

OGC 6888

RECEIVED
FEDERAL ELECTION COMMISSION

LAW OFFICES
KAITO & ISHIDA

90 JUL -9 PM 1:58

BEN F. KAITO
LINCOLN J. ISHIDA
NELSON T. NAGAUE
MARSHALL D. CHINEN

PENTHOUSE, CHARLES R. KENDALL BLDG.
888 MILILANI STREET
HONOLULU, HAWAII 96813
TELEPHONE (808) 521-4576
FACSIMILE (808) 538-6676

July 5, 1990

Federal Election Commission
Office of General Counsel
999 E. Street, N.W.
Washington, D.C. 20463

Re: Request for Advisory Opinion

Gentlemen:

Our office represents the Oahu Educational Employees' Federal Credit Union (OEEFCU) located in Honolulu, Hawaii. The OEEFCU is a federally chartered credit union Charter No. 1815 and draws its members as follows:

The field of membership shall be limited to those having the following common bond: Teachers and employees of elementary, preschool, Community Schools for Adults, Technical Trade and Vocational Schools, Private Schools for Special Education and Special Schools under Administration of the Honolulu District Office licensed by the State of Hawaii, who work in the City and County of Honolulu, Hawaii; employees of the Department of Education who work in the Annex in the City of Honolulu, Hawaii; teachers and employees of all rural schools in the County of Honolulu, Hawaii, spouses of persons who died while within the field of membership of this Credit Union; employees of this Credit Union; persons retired as pensioners or annuitants from the above employment; members of their immediate families; full-time, registered students of the above schools and their parents living under the same roof in the same household; and organizations of such persons.

The OEEFCU is interested in forming a separate segregated fund to make monetary contributions in Hawaii elections for federal offices.

RECEIVED
FEDERAL ELECTION COMMISSION
90 JUL -9 PM 3:39

Letter to Federal Election
Commission

Page 2

We request an advisory opinion, whether the OEEFCU is permitted to establish separate segregated fund to make contributions to candidates for federal offices.

Very truly yours,


MARSHALL D. CHINEN

MDC:lti

FEDERAL RESERVE BOARD
ADMINISTRATIVE SERVICES DIVISION

90 JUL 13 AM 8:27



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

FACSIMILE TRANSMITTAL

COVER SHEET

DATE: 7/12/90

TIME: 8:00 ~~A.M.~~ P.M.

TO: Brad Litchfield

AT FAX NO. 376-5280

OF PAGES:
(Excluding
Cover Page)

SUBJECT: _____

FROM: Mike McKenna

NATIONAL CREDIT UNION ADMINISTRATION

OFFICE: GC

FOR VERIFICATION CALL: (202) 682-9630

OPERATOR: Sheryl

NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20458

LS/SRB:cch
4670

9/1/85 10/4/85

MEMORANDUM

FROM: Department of Legal Services

TO : Regional Director, Region II (Capital)

SUBJ: NAFCU's Credit Union Taxation Defense Fund

REF : (a) RD, Region II (Capital) memo SC/PRC:lmd, dated August 16, 1985; same subj.

(b) NCUA IRPS 79-6--Donations/Contributions, dated October 23, 1979

ENCL: (1) Deputy GC memo LS/JLC:le to Executive Director, dated November 2, 1982; subj: Donations by Federal Credit Unions

1. Reference (a) requests our opinion on the applicability of reference (b) to NAFCU's Credit Union Taxation Defense Fund. In addition, we are asked for our opinion on the applicability of reference (b) to FCU donations to credit union leagues for the purpose of constructing league buildings.

2. A brief discussion on the general issue of corporate expenditures will help in understanding reference (b).

As a starting point it should be recognized that the courts have held that all corporate expenditures, in order to be considered as within the corporation's incidental powers, have to be used for corporate purposes and to improve the value of the stock held by shareholders. Funds expended where nothing of value or real benefit is received by the corporation is considered to be "corporate waste." Directors committing "corporate waste" may be liable to the corporation for such improper expenditures.

Corporate charitable donations is one area where the issue of corporate waste is of particular concern. Early court decisions held that corporations did not have the incidental power to give away money or property to charity. This position stemmed from the belief that only "goodwill" resulted from charitable donations, and that goodwill had no monetary value. As the concept and recognition of the value of goodwill changed, so too did the courts' position on a corporation's authority to

NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

make charitable donations. It is now held that charitable donations do fall within a corporation's incidental powers where discernable goodwill inures to the benefit of the corporation. There would be no corporate waste where a charitable donation results in goodwill having a likely monetary value to the corporation.

3. IRPS 79-6, as noted therein, is NCUA's interpretation of the incidental powers of FCU's (Section 107(16) of the FCU Act), with respect to donations and contributions. (Enclosure (1) provides a good background and history of the issue of FCU donations in general and IRPS 79-6 in particular.) Unfortunately, the IRPS does not make it clear that its applicability is limited to charitable donations. Further, it is not readily apparent that the IRPS does not include every expenditure that may be described or denoted as a "donation" or "contribution." This point does become evident, however, when one reads the last paragraph in the Supplementary Information Section of the IRPS which states, in part, that:

"Finally, FCU's should be aware of the following: that contributions, either direct or indirect, to candidates for a trade association or credit union league office do not fall within the scope of this interpretation. . . ." (Emphasis added.)

To distinguish donations, as that word is used in the IRPS, from other expenditures it is important to understand what is meant by the use of the word "donation." As defined in Webster's Dictionary, "donation" means "the action of making a gift esp. to a charity or public institution. . . a free contribution; Gift." This should be differentiated from other disbursements which might be described as donations, contributions, pledges, etc., but which upon closer examination, are not donations as that term is customarily used. The confusion surrounding the IRPS, and NAFCU's Taxation Defense Fund, is a result of the general misunderstanding of what is a donation within the scope of the IRPS. It was in conformance with the evolution of the law, as relating to corporate donations, that NCUA adopted IRPS 79-6. If the conditions, as described in the IRPS, are met, it is NCUA's position that a discernable, direct goodwill benefit would be derived by an FCU. The donation, therefore, would be within an FCU's incidental powers and not be viewed as corporate waste.

