



DATE: December 30, 2020
TO: Board of directors, Supervisory Committee and Credit Union Management
FROM: Jo-Ann Ragan, SVP Compliance and Review Services
SUBJECT: Arizona Federal Bylaws Annual Review

BACKGROUND

The Federal Credit Union Act requires the National Credit Union Administration (NCUA) Board to prepare bylaws for federal credit unions; 12 U.S.C. §1758. The bylaws address a broad range of matters concerning a credit union's organization and governance, the relationship of the credit union to its members, and the procedures and rules a credit union follows. The bylaws supplement the broad provisions of: A federal credit union's charter, which establishes the existence of a federal credit union; the Federal Credit Union Act, which establishes the implementing powers of federal credit unions and NCUA regulations. As a legal matter, the bylaws of a federal credit union must conform to and cannot be inconsistent with any provision of its charter, the Federal Credit Union Act, NCUA regulations, or other laws or regulations applicable to its operations.

The NCUA Board first incorporated the Federal Credit Union Bylaws as Appendix A to Part 701 of NCUA Rules and Regulations on November 30, 2007. Periodic bylaw revisions have been published over the years with the most recent revisions on November 20, 2020.

Although a federal credit union may retain any previously approved version of the bylaws, the NCUA board encourages the adoption of revisions to help mitigate the risk of conflicting information. The federal credit union bylaws provide text options to choose from, and as long as selections are made from these permissible options, there are no NCUA approval requirements prior to adopting revised versions.

Credit union management has reviewed and adopted the November 20, 2020 bylaw revisions as applicable to operations.

BYLAW EDITS

Added new Section 6, Emergency Exception to In-Person Quorum Requirement in Article IV, Meeting of Members.

RECOMMENDATION

It is respectfully requested the board of directors approve the Arizona Federal Bylaws edits to be effective December 31, 2020.

ARIZONA FEDERAL CREDIT UNION

BYLAWS

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BYLAWS

Arizona Federal Credit Union, Charter Number 01747

ARTICLE I. NAME - PURPOSE

Section 1. Name. The name of this credit union is ARIZONA FEDERAL CREDIT UNION as stated in Section 1 of its charter.

Section 2. Purpose. This credit union is a member-owned, democratically operated, not-for-profit organization managed by a volunteer board of directors, with the specified mission of meeting the credit and savings needs of members, especially persons of modest means. 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, business or productive purposes.

ARTICLE II. QUALIFICATIONS FOR MEMBERSHIP

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

Section 2. Application for Membership. Applications for membership from persons eligible for membership under Section 5 of the charter shall be signed by the applicant on forms approved by the board. Upon approval of an application 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. Maintenance of Membership Share. A member who withdraws all shareholdings or fails to comply with the time requirements for restoring his or her account balance to par as provided in Article III, Section 3, ceases to be a member. The board may by resolution require persons re-admitted to membership to pay another entrance fee.

Section 4. Continuation of Membership. Once a member becomes a member that person or organization may remain a member until the person or organization chooses to withdraw or is expelled in accordance with the Act and Article XIV of these bylaws. A member who is disruptive to credit union operations may be subject to limitations on services and access to credit union facilities.

Section 5. Member in Good Standing. A member in good standing retains all their rights and privileges in the credit union. A member in good standing is a member who maintains at least one minimum share as set forth in Article III, Section 1 of these bylaws; who is not significantly delinquent on any credit union loan; who has not had any account with this credit union closed due to abuse or negligent behavior; who has not caused a financial loss to this credit union; and who has not engaged in violent, belligerent, disruptive, or abusive activities, such as:

1. Violence, intimidation, threats, harassment, or physical or verbal abuse of any duly elected or appointed official or employee of the credit union, members, or agents of the credit

union. This includes actions while on credit union premises and through use of telephone, mail, email, or other electronic method.

2. Causes or threatens damage to credit union property.
3. Knowingly disseminating incorrect, misleading, confidential, or proprietary information regarding the credit union.
4. Any actions that may cause material risk or financial harm to the credit union.

