness to Serve

Each candidate shall be responsible for notifying the NAFCU Secretary in writing of their willingness to serve after notification of nomination. Failure to notify the Secretary within five calendar days after notification of nomination will result in the candidate being dropped from the ballot.

2) Candidate's Biography

Each candidate shall be responsible for the wording of their own biographical data. Such data shall be requested at the time the candidate is notified of nomination, and shall be due not more than ten calendar days thereafter. Data submitted shall be biographical only and shall contain no material of a campaign promise nature. It may not exceed 100 words and shall be signed by the candidate. It shall be forwarded to the NAFCU Secretary to be included in the printed balloting material. The Secretary shall edit the material and obtain the candidate's consent to any changes.

E. Placement on the Ballot Shall Be Determined by Lot

The placement of names on the ballot shall be determined by lot. The drawings shall be conducted by the independent tellers of the election and included with their certification of the results of the nominating election.

F. Printing Format for Biographies

The method of the candidate's nomination, and, if applicable, the word "incumbent" shall be inserted between the candidate's name and biography as follows:

Example 1: John Smith, Incumbent, nominated by Nominating Committee

Example 2: John Smith, nominated by petition.

G. NAFCU Staff

NAFCU staff shall contract for the printing of balloting materials. The text of the materials to be printed shall be approved by the Secretary. NAFCU staff shall be responsible for the timely delivery of ballot materials, addressed envelopes, and checklists to the Secretary, or at their instruction, to the tellers of the election. NAFCU staff shall have no other role in the election process.

H. Tie Votes

Tie votes will be resolved by the NAFCU Secretary placing the names of the tying nominees on an official ballot and immediately mailing the official ballots back to the member credit unions which will follow the

voting procedure prescribed under Article VI, Section 4-A and B except that the official ballots must be returned to be in the hands of the NAFCU Secretary not less than 10 days prior to the annual business meeting. If after having followed this procedure a tie vote remains, the following steps will be taken to resolve the tie. If a tie exists for a director's seat, Board Members shall be sent a tie breaker ballot which must be in the hands of the NAFCU Secretary not less than 48 hours prior to the Annual Business Meeting. If a tie still remains, the tie shall be broken by the toss of a coin conducted at the Annual Business Meeting.

I. Announcing Election Results and Reorganization

Elected and not elected candidates will be notified within five days after the NAFCU Secretary receives the election results. The election results may be made public on the same day the candidates are notified.

After the NAFCU Secretary has certified that the election results are complete and that all Directors' posts will be filled, the prospective new Board members will hold a reorganization meeting prior to the Annual Business Meeting and elect their officers. Directors not on the new board will not attend this reorganization meeting. This meeting shall be chaired by the highest ranking officer remaining as director on the Board; the order of precedence is Chair, Vice Chair, Treasurer, and Secretary. The results of the election of officers may be announced immediately following the Annual Business Meeting.

J. Destruction of Board of Director Election Ballots

Once the Annual Business Meeting and reorganization meeting have been conducted, the Board Secretary will direct, in writing, that the Election Teller destroy all Board of Director election ballots for the past year's election, unless there has been a complaint concerning the election filed prior to the adjournment of the Annual Business Meeting.

K. Beginning and End of Term for Directors and Officers

Newly-elected members of the Board of Directors, as well as, those directors elected from the reorganization meeting to become Board Officers, excepting those appointed by the Board shall take office at the conclusion of the Annual Business Meeting and shall serve until the election and qualification of the respective successors. No director can serve more than three elected three-year terms.

L. Vacancies

Any vacancy that may occur on the Board of Directors may be filled by a majority vote of the remaining directors, to serve until the next annual election at which time an election will be held to fill the remainder of the three-year term.

M. Removal

1) Failure to comply with NAFCU's Code of Ethics may be cause to remove a Board member. A Board member may be removed by two-thirds majority vote of the total Board of Directors and the vacancy may be filled as here in provided.

2) If a director fails to attend two consecutive regularly scheduled meetings of the Board of Directors or otherwise fails to perform the duties devolving upon the position of a director, such director's position may be declared vacant by two-thirds majority of the total Board of Directors and the vacancy may be filled as herein provided.

3) If a director becomes ineligible under Article VI, Section 2 or if a credit union of which a director is a member ceases to be a member of this Association, such director's position shall be declared vacant by the Board and the vacancy may be filled as herein provided.

4) If a regional director is no longer a member of the Board of Directors or the Chief Executive Officer of a member federal credit union within their elected region, such director's position shall be declared vacant by the NAFCU Board of Directors and the seat may be filled as herein provided.

5) If a director elected to serve as a director-at-large is no longer a member of the Board of Directors or the Chief Executive Officer of a member federal credit union, such director's position shall be declared vacant by the NAFCU Board of Directors and the seat may be filled as herein provided.

6) While serving as a Director, if his/her credit union converts to a s tate charter, this Director, immediately upon conversion, becomes ineligible to sit or act as Director. This vacancy may be filled as herein provided under Section L above.

Section 6 – Meetings

The Chair may, when deemed necessary call for a special meeting of the Board. The NAFUCU Secretary shall, at the request in writing of a majority of the Board, issue a call for a special meeting of the Board. Seven days notice shall be required for such special meetings unless such notice is waived by a majority of the Board. Notice of all meetings shall be given in such manner as the Board may from time to time, by resolution, prescribe.

Between meetings of the Board of Directors, all matters requiring Board action may, on approval of the Chair, be handled by mail or other means of communication. All such actions require a favorable vote by a majority of the members of the Board eligible to vote unless otherwise required in these bylaws and shall be reported at the next regularly scheduled Board Meeting. Proxy voting is forbidden.

Section 7 – Quorum

A majority of the Board shall constitute a quorum for all purposes unless herein otherwise provided.

Section 8 - Executive Committee

The Executive Committee is composed of the Chair, Vice Chair, Treasurer, and Secretary of the Corporation. Meetings of the Executive Committee will be held on call of the Chair or Vice Chair in absence of the Chair.

When in meeting assembled, a majority of the Executive Committee is a quorum, and while so assembled, any matter may be determined by a majority of those present, unless otherwise required in these bylaws. Between meetings, matters may be handled by mail or other means of communication and decided by a majority of the Executive Committee.

The Executive Committee may act for the Board of Directors between meetings of the Board and with the same force and effect as though the actions were by the Board of Directors upon such matters as the Board of Directors has authorized by a two-thirds vote.

The Executive Committee shall submit to the Board of Directors a report of actions taken since the last Board meeting. This report will be presented at the next scheduled or special board meeting and will be submitted for ratification.

**ARTICLE VII
OFFICERS**

Section 1 – Titles

The elected officers of this Corporation shall be a Chair, a Vice Chair, a Treasurer, and a Secretary, all of whom shall be elected by the Board and from its number; however, no director may become a paid employee of this Association for a minimum of two years from the date the director terminates their position as a director.

Section 2 – Terms

Officers shall be elected at the reorganization meeting of the Board, immediately following each annual election, and shall hold the office for the term of one year. Each officer shall assume their position commencing at the conclusion of the annual business meeting and until the election and qualification of their respective successors.