4. The issue at hand is one that does not involve a donation. There is no intention on the part of credit unions contributing to NAFCU's Fund that a gift be made for charitable purposes. Rather, the funds are given for the specific purpose of defeating the proposed Federal legislation that would tax credit unions. Clearly, the expenditure of funds by an FCU for the purpose of fighting legislation that, if enacted, would result in a direct and ascertainable loss of earnings for FCU's, would not fall

**NATIONAL CREDIT UNION ADMINISTRATION**

WASHINGTON, D.C. 20456

within the definition of corporate waste. The money is being spent on something that has an articulable monetary value to credit unions. The fact that several FCU's pool their monies by contributing to a fund in no way changes the character or nature of the expenditure. The real issue is, in very simple terms, what's in it for the FCU? If an answer to this question can be articulated, and it is evident that the FCU is getting something of monetary value as compared to goodwill (which is of speculative monetary value and which, therefore, is limited by the IRPS), then the expenditure would be proper (within an FCU's incidental powers). Again, such expenditures are not donations and, therefore, not covered by the IRPS. However, this is not to say that if such expenditures are large that they would not be questioned on safety and soundness grounds as being excessive etc., in light of what is being obtained or in light of the financial condition of the FCU. We should point out that this same safety and soundness limitation is discussed in the IRPS and applies to those charitable contributions that would otherwise be permitted.

5. The issue of whether donations to a credit union league for its construction of a building are within an FCU's incidental powers should be addressed under the same general guidelines discussed above. Whether or not such expenditures would be considered corporate waste (an improper disbursement) depends upon the particular facts and circumstances of each individual case.

Also, it is important to remember that the "CUSO" authority (Section 107(5)(D) and 107(7)(I)), as it has been interpreted by NCUA, prohibits an FCU from making either a loan or investment to a trade association. Depending upon how a plan to finance a league building is structured, it may well run afoul of those statutory provisions. The ultimate resolution of this issue will require a judgment call on a case-by-case basis.

6. If you have any further questions, please let me know.

STEVEN R. BISKER
Assistant General Counsel

cc: All RD's
Dept. S&E

NATIONAL CREDIT UNION ADMINISTRATION
1776 G Street, N.W.
Washington, DC 20456

*Charters available
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will
call back.*

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Budget Ofcr Bill Poling 7281	682-9710

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mckenna - staff atty -
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Inspector General Joan Perry 7571	682-9730
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Director Robert Loftus 6100B	682-9650
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President Robert J LaPorte 817	682-9780
Treasurer Ronald N Lewandowski 819	682-9780



FEDERAL ELECTION COMMISSION

WASHINGTON, D C 20463

July 16, 1990

**Marshall D. Chinen
Kaito & Ishida
888 Mililani Street
Honolulu, HI 96813**

Dear Mr. Chinen:

This refers to your letter dated July 5, 1990 requesting an advisory opinion on behalf of the Oahu Educational Employees' Federal Credit Union ("OEEFCU") in Honolulu, Hawaii, and concerning application of the Federal Election Campaign Act of 1971, as amended ("the Act").

You ask whether OEEFCU may establish a "separate segregated fund to make monetary contributions in Hawaii elections for federal offices." Your letter explains that OEEFCU is a federally chartered credit union, Charter No. 1815, and that its members are comprised of teachers, employees, and other personnel who are employed in, or associated with, various school systems in the Honolulu area.

The Act authorizes the Commission to issue an advisory opinion in response to a "complete written request" from any person with respect to a specific transaction or activity by the requesting person. 2 U.S.C. §437f(a). Commission regulations explain that such a request "shall include a complete description of all facts relevant to the specific transaction or activity with respect to which the request is made." 11 CFR 112.1(c).

In order to provide a complete description of the relevant facts, please provide a copy of OEEFCU's charter and its bylaws, if any. In addition, please explain whether you propose to establish a separate segregated fund as permitted by 2 U.S.C. §441b and 11 CFR Part 114. In particular, state whether OEEFCU proposes to use its general treasury funds to defray the administrative expenses and solicitation costs related to its proposed political fund.

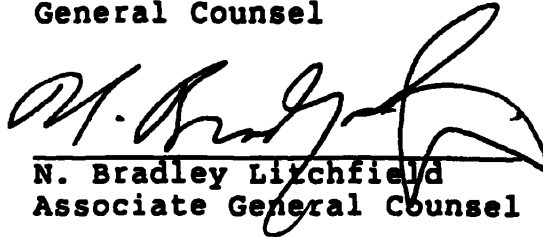
Letter to Marshall D. Chinen
Page 2

Upon receiving the requested charter and bylaws, and your responses to the foregoing questions, this office and the Commission will further consider your inquiry as an advisory opinion request. If you have any questions concerning the advisory opinion procedure or this letter, please contact the undersigned.

Sincerely,

Lawrence M. Noble
General Counsel

by:



N. Bradley Litchfield
Associate General Counsel

06C 7402

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT

90 AUG 15 PM 4:43

00 AUG 15 PM 12:00

LAW OFFICES
KAITO & ISHIDA

BEN F. KAITO
LINCOLN J. ISHIDA
NELSON T. NAGAUE
MARSHALL D. CHINEN

PENTHOUSE, CHARLES R. KENDALL BLDG.
888 MILILANI STREET
HONOLULU, HAWAII 96813
TELEPHONE (808) 521-4576
FACSIMILE (808) 538-6676

August 10, 1990

Federal Election Commission
Washington, D.C. 20463
Attention: N. Bradley Litchfield
Associate General Counsel

AOR 1990-18

Dear Mr. Litchfield:

In response to your letter dated July 16, 1990, we enclose the following:

1. Copy of OEEFCU's Charter.
2. Copy of OEEFCU's By-Laws.

The OEEFCU proposes to establish a separate segregated fund and to use its general treasury funds to pay for costs incurred in establishing and running said separate segregated fund.

Should you have any further questions, please contact our office.

Very truly yours,

MARSHALL D. CHINEN

MDC:es

Enclosures

0022E

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90 AUG 13 PM 2:44



FARM CREDIT ADMINISTRATION

WASHINGTON, D.C.

December 20, 1937.