The credit union may limit services for violent, belligerent, disruptive, or abusive activities only if there is a logical relationship between the objectionable activities and the services to be suspended. In the event of a suspension of service, the member will be notified of what accounts or services have been discontinued.

Subject to Article XIV of these bylaws and any applicable limitation of services policy approved by the board, members not in good standing retain their right to attend, participate, and vote at the annual and special meetings of the members and maintain a share account.

ARTICLE III. SHARES OF MEMBERS

Section 1. Par Value. The par value of each share shall be \$.01. Subscriptions to shares are payable at the time of subscription.

To establish membership, the member must subscribe to one par value of share. The share does not need to be in a regular share account. The board may choose the best account for the characteristics of its membership. A membership share account is required to establish membership.

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

Section 3. Below Par Value. A member who fails to complete payment of one share within three months 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 three months of the reduction may be terminated from membership.

Section 4. Share Transfers. Shares may be transferred only from one member to another by an instrument in a form as the board may prescribe. Shares that accrue credits for unpaid dividends retain those credits when transferred.

Section 5. Share Withdrawals. 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) 60 Day Notice: The board has the right, at any time, to require members to give, in writing, not more than 60 days of notice of intention to withdraw the whole or any part of the amounts so paid in by them.
- (b) Delinquent Accounts: 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 co-maker, endorser or guarantor are

delinquent, without the written approval of a loan officer. Coverage of overdrafts under an overdraft protection policy does not constitute delinquency for purposes of this paragraph.

- (c) **Deceased Accounts:** 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.
- (d) **Share Withdrawal Fee:** 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 the board resolution and will be subject to regulations applicable to the advertising and disclosure of terms and conditions on member accounts.

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

- (a) **Revocable Trust:** When shares are issued in a revocable trust, the settlor must be eligible for membership and be a member of the credit union in his/her own right. Membership may be established through the opening of the revocable trust account without having to first open a regular share account. The name of the beneficiary must be stated.
- (b) **Irrevocable Trust:** When shares are issued in an irrevocable trust, either the settlor or the beneficiary must be a member of this credit union. So long as one or the other is eligible for membership, the membership obligation can be satisfied through the opening of the trust account itself without having to first open a regular share account. The name of the beneficiary must be stated. Shares issued in an irrevocable trust are not subject to withdrawal restrictions except as stated in the trust agreement. 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.
- (c) A trust may be a member of the credit union as an entity if all parties to the trust, including all settlors, beneficiaries, and trustees, are within the field of membership.

Section 7. Joint Membership. Each member must purchase and maintain at least one share in a share account that names the member as the sole or primary owner. Being named as a joint owner of a joint account is insufficient to establish membership.

ARTICLE IV. MEETINGS OF MEMBERS

Section 1. Annual Meeting. 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. This credit union may permit virtual attendance and participation in the annual meeting, provided that an in-person meeting complying with the geographic requirements of this paragraph is also held.

Section 2. Notification. The secretary must give written notice to each member: At least 30 but no more than 75 days before the date of the annual meeting; at least 7 days before the date of any special meeting; and at least 45 but no more than 90 days before the date of any meeting to vote on a merger with another credit union. Notice will be given by in-person delivery, by mailing the written notice to each member at the address that appears on the records of this credit union or, for members who have opted to receive statements and notices electronically, by electronic mail. 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. The Secretary must also prominently display the notice on the credit union's website if such credit union maintains a website.

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. 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 percent of the members as of the date of the request, whichever number is larger. However, a request of no more than 750 members may be required for such meeting.

The notice of such special meeting shall be given as provided in Section 2 of this Article.

Section 4. Order of Business. 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 supervisory committee, as required by Section 115 of the Act.
- (f) Unfinished business.
- (g) New business other than elections.
- (h) Elections, as required by Section 111 of the Act.
- (i) Adjournment.

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

Section 5. Quorum. Except as otherwise provided, 15 members shall 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 or more than 14 days thereafter. The members present at any such adjourned meeting shall 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 five days previous to the date of the meeting as fixed in the adjournment.