Section 3 – Chair

The Chair shall be the principal officer of this Corporation, and shall preside at meeting(s) of this Corporation, the Executive Committee, and the Board of Directors. Further, the Chair shall be a member ex officio of all other committees, except the Nominating Committee. The Chair shall also, at the annual meeting of this Corporation and at such other times as deemed proper, communicate to this Corporation or the Board of Directors such matters and make such recommendations and suggestions as may, in the Chair's opinion, tend to promote the welfare and increase the usefulness of this Corporation, and shall perform such other duties as are necessarily incident to the office of the Chair of this Corporation, or as may be prescribed by the Board of Directors. The Chair shall have the power to appoint such special committees as the Chair deems necessary or

as directed by the Board of Directors. The Chair shall require the officers and the committees to report to the Chair or as directed.

Section 4 - Vice Chair

The Vice Chair shall have and exercise all the powers, authority, and duties of the Chair during the absence of the latter or the latter's ability to act and shall accept all responsibilities and shall perform all functions and duties that are delegated by the Chair.

Section 5 – Treasurer

The Treasurer shall ensure that there is a proper accounting of all funds received and expended for the use by this Corporation. In addition, the Treasurer through the NAFCU staff shall ensure:

- 1) that all annual dues are collected and that all expenditures are authorized by the Board of Directors in accordance with NAFCU policies and procedures,
- 2) that all funds received are deposited in one or more federally-insured financial institution(s) approved by the Board of Directors.

The Treasurer shall develop an annual financial plan for approval by the Board by mid-December preceding execution year and shall report execution performance quarterly to the Board. The Treasurer shall make a report at the annual business meeting and when called upon by the Chair. The duties of the Treasurer may be assigned, in whole or in part, to the NAFCU staff through the President. The Association's accounting records shall at all times be subject to verification and inspection by the Chair and such other audits as the Board of Directors may deem necessary. At the expiration of the Treasurer's terms of office, the Treasurer shall turn over to the elected successor or, in the absence of a Treasurer-elect, to the Chair, the responsibility for all records, funds, and other property of the Association. The Treasurer shall be required to give the Corporation a bond, the premium on which shall be paid by the Corporation, in such sum and with such surety that the Board shall prescribe, for the faithful performance of the duties of the Treasurer's office and for the restoration to the Corporation in the case of death, resignation, retirement or removal from office, all records, papers, funds, and other properties of whatever kind under his/her control belonging to the Corporation.

Section 6 – Secretary

The Secretary shall attend all sessions of the Board and all meetings of the members and record all votes and the minutes of all proceedings in a book kept for that purpose; and shall perform like duties for any committee when required. The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board of Directors and shall perform such other duties as may be prescribed by the Board of Directors or Chair. The seal of the Corporation shall be kept in safe custody by the Secretary and affixed to any instrument requiring a seal, and when so affixed it shall be attested by the Secretary's signature or by any other member of the Executive Committee in the absence of the Secretary.

Section 7 – President

The President will be a salaried officer appointed by the Board of Directors to serve as Chief Executive Officer for such term and at such compensation as the Board of Directors shall determine. The President's duties will be set forth in a job description approved by the Board of Directors.

Section 8 - Removal of Elected Officers

Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of two-thirds of the Board of Directors.

ARTICLE VIII COMMITTEES

Section 1 - Creation-Powers

The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees with specified powers and duties assigned. Short of specific authority to act, the Board Committees will only make recommendations to the Board. Each committee will include one or more directors of the Corporation, which, to the extent provided in said resolution shall have, and may exercise, the

powers of the Board of Directors in the management of the business and affairs of the Corporation and may have the power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such names or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 2 – Minutes

When a committee convenes, it shall forward a quarterly report to the Board of Directors for review at the next Board meeting setting forth action taken, when authorized, or recommendations to the Board.

**ARTICLE IX
COMPENSATION OF DIRECTORS**

Section 1 - Compensation for Services

The directors of this Corporation shall serve without remuneration for their services as directors or as members of committees of the Board.

Section 2 – Expenses

Directors may be reimbursed for actual and reasonable expenses incurred in attending Board or committee meetings, or other official occurrences.

**ARTICLE X
MEMBER REPRESENTATIVES**

Section 1 - Appointment/Authority

Each voting member shall appoint in writing and certify to the Secretary of this Corporation one of its members as its official representative to vote and act for it in all affairs of this Corporation, and also an alternate representative at NAFCU's annual business meeting or any other special meetings that will be held.

**ARTICLE XI
DUES**

Section 1 - How Determined

The dues to be paid by the members of the Corporation, including minimum and maximum limitations, shall be determined from time to time by the Board of Directors.

Section 2 - Non-refundable Dues

Dues are non-refundable unless authorized by the Board of Directors.

**ARTICLE XII
FISCAL YEAR**

Section 1 - Fiscal Year

The fiscal year shall begin the first day of January in each year unless a change is authorized by the Board of Directors.

**ARTICLE XIII
INSPECTION OF BOOKS**

Section 1 - Inspection of Books

The directors shall determine from time to time whether, when and under what conditions the accounts and books of the Corporation (except those which by statute must be open to inspection) shall be open to inspection of the members.

Section 2 – Auditor

The books will be audited at least once each fiscal year by an independent Certified Public Accountant selected by the Board.

ARTICLE XIV AMENDMENTS

Section 1 - How Bylaws Are Amended

These bylaws may be altered or amended or repealed, when not inconsistent with the Articles of Incorporation, by the affirmative vote of two-thirds of all the members of the Board of Directors, present or not, at any regular meeting of the Board, or at any special meeting of the Board if notice of the proposed alteration, amendment or repeal be contained in the notice of such special meeting. Notification of any possible alteration, amendment, or repeal of the association bylaws must be made at least 30 days prior to the meeting in which the bylaws modification will be reviewed and voted on. Regarding the election of the Board of Directors, no change of the time, place, or manner for the election of directors shall be made within 180 days before the day on which such election is to be held, and that in case of any change of such time, place or manner of election notice, thereof shall be given to each member of the Association by letter which will be mailed within 15 days from the date of adoption of the change by the Board of Directors.

Section 2 - How Articles of Incorporation Are Amended

That any amendment to these Articles of Incorporation shall be adopted when (a) the Board of Directors recommends such a change; (b) all of the membership is notified, in writing, of the proposed change or changes, and (c) a vote is called and at least 25% of the membership votes on the changes and at least two-thirds of those voting vote in favor of the change. The vote may be by a meeting of the members, by mail ballot or electronic means when duly authenticated as the bylaws may prescribe, or a combination thereof.

Revised: June 1999

NCOUA

**THE
FEDERAL
CREDIT
UNION
BYLAWS**



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BYLAWS

Federal Credit Union, Charter No. _____

(A corporation chartered under the laws of the United States)

Article I. Name - Purposes

Section 1. The name of this credit union is as stated in section 1 of the charter (approved organization certificate) of this credit union.