I, CHIEF CLERK OF THE FARM CREDIT ADMINISTRATION, hereby certify that the annexed is a true and correct copy of the charter and bylaws issued to the Oahu Teachers (No. 3) Federal Credit Union, Honolulu, Territory of Hawaii; together with Annual Permit to Operate, dated November 23, 1936, which said official record of the foregoing is _____

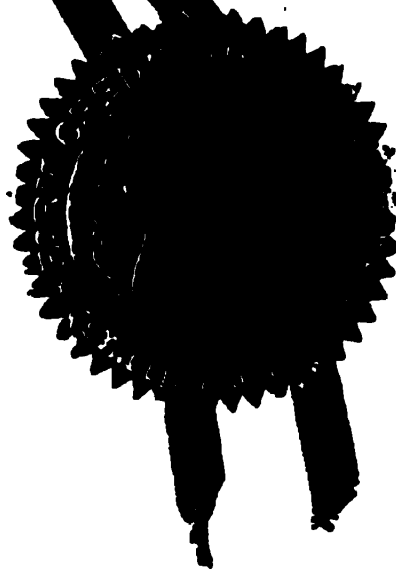
the official records and/or files of the Farm Credit Administration.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Farm Credit Administration to be affixed, on the day and year first above written:

By direction of the Governor of the Farm Credit Administration

W. S. Himmelman

Chief Clerk, Farm Credit Administration



DUPLICATE

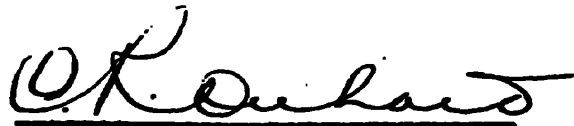
ANNUAL PERMIT TO OPERATE

It is hereby certified that

CAHU TEACHERS (NO. 3) FEDERAL CREDIT UNION (NO. 1815)

has complied with the requirements of Public Act Number 467, 73d Congress, entitled "An Act to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States", approved June 26, 1934; that all fees due and payable to the Farm Credit Administration to and including the date hereof have been paid; and that it is authorized to transact business until December 31, 19 37.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the official seal of the Farm Credit Administration at the City of Washington, D. C., this 23rd day of November 1936.



Director, Credit Union Section

OAHU TEACHERS (NO. 3)

FEDERAL CREDIT UNION

CHARTER NO. 1815

FARM CREDIT ADMINISTRATION, CREDIT UNION SECTION, WASHINGTON, D. C.

ORGANIZATION CERTIFICATE

OAHU TEACHERS (NO. 3) (NO. 1815) FEDERAL CREDIT UNION.

To the Governor of the Farm Credit Administration:

We, the undersigned, with the common bond of association indicated hereafter, do hereby apply for permission to organize and to operate a Federal credit union for the purposes indicated in and in accordance with the provisions of Public Act No. 467 of the 73d Congress entitled "An Act to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States"; we agree to comply with the requirements of said Act, with the terms of this organization certificate and with all laws, rules and regulations applicable now or later to Federal credit unions; and we hereby certify that:

(1) The name of this credit union shall be _____
Oahu Teachers (No. 3) (No. 1815) Federal Credit Union.

(2) This credit union will maintain its office at _____
Honolulu, Territory of Hawaii

and will operate in the following territory _____
City and County of Honolulu, Territory of Hawaii

(3) The names and addresses of the subscribers to this certificate and the number of shares subscribed by each are as follows*:

(TO BE TYPED OR PRINTED)

FULL NAME	HOME ADDRESS	NO. OF SHARES SUBSCRIBED FOR
Katherine McCabe	62 Wylie Street, Honolulu, T. H.	1
Phoebe H. Amoy	3755 Faialae Avenue, " "	1
Velma S. Powell	2144 Lanihuli Drive, " "	2
Myrtle Holstad	Beach Walk Inn, " "	1
Anita B. Cooper	14 Yood Street, " "	1
Mina Kaleikau	2428 Kaau Street, " "	1
Irene K. Peters	2006 Pahukui Street, " "	1
Margaret T. Ohta	2019 S. Beretania St., " "	1
Helen E. K. Ching	1928 Naio Street, " "	1
Hattie L. Sprout	1930 Ninth Avenue, " "	1
Marguerite Hamamoto	314 21st Avenue, " "	1
Helen Jamieson	2412 Oahu Avenue, " "	1
Helen Marshall	1122 Alaya Drive, " "	2

*At least seven subscribers are required.

Lucy Schuyler	Vishaka School, Honolulu, T. H.	1	2
Myra W. Angus	2661 Nuuanu Avenue, Honolulu, T.H.	1	
Lucy H. Shipp	1062 Young Street,	1	
Louise Gilliland	3480 Kilauea Avenue,	1	
Ella Ball	803 70th Avenue,	1	
Rose C. Mariner	2161 Mahalo Street,	1	
Eether T. Char	854 Eighth Avenue,	1	
Esther Kim	1416 E. Lumaillo St.,	1	
Sarah Tsoo	917 Eighth Avenue,	1	
Nola M. Jackson	1410 Center Street,	1	
Vivian L. Kim	1402 McCully Street,	1	
Lucy L. Kaula	355 Hala Drive,	1	

(4) The par value of the shares of this credit union shall be \$5.00.

(5) The field of membership will be limited to those having the following common bond of association, occupation or residence

All employees of the elementary schools in the city and county of Honolulu, Territory of Hawaii; members of the Honolulu Teachers' Association, and other organizations of the same nature.

(6) The term of this credit union's existence shall be perpetual; provided, however, that the Governor of the Farm Credit Administration may suspend or revoke this organization certificate upon his finding that this credit union is bankrupt or insolvent or has violated any provision of this organization certificate, of the bylaws, of the Federal Credit Union Act including any amendments thereto or thereof, or of any regulations issued thereunder.

(7) This certificate is made to enable the undersigned to avail themselves of the advantages of said Act.

(8) The management of this credit union, the conduct of its affairs, and the powers, duties and privileges of its directors, officers, committees and membership shall be as set forth in these attached bylaws and any amendments thereto or thereof approved by the Governor of the Farm Credit Administration.

IN WITNESS WHEREOF we* have hereunto subscribed our names this 6th day of November, 1936.