Section 6. Emergency Exception to In-person Quorum Requirement. This credit union may hold its annual meeting of the members, the required in-person regular meeting of the board of directors under Article VI, and special member meetings for authorized purposes other than member expulsion under Article XIV of these bylaws, virtually and without an in-person quorum if all of the following conditions apply and are certified in meeting minutes resolution of the majority of a quorum of the board of directors. Virtual meeting options include webcasts, teleconferences, virtual meeting rooms or similar means that permit members to listen, vote as necessary, and participate.

Conditions:

- > At least one of the following is located in an area where a federal, state, or local authority has declared a state of emergency of major disaster:

- All or part of a community the credit union serves; or
 - The credit union's headquarters.
- > The credit union has the technological capacity to facilitate virtual meeting attendance, voting, and participation.
- > Members receive at least seven days' advance notice of the change to a virtual meeting format and appropriate instructions for how to join, participate, and vote during the virtual meeting.
- > The NCUA has issued general or specific guidance notifying the credit union that it is appropriate to invoke this bylaw provision.

ARTICLE V. ELECTIONS

Section 1. Nominating Committee. 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 must widely publicize the call for nominations to all members by any medium and interview each member that meets any qualifications established by the nominating committee. The nominating committee files its nominations with the secretary of the credit union, or the secretary's designee, 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 one percent of the members with a minimum of 20 and a maximum of 500. The secretary may use electronic mail to notify members who have opted to receive notices or statements electronically.

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 as 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.

To be effective, such nominations by petition 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 by petition 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 and on the credit union's website.

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

- (a) Election Tellers: The election tellers will be appointed by the board of directors;
- (b) Ballots: 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 or the secretary's designee, 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. Electronic mail may be used to provide the notice of ballot to members who have opted to receive notices or statements electronically;

- (c) Electronic Ballots: If the credit union is conducting its elections electronically, the secretary or the secretary's designee will cause the following materials to be transmitted 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. Electronic mail may be used to provide the notice of ballot to members who have opted to receive notices or statements electronically.
 2. One mail ballot that conforms to Section 2(d) of this Article and 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 submitting the enclosed mail ballot and specify the date the request must be received by the credit union. For members who have opted to receive notices or statements electronically, the mail ballot is not required, and electronic mail may be used to provide the instructions for the electronic election procedure.
 3. It is the duty of the election tellers 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.
 4. It is the duty of the election teller to test the integrity of the balloting system at regular intervals during the election period.
 5. Ballots must be received no later than midnight 5 calendar days prior to the annual meeting.
 6. Voting will be closed at the midnight deadline specified in Subsection 4 hereof and the vote will be tallied by the election 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.
 7. 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) Mail Ballot: If the credit union is conducting its election by mail ballot, the secretary or the secretary's designee 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 random order. 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 election tellers.
 5. When properly designed with features that preserve the secrecy of the ballot, one form can be printed that represents a combined ballot and identification form, and postage-prepaid and pre-addressed return envelope.

6. It is the duty of the election 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 election tellers must be received by the election 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 election 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. Order of Nominations. Nominations may be in the following order:

(a) Nominations for directors.

Section 4. Proxy and Agent Voting. Members cannot vote by proxy. A member other than a natural person may vote through an agent designated in writing for that purpose.

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

Section 6. List of Officials Submittal. The names and business addresses of members of the board, board officers, executive committee, and members of the supervisory committee 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. Minimum Age. Members must be at least 18 years of age by the date of the meeting (or for appointed offices, the date of appointment) in order to vote at meetings of the member, hold elective or appointive office, sign nominating petitions or sign petitions requesting special meetings.

ARTICLE VI. BOARD OF DIRECTORS

Section 1. Size and Composition. The board shall consist of nine directors, all of whom shall be members of this credit union. The number of directors may be changed to an odd number, not fewer than five or 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 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. Terms of Office. Regular terms of office for directors must be for periods of either two or three years as the board shall determine; 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, so that approximately an equal number of regular terms shall expire at each annual meeting.