Section 2. The purpose of this credit union is to promote thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit for provident or productive purposes. **The credit union may add business as one of its purposes by placing a comma after " provident" and inserting " business."**

Article II. Qualifications for Membership

Section 1. The field of membership of this credit union is limited to that stated in section 5 of its charter.

Section 2. Applications for membership from persons eligible for membership under section 5 of the charter must be signed by the applicant on forms approved by the board. Upon approval of an application by a majority of the directors, or a majority of the

members of a duly authorized executive committee or by a membership officer, and upon subscription to at least one share of this credit union and the payment of the initial installment, and the payment of a uniform entrance fee if required by the board, the applicant is admitted to membership. If a membership application is denied, the reasons must be furnished in writing to the person whose application is denied, upon written request.

Section 3. A member who withdraws all shareholdings or fails to comply with the time requirements in article III, section 3, ceases to be a member. By resolution, the board may require persons readmitted to membership to pay another entrance fee.

Section 4. Once a member becomes a member that person may remain a member until the person or organization chooses to withdraw or is expelled in accordance with the Act. **A credit union that wishes to restrict services to members no longer within the field of membership should specify the restrictions in this section.**

Article III. Shares of Members

Section 1. The par value of each share will be \$_____.
Subscription to shares are payable at the time of subscription, or in installments of at least \$_____ per month.

Section 2. The maximum amount of shares that may be held by any one member will be established from time to time by resolution of the board.

Section 3. A member who fails to complete payment of one share within _____ of admission to membership, or within _____ from the increase in the par value of shares, or a member who reduces the share balance below the par value of one share and does not increase the balance to at least the par value of one share within _____ of the reduction may be terminated from membership.

Section 4. Shares may only be transferred from one member to another by an instrument in a form as the board may prescribe. Such transfer will carry dividend credits with it.

Section 5. Money paid in on shares or installments of shares may be withdrawn as provided in these bylaws or regulation on any day when payment on shares may be made: provided, however, that

(a) The board has the right, at any time, to require members to give, in writing, not more than 60 days notice of intention to withdraw the whole or any part of the amounts paid in by them.

(b) The board may determine that, if shares are paid in under an accumulated payroll deduction plan as prescribed in the Accounting Manual for Federal Credit Unions, they may not be withdrawn until credited to members' accounts.

(c) No member may withdraw any shareholdings below the amount of the member's primary or contingent liability to the credit union if the member is delinquent as a borrower, or if borrowers for whom the member is comaker, endorser, or guarantor are delinquent, without the written approval of the credit committee or loan officer; except that shares issued in an irrevocable trust as provided in section 6 of this article are not subject to restrictions upon withdrawal except as stated in the trust agreement.

(d) The share account of a deceased member (other than one held in joint tenancy with another member) may be continued until the close of the dividend period in which the administration of the deceased's estate is completed, but not to exceed a period of 4 years.

(e) The board will have the right, at any time, to impose a fee for excessive share withdrawals from regular share accounts. The number of withdrawals not subject to a fee and the amount of the fee will be established by board resolution and will be subject to regulations applicable to the advertising and disclosure of terms and conditions on member accounts.

Section 6. Shares may be issued in a revocable or irrevocable trust, subject to the following:

When shares are issued in a revocable trust, the settlor must be a member of this credit union in his own right. When shares are issued in an irrevocable trust, either the settlor or the beneficiary must be a member of this credit union. The name of the beneficiary must be stated in both a revocable and irrevocable trust. For purposes of this section, shares issued pursuant to a pension plan authorized by the rules and regulations will be treated as an irrevocable trust unless otherwise indicated in the rules and regulations.

Section 7. Owners of a joint account may both be members of the credit union without opening separate accounts. For joint membership, both owners are required to fulfill all of the membership requirements including each member purchasing and maintaining at least one share in the account.

Article IV. Meetings of Members

Section 1. The annual meeting of the members must be held within the period authorized in the Act, in the county in which any office of the credit union is located or within a radius of 100 miles of such office, at the time and place as the board determines and announces in the notice of the annual meeting.

Section 2. At least 30 but no more than 75 days before the date of any annual meeting or at least 7 days before the date of any

special meeting of the members, the secretary must give written notice to each member by in person delivery, or by mailing the written notice to each member at the address that appears on the records of this credit union. Notice of the annual meeting may be given by posting the notice in a conspicuous place in the office of this credit union where it may be read by the members, at least 30 days prior to such meeting, if the annual meeting is to be held during the same month as that of the previous annual meeting and if this credit union maintains an office that is readily accessible to members where regular business hours are maintained. Any meeting of the members, whether annual or special, may be held without prior notice, at any place or time, if all the members entitled to vote, who are not present at the meeting, waive notice in writing, before, during, or after the meeting.

Notice of any special meeting must state the purpose for which it is to be held, and no business other than that related to this purpose may be transacted at the meeting.

Section 3. Special meetings of the members may be called by the chair or the board of directors upon a majority vote, or by the supervisory committee as provided in these bylaws, and may be held at any location permitted for the annual meeting. A special meeting must be called by the chair within 30 days of the receipt of a written request of 25 members or 5% of the members as of the date of the request, whichever number is larger. However, a

request of no more than 500 members may be required for such meeting. The notice of a special meeting must be given as provided in section 2 of this article.

Section 4. The suggested order of business at annual meetings of members is--

- (a) Ascertainment that a quorum is present.
- (b) Reading and approval or correction of the minutes of the last meeting.
- (c) Report of directors, if there is one.
- (d) Report of the financial officer or the chief management official.
- (e) Report of the credit committee, if there is one.
- (f) Report of the supervisory committee.
- (g) Unfinished business.
- (h) New business other than elections.
- (i) Elections.
- (j) Adjournment.

The order of business must comply with " Robert's Rules of Order."

Section 5. Except as otherwise provided, 15 members constitute a quorum at annual or special meetings. If no quorum is present, an adjournment may be taken to a date not fewer than 7 nor more than 14 days thereafter. The members present at any such adjourned meeting will constitute a quorum, regardless of the number of members present. The same notice must be given for the

adjourned meeting as is prescribed in section 2 of this article for the original meeting, except that such notice must be given not fewer than 5 days previous to the date of the meeting as fixed in the adjournment.

Article V. Elections

The Credit Union must select one of the four voting options. This may be done by printing the credit union's bylaws with the option selected or retaining this copy and checking the box of the option selected.

Option A1 In-person elections; nominating committee and nominations from floor

Section 1. At least 30 days prior to each annual meeting, the chair will appoint a nominating committee of not fewer than three members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing of their names in nomination and will accept office if elected.

Section 2. After the nominations of the nominating committee have been placed before the members, the chair calls for nominations from the floor. When nominations are closed, tellers are appointed by the chair, ballots are distributed, the vote is taken and tallied by the tellers, and the results announced. All

elections are determined by plurality vote and will be by ballot except where there is only one nominee for the office.