SIGNATURE

SIGNATURE

<i>Robert S. Powell</i>	<i>Margaret White</i>
<i>Edna G. King</i>	<i>Helen E. R. Ching</i>
<i>Mrs. M. K. ...</i>	<i>...</i>
<i>Mona K. ...</i>	<i>...</i>
<i>...</i>	<i>Helen Jamieson</i>

1. Mary W. Angus
2. Lucy H. Shipp
3. Louise Hilliard
4. Ella Bell
5. Esther D. Char
6. Rose C. Wainner
7. Esther Ham
8. Sarah T. Jan
9. Mollie M. Jackson
10. Vivian A. Kern
11. Lucy L. Mowry
12. Annie C. Smith
13. Kate Susan Mackin
14. Rosaline H. Brown
15. Eva F. Baker
16. Mary C. Brown
17. Adelaide Thomas
18. Eva C. Corvira
19. Elizabeth G. Giddens
20. Marion G. Giddens
21. Ann G. Giddens
22. Edith M. Russell
23. Mary C. Giddens
24. Mary C. Giddens
25. Mary C. Giddens
26. Mary C. Giddens
27. Mabel Mahikoa
28. Florence G. Giddens

Esther J. B. ...
Lucas ...
Susan ...
Celestine S. Barbour
Virginia Brownlowe
Henriette Austen
...
Belle Wane
Margaret Lopez
Helen ...
Frances K. Berman
Elizabeth Campbell
Lucy A. L. Flores
Mabel ...
Mary B. Sniffen
Belle J. Scheid
Habelle S. Cabrinha
Adeline N. Foster
Violet B. Rosa
Mary ...
Hazel S. Epperson
Jennie ...
Emma de Fontes
Catharine D. ...
Minnie D. ...
Clara A. ...
Wanda A. Roberts

Mrs. ...
Delora ...
Marie A. Webber
Maud C. ...
Annie Kanabale
Gladys S. Park
Effie L. Fisher
Edna B. Wilkie
Mary ...
Daisy ...
Hannah K. ...
Louis ...
Phoebe H. ...
Katherine ...
Helen Marshall
Lucy Schuyler

State of Hawaii
 County of Honolulu } 59

BEFORE ME, the undersigned, a Notary Public, in and for said State
 and County this 6th day of January, 1936, personally
 appeared _____

~~Valma S. Powell, Anita B. Cooper, Myrtle Holmsted, Ethel Kallstrom, Grace M. Peters,~~
 Margaret T. Ohta, Helen Y. K. Ching, Hattie L. Sproat, Marguerite Hummel,
 Helen Jamison, Myra W. Angus, Lucy H. Shipp, Louise Gilliland, Milla Ball,
 Esther T. Char, Rose O. Harriman, Esther Kim, Sarah Tsou, Hala M. Jackson, Vivian A. Kim,
 Lucy L. Moniz, Marion K. Soares, Bertie Gordon Masfia, Rosalind F. Barrere,
 Eva Fukuda Wong, Daisy Anyong Luke, Adelaide Consoles, Eva C. Correda, Elizabeth Lindquist,
 Marion Dwy, Sarah Kinnaman, Edith M. Russell, Cora K. Sabin, Helen Lederer,
 Elizabeth Bayless, Mary A. Tyan, Mabel Mahikoa, Florence S. Han, Jean Kent Angus,
 Esther K. R. See, Sarah Nellie Fincke, Susan Chu Wong, Celestine S. Barbour,
 Virginia Brownlowe, Henriette Austen, Bernice S. C. Chang, Belle Evans, Margaret Lopes,
 Helen Leandro, Frances K. Berman, Elizabeth Campbell, Lucy A. L. Flores, Ethel L. Ing,
 Mary B. Sniffen, Belle J. Scheid, Isabelle F. Cabrinha, Adaline N. Foster, Violet B. Ross,
 Mary L. Yap, Hazel S. Epperson, Jammie K. Hardee, Emma De Fantes, Clothilde D. Faria,
 Mimmie D. Soper, Clara A. Burlan, Wanda A. Roberts, Mary F. Atkins, Deborah H. C. Woodhull,
 Marie A. Webling, Mand O. Slason, Amie Kanahala, Gladys S. Park, Affie L. Fisher,
 Edna B. Wilkie, Mary J. Couch, Daisy Boyd, Hannah K. Sheldon, Louis Camara, Phoebe H. And
 Katherine McCabe, Helen Marshall and Lucy Schumler.

STATE OF HAWAII
COUNTY OF HONOLULU
I, the undersigned, do hereby certify that the following is a true and correct copy of the original as the same appears in the files of the Department of Public Safety, Honolulu, Hawaii, this 23rd day of September, 1931.

State of
County of

subscribers to the foregoing Organization Certificate and acknowledged the same to be their free act and deed.

Carl Machado

(SEAL)

Notary Public for the Judicial
Circuit Territory of Hawaii
My Commission Expires: *Indefinite*

The foregoing Organization Certificate is approved by me, pursuant to the provisions of Section 4 of the Federal Credit Union Act.

September 23, 1931.

A. S. Myers
Governor, Farm Credit Administration

By: *W. S. Heiman*

Revised: January 1990

BYLAWS

Federal Credit Union, Charter No. 1815

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

Article I. Name - Purposes

Section 1. The name of this credit union shall be Oahu Educational Employees Federal 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.

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 to membership under section 5 of the charter shall be signed by the applicant on forms approved by the board. Upon approval of such an application by the majority of the directors or a majority of the members of a duly authorized executive committee or by a membership officer and upon his/her subscription to at least one share of this credit union and the payment of the initial installment thereon, 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 therefore shall be furnished in writing to the person whose application is denied, upon written request.

Section 3. A number shall be assigned to each member as a means of identifying his account with the credit union.

Section 4. A member who withdraws all of his shareholdings thereby ceases to be a member. The board may by resolution require persons readmitted to membership to pay another entrance fee.

Section 5. The field of membership shall be limited to those having the following common bond: Teachers and employees of elementary, preschool, Community Schools for Adults, Technical Trade and Vocational Schools, Private Schools for Special Education and Special Schools under Administration of the Honolulu District Office licensed by the State of Hawaii, who work in the City and County of Honolulu, Hawaii; employees of the Department of Education who work in the Annex in the City of Honolulu, Hawaii; teachers and employees of all rural schools in the County of Honolulu, Hawaii, spouses of persons who died while within the field of membership of this credit union; employees of this credit union; persons retired as pensioners or annuitants from the above employment; members of their immediate families; full-time, registered students of the above schools and their parents living under the same roof in the same household; and organizations of such persons.

Article III. Shares of Members

Section 1. The par value of each share shall be \$ 100. Subscription to shares are payable at the time of subscription, or in installments of at least \$16.67 per month.

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

Section 3. A member who fails to complete payment of one share within 6 months of his admission to membership, or within 6 months from the increase in the par value of shares, or a member who reduces his 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 6 months of the reduction may be terminated from membership. (Note: The board shall specify the time period of at least 6 months and insert the same time period in each blank.)