Section 3. Vacancy. Any vacancy on the board or supervisory committee will be filled within a reasonable time by vote of a majority of the directors then holding office. If all the director positions

become vacant simultaneously, the supervisory committee immediately becomes the temporary board of directors and must follow the procedures in Article IX, Section 3. Directors 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 4. Monthly Meetings. 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. The board may take action and vote on resolutions without a meeting. The board must first obtain unanimous consent for the action in writing or by electronically recorded means.

Section 5. Duties and Responsibilities. 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 stated in Article 1, Section 2, of these bylaws.
- (c) Establishing lending policies, a loan collection program and authorizing the charge-off of uncollectible loans.
- (d) Establishing a policy to address training for newly elected and incumbent directors and volunteer officials, in areas such as ethics and fiduciary responsibility, regulatory compliance, and accounting and 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 and regulations.
- (f) Reviewing denied loan applications of members who file written requests for such reviews.
- (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.

Section 6. Quorum. A majority of the number of directors, including any vacant positions, constitutes a quorum for the transaction of business at any meeting; but less than a quorum may adjourn from time to time until a quorum is in attendance.

Section 7. Failure to Attend/Perform. If a director fails to attend regular meetings of the board for three consecutive months, or four meetings within a calendar year, or otherwise fails to perform any of the duties as a director, the office may be declared vacant by the board and the vacancy filled as provided in these 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 or executive 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.

Section 8. Suspension of Officials. 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 seven or more than 14 days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee.

ARTICLE VII. BOARD OFFICERS, EXECUTIVE COMMITTEE, AND MANAGEMENT OFFICIALS

Section 1. Executive Board Officers. 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 chair or financial officer 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. If a management official or assistant management official is permitted to serve on the board, he or she may not serve as chair. 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 qualification of their respective successors.

Section 2. Terms of Office. Board officers elected at the meeting of the board next following the annual meeting of the members, which must be held not later than seven days after annual meeting, hold office for a term of one 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 for the unexpired term of such officer and until his successor is duly elected and qualified.

Section 3. Chair Duties. 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 assigned 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. Authorized Signors. 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. Vice chair Duties. 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. Financial Officer Duties. 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 shall:

- (a) Have charge over 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 sufficient staff to run the credit union, and have the power to remove such employees.
- (f) Perform such other duties as customarily assigned 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 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. Management Official Duties. 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 or temporary inability to act.

Section 8. Board Powers Regarding Employees. 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.

Section 9. Secretary Duties. 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 seven 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 assigned to the secretary.

Section 10. Executive Committee. 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. When making delegations to the executive committee, the board must be specific with regard to the committee's authority and limitations related to the particular delegation. The board may also authorize an executive committee; 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.

Addendum

The title and rank of the board officers and management officials of this credit union are as follows:

- (a) The executive board officer is to have the title of Chairman/woman of the Board.
- (b) The assistant executive board officer is to have the title of Vice chairman/woman of the Board.
- (c) The financial officer is to have the title of Treasurer.
- (d) The recording officer is to have the title of Secretary.
- (e) The directors shall have the title Board of Directors
- (f) The management official is to have the title of President/CEO.

ARTICLE VIII. LOAN OFFICERS (No Credit Committee)

Section 1. Records. 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. Credit Review. The loan officer must for each loan or line of credit inquire into the character and financial condition of the applicant and their surety, if any, to ascertain their ability to fully and promptly repay the loan. The credit union may use an automated loan processing system to conduct this review, subject to the conditions set forth in Section 3 below. The loan officers should endeavor diligently to assist applicants in solving their financial problems.

Section 3. Prohibition. No loan or line of credit may be made unless approved by a loan officer in accordance with applicable law and regulations. If the credit union uses an automated lending system, the loan officer must review all loan applications the system has denied and review at least a sample of approved loans to screen for fraud and ensure the automated system is functioning within the lending policies the board has established.

Section 4. Lending Procedures. Subject to the limits imposed by applicable law and regulations, these bylaws, and the general policies of the board, a loan officer or automated lending system 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. Size and Composition. 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 three or more than five. 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 one, two or three years as the board determines; provided, however, that all regular terms are for the same number of years and until the appointment and qualifications 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 expire at each annual meeting.