Option A2 - In-person elections; nominating committee and nominations by petition

Section 1. At least 120 days prior to each annual meeting the chair will appoint a nominating committee of not fewer than three members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing of their names in nomination and will accept office if elected. The nominating committee files its nominations with the secretary of the credit union at least 90 days prior to the annual meeting, and the secretary notifies in writing all members eligible to vote at least 75 days prior to the annual meeting that nominations for vacancies may also be made by petition signed by 1% of the members with a minimum of 20 and a maximum of 500.

The written notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee

with the written notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The written notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days from the date that the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, such nominations must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Such nominations must be filed with the secretary of the credit union at least 40 days prior to the annual meeting and the secretary will ensure that nominations by petition along with those of the nominating committee are posted in a conspicuous place in each credit union office at least 35 days prior to the annual meeting.

Section 2. All persons nominated by either the nominating committee or by petition must be placed before the members. When nominations are closed, tellers are appointed by the chair, ballots are distributed, the vote is taken and tallied by the tellers, and the results announced. All elections are determined by plurality vote and will be by ballot except where there is only one nominee for each position to be filled.

Nominations cannot be made from the floor unless insufficient nominations have

been made by the nominating committee or by petition to provide for one nominee for each position to be filled or circumstances prevent the candidacy of the one nominee for a position to be filled. Only those positions without a nominee are subject to nominations from the floor. In the event nominations from the floor are permitted and result in more than one nominee for a position to be filled, when nominations have been closed, tellers are appointed by the chair, ballots are distributed, the vote is taken and tallied by the tellers, and the results announced. When only one member is nominated for each position to be filled, the chair may take a voice vote or declare each nominee elected by general consent or acclamation at the annual meeting.

Option A3 - Election by ballot boxes or voting machine; nominating committee and nomination by petition

Section 1. At least 120 days prior to each annual meeting, the chair will appoint a nominating committee of not fewer than three members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing of their names in nomination and will accept office if elected. The nominating committee files its nominations with the secretary of the credit

union at least 90 days prior to the annual meeting, and the secretary notifies in writing all members eligible to vote at least 75 days prior to the annual meeting that nominations for vacancies may also be made by petition signed by 1% of the members with a minimum of 20 and a maximum of 500.

The written notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee with the written notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The written notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days from the date of the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, such nominations must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Such nominations must be filed with the secretary of the credit union at least 40 days prior to the annual meeting and the secretary will ensure that nominations by petition along with those of the nominating committee are posted in a conspicuous

place in each credit union office at least 35 days prior to the annual meeting.

Section 2. All elections are determined by plurality vote. The election will be conducted by ballot boxes or voting machines, subject to the following conditions:

(a) The election tellers will be appointed by the board of directors;

(b) If sufficient nominations are made by the nominating committee or by petition to provide more than one nominee for any position to be filled, the secretary, at least 10 days prior to the annual meeting, will cause ballot boxes and printed ballots, or voting machines, to be placed in conspicuous locations, as determined by the board of directors with the names of the candidates posted near the boxes or voting machines. The name of each candidate will be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors;

(c) After the members have been given 24 hours to vote at conspicuous locations as determined by the board of directors, the ballot boxes or voting machines will be opened, the vote tallied by the tellers, the tallies placed in the ballot boxes, and the ballot boxes resealed. The tellers are responsible at all times for the ballot boxes or voting machines and the integrity of the vote. A record must be kept of all persons voting and the tellers must assure themselves that each person so voting is entitled to vote; and

(d) The ballot boxes will be taken to the annual meeting by the tellers. At the annual meeting, printed ballots will be distributed to those in attendance who have not voted and their votes will be deposited in the ballot boxes placed by the tellers, before the beginning of the meeting, in conspicuous locations with the names of the candidates posted near them. After such members have been given an opportunity to vote at the annual meeting, balloting will be closed, the ballot boxes opened, the vote tallied by the tellers and added to the previous count, and the chair will announce the result of the vote.

Option A4 - Election by electronic device (including but not limited to telephone and electronic mail) or mail ballot; nominating committee and nominations by petition

Section 1. At least 120 days prior to each annual meeting, the chair will appoint a nominating committee of not fewer than three members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing of their names in nomination and will accept office if elected. The nominating committee files its nominations with the secretary of the credit union at least 90 days prior to the annual meeting, and the secretary notifies in writing all members eligible to vote at

least 75 days prior to the annual meeting that nominations for vacancies may also be made by petition signed by 1% of the members with a minimum of 20 and a maximum of 500.

The written notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee with the written notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The written notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days from the date of the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, such nominations must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Such nominations must be filed with the secretary of the credit union at least 40 days prior to the annual meeting and the secretary will ensure that nominations by petition along with those of the nominating committee are posted in a conspicuous place in each credit union office at least 35 days prior to the annual meeting.

Section 2. All elections will be by electronic device or mail ballot, subject to the following conditions:

(a) The election tellers will be appointed by the board of directors;

(b) If sufficient nominations are made by the nominating committee or by petition to provide more than one nominee for any position to be filled, the secretary, at least 30 days prior to the annual meeting, will cause either a printed ballot or notice of ballot to be mailed to all members eligible to vote;

(c) If the credit union is conducting its elections electronically, the secretary will cause the following materials to be mailed to each eligible voter and the following procedures will be followed:

(1) One notice of balloting stating the names of the candidates for the board of directors and the candidates for other separately identified offices or committees. The name of each candidate must be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors.

(2) One instruction sheet stating specific instructions for the electronic election procedure, including how to access and use the system, and the period of time in which votes will be taken. The instruction will state that members without the requisite electronic device necessary to vote on the system may vote by mail ballot upon written or telephone request and specify the date the request must be received by the credit union.

(3) It is the duty of the tellers of election to verify, or cause to be verified the name of the voter and the credit union account number as they are registered in the electronic balloting system. It is the duty of the teller to test the integrity of the balloting system at regular intervals during the election period.

(4) Ballots must be received no later than midnight 5 calendar days prior to the annual meeting.

(5) Voting will be closed at the midnight deadline specified in subsection (4) hereof and the vote will be tallied by the tellers. The result must be verified at the annual meeting and the chair will make the result of the vote public at the annual meeting.

(6) In the event of malfunction of the electronic balloting system, the board of directors may in its discretion order elections be held by mail ballot only. Such mail ballots must conform to section 2(d) of this Article and must be mailed to all eligible members 30 days prior to the annual meeting. The board may make reasonable adjustments to the voting time frames above, or postpone the annual meeting when necessary, to complete the elections prior to the annual meeting.