Section 4. Shares may be transferred only from one member to another, by written instrument in such form as the board may prescribe. Such transfer shall carry dividend credits with it. The board may require payment of a fee not to exceed \$1 for each such transfer and, if so required, such fee shall apply to all transfers.

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

(a) The board shall have 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 so 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 shareholdings that are pledged as required security on loans without the written approval of the loan officer, except to the extent that such shares exceed the member's total primary and contingent liability to the credit union. "Required security" as used in this subsection

refers to shares which are in existence at the time the application is made and specifically required to be pledged as security as part of a secured transaction.

(d) No member may withdraw any shareholdings below the amount of his/her primary or contingent liability to the credit union if he/she is delinquent as a borrower, or if borrowers for whom he/she is comaker, endorser, or guarantor are delinquent, without the written approval of the 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.

(e) The share account of a person whose membership is terminated in accordance with article II, section 5, of these bylaws may be continued until the close of the dividend period in which the membership is terminated, after which it shall be transferred to an account payable. 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.

(f) The board shall 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 shall be established by board resolution and shall 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:

(a) When shares are issued in a revocable trust, the settlor must be a member of this credit union in his/her own right, and the name of the beneficiary must be stated.

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

(c) Trust accounts established prior to the effective date of this section shall not be affected. Trusts may be established pursuant to this section, provided such trusts, their terms and conditions are in accordance with the laws of this jurisdiction.

Article IV. Receipting for Money - Passbooks

Section 1. Money paid in or paid out on account of shares, loans, interest, entrance and transfer fees, or late charges shall be evidenced by an appropriate voucher or receipt or by entries in a member's passbook which shall also identify the person acting on behalf of this credit union. The member's official permanent record for all transactions shall be the entries in the pass book or a statement of account when such a plan is used as prescribed in the Accounting Manual for Federal Credit Unions.

Section 2. If a passbook is lost or stolen, immediate notice of such fact shall be given to the financial officer, and written application shall be made for the payment of the amount due the member as represented by said passbook or for the issuance of a duplicate passbook. The board may require the filing of an adequate bond to indemnify this credit union against any loss or losses resulting from the issuance of such duplicate passbook.

Article V. Meetings of Members

Section 1. The annual meeting of the members shall be held in each year, within the time provided in the Act, in the County in which the office of the credit union is located or within a radius of 20 miles of such office, at such time and place as the board shall designate.

Section 2. At least 7 days before the date of any annual or special meeting of the members, the secretary shall cause written notice thereof to be handed to each member in person, or mailed to each member at his/her address as the same appears on the records of this credit union. 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 thereat who are not present at such meeting shall in writing waive notice thereof, before, during, or after the meeting.

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

Section 3. Special meetings of the members may be called by the executive officer, 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 shall be called by the executive officer within 30 days of the receipt of a written request of 25 members or 5 percent of the members as of the date of the request, whichever number is larger: Provided, however, That a request of no more than 200 members shall be required for such meeting. The notice of such special meeting shall be given as provided in section 2 of this article.

Section 4. The order of business at annual meetings of members shall be:

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

(i) Adjournment.

The members assembled at any annual meeting may suspend the above order of business upon a two-thirds vote of the members present at the meeting.

Section 5. Except as hereinafter provided, at annual or special meetings, 15 members shall constitute a quorum. If no quorum is present, an adjournment may be taken to a date not fewer than 7 nor more than 14 days thereafter; and the members present at any such adjourned meeting shall constitute a quorum, regardless of the number of members present. The same notice shall be given for the adjourned meeting as is prescribed in section 2 of this article for the original meeting, except that such notice shall be given not fewer than 5 days previous to the date of the meeting as fixed in the adjournment.

Article VI. Elections

Section 1. At least 30 days prior to each annual meeting, the executive officer shall appoint a nominating committee of not fewer than three members. It shall be 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.

Section 2. After the nominations of the nominating committee have been placed before the members, the executive officer shall call for nominations from the floor. When nominations are closed, tellers shall be appointed by the executive officer, ballots shall be distributed, the vote shall be taken and tallied by the tellers, and the results announced. All elections shall be determined by plurality vote, and shall be by ballot except where there is only one nominee for the office. To provide that only members vote at the election, ballots shall be distributed at the registration desk prior to the annual meeting.

Section 3. No member shall be entitled to 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, shall not, as such, be entitled to vote.

Section 4. Irrespective of the number of shares held by him, no member shall have more than one vote.

Section 5. The names and addresses of members of the board, executive officers, executive committee, and members of the supervisory committee shall be forwarded to the Administration in accordance with the Act and regulations in such manner as may be required by said Administration.

Section 6. The board may establish by resolution a minimum age, not greater than 16 years of age, as a qualification for eligibility to vote at meeting of the members, or to hold elective or appointive office, or both.

Article VII. Board of Directors

Section 1. The board shall consist of 9 members, all of whom shall 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 shall be filed with the official copy of the bylaws of this credit union.

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

Section 3. Any vacancy on the board or supervisory committee shall be filled by vote of a majority of the directors then holding office. Directors so appointed shall hold office only until the next annual meeting, at which any unexpired terms shall be filled by vote of the members, and until the qualification of their successors. Members of the supervisory committee so appointed shall 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 4. A regular meeting of the board shall be held each month at the time and place fixed by resolution of the board. The executive officer, or in his absence the ranking assistant executive officer, may call a special meeting of the board at any time; and shall do so upon written request of a majority of the directors then holding office. Unless the board prescribes otherwise, the executive officer, or in his absence the ranking assistant executive officer, shall fix the time and place of special meetings. Notice of all meetings shall be given in such manner as the board may from time to time by resolution prescribe.

Section 5. The board shall have the general direction and control of the affairs of this credit union and shall be responsible for performing all the duties customarily performed by boards of directors. This shall include but not be 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 I, section 2, of these bylaws.

(c) Have authority to declare and authorize the payment of dividends on shares of members as provided in these bylaws.

(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) Reviewing denied loan applications of members who file written requests

for such reviews.

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

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

(h) Have authority to perform such additional acts and exercise such additional powers as may be required or authorized by applicable law or regulation.

(i) Within the limitations prescribed by the Act and regulations and the Higher Education Act of 1965 and the National Vocational Student Loan Insurance Act of 1965 and regulations issued thereunder, determine from time to time the interest rates on loans, the rate of interest refund, if any, to be made to members, the maximum maturities and terms of payment or amortization of loans to members, and the maximum amount that may be loaned, with and without security, to any member. When, by action of the board, the interest rates on future loans are reduced, similar action may be taken with regard to interest rates on unpaid balances of existing loans.

Section 6. A majority of the number of directors (inclusive of any vacancies) shall constitute a quorum for the transaction of business at any meeting thereof; but fewer than a quorum may adjourn from time to time until a quorum is in attendance.

Section 7. If a director fails to attend regular meetings of the board for 3 consecutive months, or otherwise fails to perform any of the duties devolving upon him/her as a director his/her office may be declared vacant by the board and the vacancy filled as herein provided. The board may remove any executive officer from office for failure to perform the duties thereof, after giving the officer reasonable notice and opportunity to be heard.

When any executive officer, membership officer, executive committee member or investment committee member is absent, disqualified, or otherwise unable to perform the duties of his/her office, the board may by resolution designate another member of this credit union to act temporarily in his/her place.

Section 8. Any member of the supervisory committee may be suspended by a majority vote of the board of directors. The members of this credit union shall decide, at a special meeting held not fewer than 7 nor more than 14 days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee.

Article VIII. Executive Officers, Executive Committee, Investment Committee and Management Staff

Section 1. The board officers of this credit union shall be comprised of an executive officer, one or more assistant executive officers, a financial officer, and a recording officer, all of whom shall be elected by the board and from their number. The board shall determine the title and rank of each board officer and shall record them in the addendum to this article. One board

officer, the financial officer, may be compensated for his services to such extent as may be determined by the board. If more than one assistant executive officer is elected, the board shall determine their rank as first assistant executive officer, second assistant executive officer, et cetera. The offices of the financial officer and recording officer may be held by the same person. Unless sooner removed as herein provided, the board officers elected at the first meeting of the board shall hold office until 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 shall be held not later than 7 days after the annual meeting, shall 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 shall be elected by the board to serve for the unexpired term of such officer and until his successor is duly elected and qualified.

Section 3. The president shall preside at all meetings of the members and at all meetings of the board of directors; shall countersign all notes of this credit union; and shall perform such other duties as customarily appertain to the office of president or as he/she may be directed to perform by resolution of the board of directors not inconsistent with the provisions of law or these bylaws.

Section 4. The ranking assistant executive officer available shall have and exercise all the powers, authority, and duties of the executive officer during the absence of the latter or his/her inability to act.

Section 5. The treasurer shall be the general manager of this credit union under the control and direction of the board of directors. Before entering upon his/her duties, he/she shall give a proper bond with good and sufficient surety, in an amount to be determined by the board of directors as herein provided, conditioned upon the faithful performance of his/her duties. Subject to such limitations and control as may be imposed by the board of directors, the treasurer shall have custody of all funds, securities, valuable papers, and other assets of this credit union. He/she shall sign all checks, drafts, notes and other obligations of this credit union. He/she shall provide and maintain full and complete records of all the assets and liabilities of this credit union. Within 7 days after the close of each month, he/she shall prepare and submit to the board of directors a financial statement showing the condition of this credit union as of the close of business on the last business day of such month, and shall promptly post a copy of such monthly financial statement for the next succeeding month. He/she shall prepare and forward to the Bureau of Federal Credit Unions such financial reports as said Bureau may require. The treasurer may be compensated for this services to such extent as may be determined by the board of directors at any regular or special meeting thereof.

Section 6. The board may appoint a management official who shall not be a member of the board and who shall be 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 5 of this article. The board shall determine the title and rank of each management official and shall record them in the addendum to this article.

The board may employ one or more assistant management officials, none of whom shall be a member of the board. 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 temporary absence of the management official or in the event of his temporary inability to act.

Section 7. The board shall employ, fix the compensation, and prescribe the duties of such employees as may in the discretion of the board be necessary, and have the power to remove such employees, unless it has delegated these powers to the financial officer or management official; except that neither the board, the financial officer, nor the management official shall have the power or duty to employ, prescribe the duties of, or remove any necessary clerical and auditing assistance employed or utilized by the supervisory committee.

Section 8. The recording officer shall prepare and maintain full and correct records of all meetings of the members and of the board, which records shall be prepared within 7 days after the respective meetings. The recording officer shall 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. He shall give or cause to be given, in the manner prescribed in these bylaws, proper notice of all meetings of the members, and shall perform such other duties as he may be directed to perform by resolution of the board not inconsistent with the Act and regulations and these bylaws.

The board may employ one or more assistant recording officers, none of whom may also hold office as executive officer, assistant executive officer, or financial officer, and may authorize them under direction of the recording officer to perform any of the duties devolving on the recording officer.

Section 9. The board may appoint an executive committee of not fewer than three directors, to act for it with respect to specifically delegated functions and subject to such limitations as prescribed by the board.

Section 10. The board may appoint one or more membership officers from among the members of this credit union to approve applications for membership under such conditions as the board and these bylaws may prescribe. Such membership officer or officers may not be a person authorized to disburse funds.

Section 11. The board may appoint an investment committee composed of not less than two to have charge of making investments under rules and procedures established by the board.

Section 12. No member of the executive committee, or investment committee, or membership officer may be compensated as such. Members of the executive committee, investment committee and membership officers shall serve at the pleasure of the board of directors.

Article IX. Loan Officers

Section 1. Each loan officer shall maintain a record of each transaction approved or not approved by him/her within 7 days of the date of filing of the application or request, and such record shall become 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 he/she has approved as a loan officer.

Section 2. The loan officer shall inquire into the character and financial condition of each applicant for a loan or line of credit and his/her 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 shall endeavor diligently to assist applicants in solving their financial problems.

Section 3. No loan or line of credit shall be made unless approved by the 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 shall determine the security if any required for each application and the terms of repayment. The security furnished shall 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 shall be given, in all cases, to the smaller applications if the need and credit factors are nearly equal.

Article X. Supervisory Committee

Section 1. The supervisory committee shall be appointed by the board from among the members of this credit union, one of whom may be a director other than the treasurer. The board shall determine the number of members on the committee, which shall not be fewer than three nor more than the maximum number permitted by the Act. No loan officer or any employee of this credit union may be appointed to the committee. Regular terms of committee members shall be for 1 year and until the appointment and qualifications of their successors.