(d) If the credit union is conducting its election by mail ballot, the secretary will cause the following materials to be mailed to each member and the following procedures will be followed:

(1) One ballot, clearly identified as such, on which the names of the candidates for the board of directors and the

candidates for other separately identified offices or committees are printed in order as determined by the draw of lots. The name of each candidate will be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors;

(2) One ballot envelope clearly marked with instructions that the completed ballot must be placed in that envelope and sealed;

(3) One identification form to be completed so as to include the name, address, signature and credit union account number of the voter;

(4) One mailing envelope in which the voter, pursuant to instructions provided with the mailing envelope, must insert the sealed ballot envelope and the identification form, and which must have postage prepaid and be preaddressed for return to the tellers;

(5) When properly designed, one form can be printed that represents a combined ballot and identification form, and postage prepaid and preaddressed return envelope;

(6) It is the duty of the tellers to verify, or cause to be verified, the name and credit union account number of the voter as appearing on the identification form; to place the verified identification form and the sealed ballot envelope in a place of safekeeping pending the count of the vote; in the case of a questionable or challenged identification form, to retain the identification form and sealed ballot envelope together until the verification or challenge has been resolved;

(7) Ballots mailed to the tellers must be received by the tellers no later than midnight 5 days prior to the date of the annual meeting;

(8) Voting will be closed at the midnight deadline specified in subsection (7) hereof and the vote will be tallied by the tellers. The result will be verified at the annual meeting and the chair will make the result of the vote public at the annual meeting.

Section 3. Nominations may be in the following order:

(a) Nominations for directors.

(b) Nominations for credit committee members, if applicable.

Elections may be by separate ballots following the same order as the above nominations or, if preferred, may be by one ballot for all offices.

Section 4. Members cannot vote by proxy, but a member other than a natural person may vote through an agent designated in writing for the purpose. A trustee, or other person acting in a representative capacity, is not, as such, entitled to vote.

Section 5. Irrespective of the number of shares, no member has more than one vote.

Section 6. The names and addresses of members of the board, board officers, executive committee, and members of the credit committee, if applicable, and supervisory committees must be

forwarded to the Administration in accordance with the Act and regulations in the manner as may be required by the Administration.

Section 7. The board may establish by resolution a minimum age, not greater than 18 years of age, as a qualification for eligibility to vote at meetings of the members, or to hold elective or appointive office, or both.

The Credit Union may select the absentee ballot provision in conjunction with the voting procedure it has selected. This may be done by printing the credit union's bylaws with this provision or by retaining this copy and checking the box.

Section 8 The board of directors may authorize the use of absentee ballots in conjunction with the other procedures authorized in this article, subject to the following conditions:

- (a) The election tellers will be appointed by the board of directors;
- (b) If sufficient nominations are made by the nominating committee or by petition to provide more than one nominee for any position to be filled, the secretary, at least 30 days prior to the annual meeting, will cause printed ballots to be mailed to all members of the credit union who are eligible to vote and who have submitted a written request for an absentee ballot;

(c) The secretary will cause the following materials to be mailed to each such eligible voter who has submitted a written request for an absentee ballot:

(1) One ballot, clearly identified as such, on which the names of the candidates for the board of directors and the candidates for other separately identified offices or committees are printed in order as determined by the draw of the lots. The name of each candidate will be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors;

(2) One ballot envelope clearly marked with instructions that the completed ballot must be placed in that envelope and sealed;

(3) One identification form to be completed so as to include the name, address, signature and credit union account number of the voter;

(4) One mailing envelope in which the voter, pursuant to instructions provided with the envelope, must insert the sealed ballot envelope and the identification form, and which must have postage prepaid and be preaddressed for return to the tellers;

(5) When properly designed, one form can be printed that represents a combined ballot and identification form, and postage prepaid and preaddressed return envelope;

(d) It is the duty of the tellers of election to verify, or cause to be verified, the name and credit union account number of the voter as appearing on the identification form; to place the verified identification and the sealed ballot envelope in a place of safekeeping pending the count of the vote; in the case of a

questionable or challenged identification form, to retain the identification form and the sealed ballot envelope together until the verification or challenge has been resolved; and in the event that more than one voting procedure is used, to verify that no eligible voter has voted more than one time;

(e) Ballots mailed to the tellers pursuant to subsection (b) hereof, must be received by the tellers no later than midnight 5 days prior to the date of the annual meeting; and

(f) After the expiration of the period of time specified in the preceding subsection (e), the voting by absentee ballot will be closed and absentee ballots deposited in the ballot boxes to be taken to the annual meeting or included in a precourt in accordance with procedures specified in Article V, Section 2.

Article VI. Board of Directors

Section 1. The board consists of _____ members, all of whom must be members of this credit union. The number of directors may be changed to an odd number not fewer than 5 nor more than 15 by resolution of the board. No reduction in the number of directors may be made unless corresponding vacancies exist as a result of deaths, resignations, expiration of terms of office, or other actions provided by these bylaws. A copy of the resolution of the board covering any increase or decrease in the number of directors must be filed with the official copy of the bylaws of this credit union.

Section 2. _____(Fill in the number) directors or committee members may be a paid employee of the credit union.

_____(Fill in the number) immediate family members of a director or committee member may be a paid employee of the credit union. In no case may employees and family members constitute a majority of the board. The board may appoint a management official who _____ (may or may not) be a member of the board and one or more assistant management officials who _____(may or may not) be a member of the board. If the management official or assistant management official is permitted to serve on the board, he or she may not serve as the chair.

Section 3. Regular terms of office for directors must be for periods of either 2 or 3 years as the board determines: provided, however, that all regular terms must be for the same number of years and until the election and qualification of successors. The regular terms must be fixed at the beginning, or upon any increase or decrease in the number of directors, that approximately an equal number of regular terms must expire at each annual meeting.

Section 4. Any vacancy on the board, credit committee, if applicable, or supervisory committee will be filled within a reasonable time by vote of a majority of the directors then holding office. Directors and credit committee members so appointed will hold office only until the next annual meeting, at which any unexpired terms will be filled by vote of the members,

and until the qualification of their successors. Members of the supervisory committee so appointed will hold office until the first regular meeting of the board following the next annual meeting of members, at which the regular term expires, and until the appointment and qualification of their successors.

Section 5. A regular meeting of the board must be held each month at the time and place fixed by resolution of the board. One regular meeting each calendar year must be conducted in person. If a quorum is present in person for the annual in person meeting, the remaining board members may participate using audio or video teleconference methods. The other regular meetings may be conducted using audio or video teleconference methods. The chair, or in the chair's absence the ranking vice chair, may call a special meeting of the board at any time and must do so upon written request of a majority of the directors then holding office. Unless the board prescribes otherwise, the chair, or in the chair's absence the ranking vice chair, will fix the time and place of special meetings. Notice of all meetings will be given in such manner as the board may from time to time by resolution prescribe. Special meetings may be conducted using audio or video teleconference methods.

Section 6. The board has the general direction and control of the affairs of this credit union and is responsible for performing all the duties customarily performed by boards of directors. This includes but is not limited to the following:

(a) Directing the affairs of the credit union in accordance with the Act, these bylaws, the rules and regulations and sound business practices.

(b) Establishing programs to achieve the purposes of this credit union as stated in Article 1, section 2, of these bylaws.

(c) Establishing a loan collection program and authorizing the chargeoff of uncollectible loans.

(d) Determining that all persons appointed or elected by this credit union to any position requiring the receipt, payment or custody of money or other property of this credit union, or in its custody or control as collateral or otherwise, are properly bonded in accordance with the Act and regulations.

(e) Performing additional acts and exercising additional powers as may be required or authorized by applicable law.

If the credit union has an elected credit committee, you do not need to check a box. If the credit union has no credit committee check Option 1 and if it has an appointed credit committee check Option 2.