Section 2. The supervisory committee members shall choose from among their number a chairman and a secretary. The secretary of the supervisory committee shall prepare, maintain, and have custody of full and correct records of all actions taken by it. The offices of chairman and secretary may be held by the same person.

Section 3. The supervisory committee shall make, or cause to be made, such audits, and to prepare and submit 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 shall prepare and forward to the Administration such reports as may be required.

Section 4. The supervisory committee shall, from time to time and not less frequently than as required by the Act and regulations, cause the passbooks and accounts of all members to be verified with the records of the financial officer. The committee shall 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 or executive officer. In the event of any such suspension, the supervisory committee shall call a special meeting

of the members to act on said suspension which meeting shall be held not fewer than 7 nor more than 14 days after such suspension. The chairman of the committee shall act as chairman of the meeting unless the members select another person to act as chairman.

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 XI. Organization Meeting

Section 1. At the time application is made for a Federal credit union charter, the subscribers to the organization certificate shall meet for the purpose of electing a board of directors. Failure to commence operations within 60 days following receipt of the approved organization certificate (charter) shall be cause for revocation of the charter unless a request for an extension of the time has been submitted to and approved by the Regional Director.

Section 2. The subscribers shall elect a chairman and a secretary for the meeting. The subscribers shall then elect from their number, or from those eligible to become members of this credit union, a board of directors 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 of such an election or appointment, his office shall automatically become vacant and shall be filled by the board.

Section 3. Promptly following the elections held under the provisions of section 2 of this article, the board shall meet and elect the executive officers who shall 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 shall also appoint at this meeting a supervisory committee as provided in article X, section 1, of these bylaws. The members so appointed shall 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 XII. Loans to Members and Lines of Credit to Members

Section 1. Loans to individuals shall be made only to members, and shall be made for provident or productive purposes in accordance with applicable law and regulations. Loans to a member other than a natural person shall not be in excess of its shareholdings in this credit union.

Section 2. Within the limitations prescribed by applicable law and regulations, the board shall fix from time to time the interest rates on loans, the rate of interest refund, if any, to be made to members, the maximum maturities and terms of payment or amortization of loans to members, the security, and the maximum amount which may be loaned. When, by action of the board, the interest rates on future loans are reduced, similar action may be taken with regard to interest rates on unpaid balances of existing loans.

Section 3. Any loan made to a director or member of the supervisory committee and the aggregate of any such loans shall be in compliance with the Act. No director or member of the supervisory committee shall act as endorser or guarantor for borrowers from this credit union. No loan shall be made to a member other than a natural person or to a member who has ceased to be within the field of membership of this credit union, in excess of the amount of his shareholdings in this credit union.

Section 4. The aggregate amount of loans and lines of credit to any one member and the terms and conditions of such loans and lines of credit shall not exceed the limits permitted by applicable law and regulations.

Section 5. Applications for loans shall be on forms prepared and furnished by this credit union and shall in each case set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required by this credit union or by applicable law or regulation.

Section 6. A borrower may repay his/her loan prior to maturity, in whole or in part, on any business day without penalty.

Section 7. Applications for loans or lines of credit shall be on forms prepared and furnished by this credit union and shall in each case set forth the security, if any, and such other data as may be required by this credit union or by applicable law and regulations.

Section 8. Subject to the limitations of applicable law and regulations, any member whose loan is delinquent for a period of 1 week or more may be required by the board to pay a late charge of 20 percent of interest due, with a minimum of not less than 5 cents.

Article XIII. Reserves

Section 1. All amounts as required by the Act and regulations, shall be set aside as a regular reserve: Provided, however, That when the regular reserve thus established shall reach the minimum balance required by the Act and regulations, no further transfers shall be required except up to such amounts permitted by law and as may be needed to maintain such minimum balance. Amounts in excess of the above requirements may be transferred to the regular reserve by authorization of the board. The regular reserve shall be used only for losses as authorized by applicable law and regulations.

Section 2. In addition to the regular reserve, special reserves to protect the interests of members shall be established in accordance with the Act and regulations. The board may also authorize the establishment of any additional reserves which it deems necessary.

Article XIV. Dividends

Section 1. Dividends may be declared by the board, after making provisions for the required reserves, from the remaining net earnings, in accordance with the following:

(a) Prior to March 1, the board shall determine whether dividends for the current calendar year shall be on an annual, semiannual, or quarterly basis, or other basis permitted by the Act. If the board does not make this determination by March 1, the dividend period or periods shall be the same as for the previous year.

(b) If there is a change in the dividend period or periods, the board shall take reasonable action to notify the members thereof.

(c) The close of a dividend period shall be the last day of the period.

(d) Dividends shall be declared only during the last month of the dividend period or the first month following the close of the dividend period. Dividends may not later be declared for that period.

(e) A dividend may be paid only on all shares paid up before or during the dividend period, and outstanding at the close of the dividend period.

(f) Subject to the limitations of the Act, the board shall determine the number of days from and including the first day of the month, during which shares may be fully paid up and earn dividend credit for the entire month.

Section 2. No dividend shall be declared or paid at a rate in excess of:

(a) 7 percent per annum on share accounts.

(b) 7 3/4 percent per annum on share certificate accounts.

Section 3. A member shall be deemed to have only one fully paid share for each \$5 paid in, regardless of the number of shares for which he/she has subscribed.

Article XV. Deposit and Disbursement of Funds-Investments and Borrowing

Section 1. All funds of this credit union, except for petty cash and cash change funds authorized by section 3 of this article, shall 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 shall be so deposited not later than the second banking day after their receipt: Provided, however, That receipts in the aggregate of \$300 or less may be held as long as 1 week before they are deposited.

Section 2. All disbursements of funds of this credit union shall be made by checks or other written instruments signed by the financial officer, chief management official, assistant financial officer, or an assistant management official, and countersigned by the executive officer, or in his absence or inability to serve, by the ranking assistant executive officer: Provided, however, That the board may by resolution eliminate the requirement of countersigning: And provided further, That the board may by resolution determine that disbursements may be made in cash in accordance with procedures prescribed in the Accounting Manual for Federal Credit Unions or otherwise approved by the Administration.