Option 1 No Credit Committee.

(f) Reviewing denied loan applications of members who file written requests for such review.

(g) Appointing one or more loan officers and delegating to those officers the power to approve or disapprove loans, lines of credit or advances from lines of credit.

(h) In its discretion, appointing a loan review committee to review loan denials and delegating to the committee the power to overturn denials of loan applications. The committee will function as a mid-level appeal committee for the board. Any denial of a loan by the committee must be reviewed by the board upon written request of the member. The committee must consist of three members and the regular term of office of the committee member will be for two years. Not more than one member of the committee may be appointed as a loan officer.

Option 2 Appointed Credit Committee.

(f) Appointing an odd number of credit committee members as provided in Article VIII of these bylaws.

Section 7. A majority of the number of directors, including any vacant positions, constitutes a quorum for the transaction of business at any meeting; but fewer than a quorum may adjourn from time to time until a quorum is in attendance.

Section 8. If a director or a credit committee member, if applicable, fails to attend regular meetings of the board or credit committee, respectively, for 3 consecutive months, or 4 meetings within a calendar year, or otherwise fails to perform any of the duties as a director or a credit committee member, the office may be declared vacant by the board and the vacancy filled as provided in the bylaws. The board may remove any board officer from office for failure to perform the duties thereof,

after giving the officer reasonable notice and opportunity to be heard.

When any board officer, membership officer, executive committee member or investment committee member is absent, disqualified, or otherwise unable to perform the duties of the office, the board may by resolution designate another member of this credit union to fill the position temporarily. The board may also, by resolution, designate another member or members of this credit union to act on the credit committee when necessary in order to obtain a quorum.

Section 9. Any member of the supervisory committee may be suspended by a majority vote of the board of directors. The members of this credit union will decide, at a special meeting held not fewer than 7 nor more than 14 days after any such suspension, whether the suspended committee member will be removed from or restored to the supervisory committee.

Article VII. Board Officers, Management Officials and Executive Committee

Section 1. The board officers of this credit union are comprised of a chair, one or more vice chairs, a financial officer, and a secretary, all of whom are elected by the board and from their number. The board determines the title and rank of each board officer and records them in the addendum to this Article. One

board officer, the _____, may be compensated for services as determined by the board. If more than one vice chair is elected, the board determines their rank as first vice chair, second vice chair, and so on. The offices of the financial officer and secretary may be held by the same person. Unless removed as provided in these bylaws, the board officers elected at the first meeting of the board hold office until the first meeting of the board following the first annual meeting of the members and until the election and qualification of their respective successors.

Section 2. Board officers elected at the meeting of the board next following the annual meeting of the members, which must be held not later than 7 days after the annual meeting, hold office for a term of 1 year and until the election and qualification of their respective successors: provided, however, that any person elected to fill a vacancy caused by the death, resignation, or removal of an officer is elected by the board to serve only for the unexpired term of such officer and until a successor is duly elected and qualified.

Section 3. The chair presides at all meetings of the members and at all meetings of the board, unless disqualified through suspension by the supervisory committee. The chair also performs such other duties as customarily appertain to the office of the chair or as may be directed to perform by resolution of the board not inconsistent with the Act and regulations and these bylaws.

Section 4. The board must approve all individuals who are authorized to sign all notes of this credit union and all checks, drafts and other orders for disbursement of credit union funds.

Section 5. The ranking vice chair has and may exercise all the powers, authority, and duties of the chair during the chair's absence or inability to act.

Section 6. The financial officer manages this credit union under the control and direction of the board unless the board has appointed a management official to act as general manager.

Subject to such limitations, controls and delegations as may be imposed by the board, the financial officer will:

(a) Have custody of all funds, securities, valuable papers and other assets of this credit union.

(b) Provide and maintain full and complete records of all the assets and liabilities of this credit union in accordance with forms and procedures prescribed in the Accounting Manual for Federal Credit Unions or otherwise approved by the Administration.

(c) Within 20 days after the close of each month, ensure that a financial statement showing the condition of this credit union as of the end of the month, including a summary of delinquent loans is prepared and submitted to the board and post a copy of such statement in a conspicuous place in the office of the credit

union where it will remain until replaced by the financial statement for the next succeeding month.

(d) Ensure that such financial and other reports as the Administration may require are prepared and sent.

(e) Within standards and limitations prescribed by the board, employ tellers, clerks, bookkeepers, and other office employees, and have the power to remove such employees.

(f) Perform such other duties as customarily appertain to the office of the financial officer or as may be directed to perform by resolution of the board not inconsistent with the Act, regulations and these bylaws.

The board may employ one or more assistant financial officers, none of whom may also hold office as chair or vice chair, and may authorize them, under the direction of the financial officer, to perform any of the duties devolving on the financial officer, including the signing of checks. When designated by the board, any assistant financial officer may also act as financial officer during the financial officer's temporary absence or temporary inability to act.

Section 7. The board may appoint a management official who is under the direction and control of the board or of the financial officer as determined by the board. The management official may be assigned any or all of the responsibilities of the financial officer described in section 6 of this article. The board will determine the title and rank of each management official and

record them in the addendum to this article. The board may employ one or more assistant management officials. The board may authorize assistant management officials under the direction of the management official, to perform any of the duties devolving on the management official, including the signing of checks. When designated by the board, any assistant management official may also act as management official during the management official's temporary absence or temporary inability to act.

Section 8. The board employs, fixes the compensation, and prescribes the duties of such employees as may in the discretion of the board be necessary, and has the power to remove such employees, unless it has delegated these powers to the financial officer or management official. Neither the board, the financial officer, nor the management official has the power or duty to employ, prescribe the duties of, or remove necessary clerical and auditing assistance employed or utilized by the supervisory committee and, if there is a credit committee, the power or duty to employ, prescribe the duties of, or remove any loan officer appointed by the credit committee.

Section 9. The secretary prepares and maintains full and correct records of all meetings of the members and of the board, which records will be prepared within 7 days after the respective meetings. The secretary must promptly inform the Administration in writing of any change in the address of the office of this credit union or the location of its principal records. The

secretary will give or cause to be given, in the manner prescribed in these bylaws, proper notice of all meetings of the members, and perform such other duties as may be directed to perform by resolution of the board not inconsistent with the Act, regulations and these bylaws. The board may employ one or more assistant secretaries, none of whom may also hold office as chair, vice chair, or financial officer, and may authorize them under direction of the secretary to perform any of the duties devolving on the secretary.

Section 10. The board may appoint an executive committee of not fewer than three directors to serve at its pleasure, to act for it with respect to specifically delegated functions authorized by the Act and regulations. The board may also authorize such executive committee or a membership officer(s) appointed by the board from the membership other than a board member paid as an officer, the financial officer, any assistant to the paid officer of the board or to the financial officer or any loan officer, to serve at its pleasure to approve applications for membership under such conditions as the board and these bylaws may prescribe. No executive committee member or membership officer may be compensated as such.

Section 11. The board may appoint an investment committee composed of not less than two, to serve at its pleasure to have charge of making investments under rules and procedures

established by the board. No member of the investment committee may be compensated as such.

Addendum: The board must list the positions of the board officers and management officials of this credit union. They are as follows:

Select Option 1 if the credit union has a credit committee and Option 2 if it does not have a credit committee.

Option 1 Article VIII. Credit Committee

Section 1. The credit committee consists of _____ members. All the members of the credit committee must be members of this credit union. The number of members of the credit committee must be an odd number and may be changed to not fewer than 3 nor more than 7 by resolution of the board. No reduction in the number of members may be made unless corresponding vacancies exist as a result of deaths, resignations, expiration of terms of office, or other actions provided by these bylaws. A copy of the resolution of the board covering any increase or decrease in the number of committee members must be filed with the official copy of the bylaws of this credit union.

Section 2. Regular terms of office for elected credit committee members are for periods of either 2 or 3 years as the board determines: provided, however, that all regular terms are for the same number of years and until the election and qualification of successors. The regular terms are fixed at the beginning, or upon any increase or decrease in the number of committee members, that approximately an equal number of regular terms expire at each annual meeting.

Regular terms of office for appointed credit committee members are for periods as determined by the board and as noted in the board's minutes.

Section 3. The credit committee chooses from their number a chair and a secretary. The secretary of the committee prepares and maintains full and correct records of all actions taken by it, and such records must be prepared within 3 days after the action. The offices of the chair and secretary may be held by the same person.

Section 4. The credit committee may, by majority vote of its members, appoint one or more loan officers to serve at its pleasure, and delegate to them the power to approve application for loans or lines of credit, share withdrawals, releases and substitutions of security, within limits specified by the committee and within limits of applicable law and regulations. Not more than one member of the committee may be appointed as a

loan officer. Each loan officer must furnish to the committee a record of each approved or not approved transaction within 7 days of the date of the filing of the application or request, and such record becomes a part of the records of the committee. All applications or requests not approved by a loan officer must be acted upon by the committee. No individual may disburse funds of this credit union for any application or share withdrawal which the individual has approved as a loan officer.

Section 5. The credit committee holds meetings as the business of this credit union may require, and not less frequently than once a month. Notice of such meetings will be given to members of the committee in a manner as the committee may from time to time, by resolution, prescribe.

Section 6. The credit committee or loan officer must for each loan or line of credit inquire into the character and financial condition of the applicant and the applicant's sureties, if any, to ascertain their ability to repay fully and promptly the obligations incurred by them and to determine whether the loan or line of credit will be of probable benefit to the borrower. The credit committee and its appointed loan officers should endeavor diligently to assist applicants in solving their financial problems.

Section 7. No loan or line of credit may be made unless approved by the committee or a loan officer in accordance with applicable law and regulations.

Section 8. Subject to the limits imposed by applicable law and regulations, these bylaws, and the general policies of the board, the credit committee, or a loan officer, determines the security, if any, required for each application and the terms of repayment. The security furnished must be adequate in quality and character and consistent with sound lending practices. When funds are not available to make all the loans and lines of credit for which there are applications, preference should be given, in all cases, to the smaller applications if the need and credit factors are nearly equal.

Option 2 Article VIII. Loan Officers (No Credit Committee)

Section 1. Each loan officer must maintain a record of each approved or not approved transaction within 7 days of the filing of the application or request, and such record becomes a part of the records of the credit union. No individual may disburse funds of this credit union for any application or share withdrawal which the individual has approved as a loan officer.

Section 2. The loan officer must for each loan or line of credit inquire into the character and financial condition of the applicant and the applicant's sureties, if any, to ascertain

their ability to repay fully and promptly the obligations incurred by them and to determine whether the loan or line of credit will be of probable benefit to the borrower. The loan officers should endeavor diligently to assist applicants in solving their financial problems.

Section 3. No loan or line of credit may be made unless approved by a loan officer in accordance with applicable law and regulations.

Section 4. Subject to the limits imposed by applicable law and regulations, these bylaws, and the general policies of the board, a loan officer determines the security if any required for each application and the terms of repayment. The security furnished must be adequate in quality and character and consistent with sound lending practices. When funds are not available to make all the loans and lines of credit for which there are applications, preference should be given, in all cases, to the smaller applications if the need and credit factors are nearly equal.

Article IX. Supervisory Committee

Section 1. The supervisory committee is appointed by the board from among the members of this credit union, one of whom may be a director other than the financial officer. The board determines the number of members on the committee, which may not be fewer than 3 nor more than 5. No member of the credit committee, if

applicable, or any employee of this credit union may be appointed to the committee. Regular terms of committee members are for periods of 1, 2, or 3 years as the board determines: provided, however, that all regular terms are for the same number of years and until the appointment and qualification of successors. The regular terms are fixed at the beginning, or upon any increase or decrease in the number of committee members, so that approximately an equal number of regular terms expires at each annual meeting.

Section 2. The supervisory committee members choose from among their number a chair and a secretary. The secretary of the supervisory committee prepares, maintains, and has custody of full and correct records of all actions taken by it. The offices of chair and secretary may be held by the same person.

Section 3. The supervisory committee makes, or causes to be made, such audits, and prepares and submits such written reports, as are required by the Act and regulations. The committee may employ and use such clerical and auditing assistance as may be required to carry out its responsibilities prescribed by this article, and may request the board to provide compensation for such assistance. It will prepare and forward to the Administration such reports as may be required.

Section 4. The supervisory committee will cause the verification of the accounts of all members with the records of the financial

officer from time to time and not less frequently than as required by the Act and regulations. The committee must maintain a record of such verification.

Section 5. By unanimous vote, the supervisory committee may suspend until the next meeting of the members any director, board officer, or member of the credit committee. In the event of any such suspension, the supervisory committee must call a special meeting of the members to act on the suspension, which meeting must be held not fewer than 7 nor more than 14 days after the suspension. The chair of the committee acts as chair of the meeting unless the members select another person to act as chair.

Section 6. By the affirmative vote of a majority of its members, the supervisory committee may call a special meeting of the members to consider any violation of the provisions of the Act, the regulations, or of the charter or the bylaws of this credit union, or to consider any practice of this credit union which the committee deems to be unsafe or unauthorized.

Article X. Organization Meeting

Section 1. At the time application is made for a federal credit union charter, the subscribers to the organization certificate must meet for the purpose of electing a board of directors and a credit committee, if applicable. Failure to commence operations within 60 days following receipt of the approved organization

certificate is cause for revocation of the charter unless a request for an extension of time has been submitted to and approved by the Regional Director.

Section 2. The subscribers elect a chair and a secretary for the meeting. The subscribers then elect from their number, or from those eligible to become members of this credit union, a board of directors and a credit committee, if applicable, all to hold office until the first annual meeting of the members and until the election and qualification of their respective successors. If not already a member, every person elected under this section or appointed under section 3 of this article, must qualify within 30 days by becoming a member. If any person elected as a director or committee member or appointed as a supervisory committee member does not qualify as a member within 30 days of such an election or appointment, the office will automatically become vacant and be filled by the board.