Section 3. Except as hereinafter provided, all disbursement of funds of

this credit union shall be made by checks or other written instruments signed by the treasurer, the manager, or a duly authorized assistant treasurer or assistant manager: Provided, however, That

(a) Subject to the provisions of article III, section 5, of these bylaws, and the procedure prescribed by the Bureau, share withdrawals may be disbursed in cash;

(b) The board may by resolution provide for the establishment and replenishment, at least annually, of a petty cash fund of not exceeding \$25 for postage, and for defraying other expense items of this credit union in amounts of less than \$5.

Section 4. Establishment of a cash fund, in an amount not to exceed \$500, for the purpose of making change and for disbursing share withdrawals in cash may be authorized by the board by resolution. The board shall obtain the written permission of the Bureau for the establishment of any cash fund in excess of \$500, except for temporary change funds which shall be adequately covered by insurance and surety bond and shall not be retained by the credit union longer than 3 banking days.

Section 5. The board may authorize borrowing and discounting operations on behalf of this credit union within the limitations prescribed by applicable law and regulations.

Article XVI. Expulsion and Withdrawal

Section 1. A member may be expelled only in the manner provided by the Act. Expulsion or withdrawal shall 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, shall be paid to them in the order of their withdrawal or expulsion, but only as funds become available and only after deducting therefrom any amounts due from such members to this credit union.

Article XVII. Minors

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

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) "Regulations" or "regulations" means rules and regulations issued by the NCUA Board of the National Credit Union Administration.

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

(g) "Net earnings," for a given period, means the balance remaining after deducting from the gross income of this credit union actually received during such period all expenses paid or payable during such period, and any losses sustained therein (as determined by the board) for which no specific reserve has been set aside. Amounts set aside during such period as a reserve shall not be deemed items of expense.

(h) "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.

(i) "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 shall not be considered as part of the surplus.

(j) "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 terms or expressions:

(a) "Members of their immediate families" includes:

1. Relatives, by blood or marriage, living under the same roof in the same household; and

2. Daughters-in-law, sons-in-law, and grandchildren, living under the same roof in the same household with children who are members of this credit union.

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

Article XIX. 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, shall 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 the committees and

employees of this credit union shall hold in confidence all transactions of this credit union with its members and all information respecting their personal affairs, except to the extent deemed necessary by the board in connection with the making of loans and the collecting thereof and extending lines of credit.

Notwithstanding the above, the board of directors may authorize participation in a credit reporting agency if it has determined that use of such an agency is essential in making of loans and extending lines of credit and that information supplied by the credit union concerning its members will be made available only to legitimate lenders belonging to that agency.

Section 3. Notwithstanding any other provisions in these bylaws, any director, committee member, officer, or employee 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 him to be heard.

Section 4. No director, committee member, officer, agent, or employee of this credit union shall in any manner, directly or indirectly, participate in the deliberation upon the determination of any question affecting his pecuniary interest or the pecuniary interest of any corporation, partnership, or association (other than this credit union) in which he 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 shall 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 supervisory committee, such committee member shall 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 shall be preserved in a place of safekeeping. Returns of nominations and elections and proceedings of all regular and special meetings of the members and directors shall be recorded in the minute books of this credit union. The minutes of the meetings of the members, the board, and the committees shall 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 shall at all times be available to the directors and committee members of this credit union. The charter and bylaws of this credit union shall be made available for inspection by any member.

Section 7. Each member shall keep the credit union informed about his current address. In the event a member fails to do this, a charge may be made to the member's share account for the actual cost of necessary locator services incurred in determining such address: Provided, however, That the maximum amount of any such charge shall be established by the board of directors. Such charge shall be made only for amounts paid to a person or concern normally engaged in providing such service, and shall be made against the account or accounts of any one member not more than once in any 12-month period.

Article XX. Operations Following an Attack on the United States

Section 1. In the event of an attack upon the United States, the officers and employees of the credit union shall continue to conduct the affairs of the credit union under such guidance from the directors as may be available and subject to conformance with any governmental directives during the emergency.

Section 2. In the event of an attack upon the United States of sufficient severity to prevent the conduct and management of the affairs and business of the credit union by its regularly elected directors, officers, and properly constitute committees as contemplated by these bylaws, any three available members of the then incumbent board of directors shall constitute a quorum of the board of directors for the full conduct and management of the affairs and business of the credit union including the approval of loans to members if a loan officer is not available. In the event of the unavailability at such time of three members of the board, the vacancies, in order to provide a quorum of three, shall be filled as follows:

(a) If the regularly elected executive officer or a regularly elected assistant executive officer is not available, the available person who is highest on the secession list for president last authorized by the board of directors shall automatically become an acting director if he is not a member of the board and acting executive officer.

(b) If the regularly elected financial officer is not available, the available person who is highest on the succession list for financial officer last authorized by the board of directors shall automatically become an acting director if he is not a member of the board and acting financial officer.

(c) If a third director is necessary to make a quorum, he shall be the next highest available person on the succession list for executive officer or upon the exhaustion of such list, the next highest available person on the succession list for financial officer.

The quorum of the board of directors as regularly constituted or as constituted above shall appoint additional directors as necessary to provide for a full board of five members, provided that: If there is available an even number of regularly elected directors in excess of five, the board shall appoint one additional director, in which case, a quorum shall then be a majority of the full board thus constituted. Persons selected as provided in this section shall hold office only until their successors are elected at the next annual meeting or at a special meeting called for that purpose and until the qualification of their successors; provided that the person selected pursuant to subsection (a) shall hold office as acting executive officer and as acting director only until the regularly elected executive officer or a regularly elected assistant executive officer becomes available; and that the person selected pursuant to subsection (b) shall hold offices as acting financial officer and as acting director only until the regularly elected financial officer becomes available. This bylaw shall be subject to implementation by resolutions by the board of directors passed from time to time for that purpose, and any provisions of these bylaws (other than this section) and any resolutions which are contrary to the provisions of this section or to the provisions of any such implementary resolutions shall be suspended until a regularly constituted board of directors can be obtained.

Section 3. In the event that the office of the credit union becomes unusable, as a result of an attack upon the United States, the credit union shall, if possible, establish temporary substitute quarters. The office of this credit union shall be established as soon as practicable thereafter at the suitable permanent location within the limits permitted by the charter of this credit union.

Article XXI. 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 fully held meeting thereof if the members of the board have been given prior written notice of said meeting and the notice has contained a copy of the proposed amendment or amendments. No amendment of these bylaws or of the charter shall become effective, however, until approved in writing by the NCUA Board.