Section 3. Promptly following the elections held under the provisions of section 2 of this article, the board must meet and elect the board officers who will hold office until the

first meeting of the board of directors following the first annual meeting of the members and until the election and qualification of their respective successors. The board also appoints a supervisory committee at this meeting as provided in Article IX, section 1, of these bylaws and a credit committee, if

applicable. The members so appointed hold office until the first regular meeting of the board following the first annual meeting of the members and until the appointment and qualification of their respective successors.

Article XI. Loans and Lines of Credit to Members

Section 1. Loans may only be made to members and for provident or productive purposes in accordance with applicable law and regulations.

Section 2. Any member whose loan is delinquent may be required to pay a late charge as determined by the board of directors.

Article XII. Dividends

Section 1. The board establishes dividend periods and declares dividends as permitted by the Act and applicable regulations.

Article XIII. Deposit of Funds

Section 1. All funds of this credit union, except for petty cash and cash change funds, must be deposited in such qualified depository or depositories from among those authorized by applicable law and regulations as the board may from time to time by resolution designate; and must be so deposited not later than

the _____ (fill in number) banking day after their receipt: provided, however, that receipts in the aggregate of \$_____ (fill in number) or less may be held as long as 1 week before they are deposited.

Article XIV. Expulsion and Withdrawal

Section 1. A member may be expelled only in the manner provided by the Act. Expulsion or withdrawal will not operate to relieve a member of any liability to this credit union. All amounts paid in on shares by expelled or withdrawing members, prior to their expulsion or withdrawal, will be paid to them in the order of their withdrawal or expulsion, but only as funds become available and only after deducting any amounts due to this credit union.

Article XV. Minors

Section 1. Shares may be issued in the name of a minor.

Article XVI. General

Section 1. All power, authority, duties, and functions of the members, directors, officers, and employees of this credit union, pursuant to the provisions of these bylaws, must be exercised in strict conformity with the provisions of applicable law and regulations, and of the charter and the bylaws of this credit union.

Section 2. The officers, directors, members of committees and employees of this credit union must hold in confidence all transactions of this credit union with its members and all information respecting their personal affairs, except when permitted by state or federal law.

Section 3. Notwithstanding any other provisions in these bylaws, any director or committee member of this credit union may be removed from office by the affirmative vote of a majority of the members present at a special meeting called for the purpose, but only after an opportunity has been given to be heard.

Section 4. No director, committee member, officer, agent, or employee of this credit union may participate in any manner, directly or indirectly, in the deliberation upon or the determination of any question affecting his or her pecuniary or personal interest or the pecuniary interest of any corporation, partnership, or association (other than this credit union) in which he or she is directly or indirectly interested. In the event of the disqualification of any director respecting any matter presented to the board for deliberation or determination, such director must withdraw from such deliberation or determination; and in such event the remaining qualified directors present at the meeting, if constituting a quorum with the disqualified director or directors, may exercise with respect to this matter, by majority vote, all the powers of the board.

In the event of the disqualification of any member of the credit committee, if applicable, or the supervisory committee, such committee member must withdraw from such deliberation or determination.

Section 5. Copies of the organization certificate of this credit union, its bylaws and any amendments thereof, and any special authorizations by the Administration must be preserved in a place of safekeeping. Copies of the organization certificate and field of membership amendments should be attached as an appendix to these bylaws. Returns of nominations and elections and proceedings of all regular and special meetings of the members and directors must be recorded in the minute books of this credit union. The minutes of the meetings of the members, the board, and the committees must be signed by their respective chairmen or presiding officers and by the persons who serve as secretaries of such meetings.

Section 6. All books of account and other records of this credit union must be available at all times to the directors and committee members of this credit union. The charter and bylaws of this credit union must be made available for inspection by any member and, if the member requests a copy, it will be provided for a reasonable fee.

Section 7. Members must keep the credit union informed of their current address.

Section 8. (a) The credit union may elect to indemnify to the extent authorized by (check one)

law of the state of _____:

Model Business Corporation Act:

the following individuals from any liability asserted against them and expenses reasonably incurred by them in connection with judicial or administrative proceedings to which they are or may become parties by reason of the performance of their official duties (check as appropriate).

current officials

former officials

current employees

former employees

(b) The credit union may purchase and maintain insurance on behalf of the individuals indicated in (a) above against any liability asserted against them and expenses reasonably incurred by them in their official capacities and arising out of the performance of their official duties to the extent such insurance is permitted by the applicable state law or the Model Business Corporation Act.

(c) The term "official" in this bylaw means a person who is a member of the board of directors, credit committee, supervisory committee, other volunteer committee (including elected or appointed loan officers or membership officers), established by the board of directors.

Article XVII. Amendments of Bylaws and Charter

Section 1. Amendments of these bylaws may be adopted and amendments of the charter requested by the affirmative vote of two-thirds of the authorized number of members of the board at any duly held meeting of the board if the members of the board have been given prior written notice of the meeting and the notice has contained a copy of the proposed amendment or amendments. No amendment of these bylaws or of the charter may become effective, however, until approved in writing by the NCUA Board.

Article XVIII. Definitions

Section 1. When used in these bylaws the terms:

(a) "Act" means the Federal Credit Union Act, as amended.

(b) "Administration" means the National Credit Union Administration.

(c) "Board" means board of directors of the federal credit union.

(d) "NCUA Board" means the Board of the National Credit Union Administration.

(e) "Regulation" or "regulations" means rules and regulations issued by the NCUA Board.

(f) "Applicable law and regulations" means the Federal Credit Union Act and rules and regulations issued thereunder or other applicable federal and state statutes and rules and regulations issued thereunder as the context indicates (such as The Higher Education Act of 1965).

(g) "Paid in and unimpaired capital," as of a given date, means the balance of the paid-in share accounts as of such date, less any losses that may have been incurred for which there is no reserve or which have not been charged against undivided earnings.

(h) "Surplus," as of a given date, means the credit balance of the undivided earnings account on such date, after all losses have been provided for and net earnings or net losses have been added thereto or deducted therefrom, as the case may be.

Reserves are not considered as a part of the surplus.

(i) "Share" or "shares" means all classes of shares and share certificates that may be held in accordance with applicable law and regulations.

Section 2. If included in the definition of the field of membership in the organization certificate charter of this credit union, the term or expressions:

(a) "Organizations of such persons" means an organization or organizations composed exclusively of persons who are within the field of membership of this credit union.

(b) " Immediate family member" eligibility is limited to spouse, child, sibling, parent, grandparent or grandchild. For the purposes of this definition, immediate family member includes stepparents, stepchildren, stepsiblings, and adoptive relationships. **A credit union may adopt a more restrictive definition of this term by deleting this definition from its bylaws and replacing it with its own more restrictive definition**

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(c) " Household" is defined as persons living in the same residence maintaining a single economic unit. **A credit union may adopt a more restrictive definition of this term by deleting this definition from its bylaws and replacing it with its own more restrictive definition**

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Duties and powers	VII	3	Appointment of	IX	10
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	X	3	Disqualification of committee		
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