Section 2. Chairman/Secretary Duties. 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. Duties of the Supervisory Committee.

- (a) 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.
- (b) If all of the director positions become vacant simultaneously, the supervisory committee immediately assumes the role of the board of directors. The supervisory committee acting as the board must generally call and hold a special meeting to elect a board that will serve until the next annual meeting. The special meeting must occur at least seven, but no more than 14, days after all the director positions become vacant, and candidates for the board at the special meeting may be nominated by petition or from the floor. However, if the next annual meeting has been scheduled and will occur within 45 days after all the director positions become vacant, the supervisory committee may decide to forego the special meeting and continue serving as the board until the election of the new directors at the annual meeting.

(c) The supervisory committee acting as the board may not act on policy matters. However, the directors elected at a special meeting have the same powers as elected at the annual meeting.

Section 4. Verification of Accounts. 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. Suspension of Directors. By unanimous vote, the supervisory committee may suspend, until the next meeting of the members, any director or board executive officer. 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 seven or more than 14 days after such suspension. The chair of the committee shall act as chair of the meeting unless the members select another person to act as chair.

Section 6. Special Meetings of Members. 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 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. Initial Meeting/Commencement of Operations. 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) is cause for revocation of the charter unless a request for extension of time has been submitted to and approved by the regional director.

Section 2. Election of Officer Committees. 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 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 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 shall be filled by the board.

Section 3. Election of Board Officers. Promptly following the elections held under the provision 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 as provided in Article IX, Section 1, of these bylaws. 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 TO MEMBERS AND LINES OF CREDIT TO MEMBERS

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

Section 2. Delinquency. 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. Periods and Declaration. The board establishes dividend periods and declares dividends as permitted by the Act and applicable law and regulations.

ARTICLE XIV. EXPULSION AND WITHDRAWAL

Section 1. Expulsion/Withdrawal of Members. A member may be expelled by a two-thirds vote of the members present at special meeting called for that purpose, but only after the member has been given the opportunity to be heard. A member may also be expelled under a nonparticipation policy adopted by the board of directors and provided to each member in accordance with 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, shall 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 from such members to this credit union.

ARTICLE XV. MINORS

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

ARTICLE XVI. GENERAL

Section 1. Conformity with Applicable Law. 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. Confidentiality. 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. Removal of Directors and Committee Members. Notwithstanding any other provision 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. Conflict of Interest. 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 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 must withdraw from such deliberation or determination.

Section 5. Records. 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 nomination 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. All copies and records maintained under this section may be stored physically or electronically provided the information is readily available to the directors, committee members of this credit union, members, and the Administration. Signatures may be provided electronically where permissible under federal or state law.

Section 6. Availability of Records. All books of account and other records of this credit union must be available at all times to the directors, committee members of this credit union, and members provided they have a proper purpose for obtaining the records. The board must post the bylaws of this credit union on the website. The charter and bylaws of this credit union must be made available for inspection by any member. The board may provide this copy to the member in physical or electronic copy and, if the member requests a physical copy, it will be provided for a reasonable fee.

Section 7. Member Contact Information. Members must keep the credit union informed of their current mailing address, and if the member has elected to receive electronic communications, their current email address.

Section 8. Indemnification. Subject to the limitations in § 701.33 (c)(5) through (c)(7) of the regulations, the credit union may elect to indemnify to the extent authorized by law of the State of Arizona 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:

- (a) Current officials
- (b) Former officials
- (c) Current employees
- (d) Former employees

The credit union may purchase and maintain insurance on behalf of the individuals indicated 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. The term "official" in these bylaws means a person who is a member of the board of directors, supervisory committee, other volunteer committee (including elected or appointed loan officers or membership officers), established by the board of directors.

Section 9. Pronouns, Singular, and Plural. Unless the context requires otherwise, words denoting the singular may be construed as denoting the plural, words of plural may be construed as denoting the singular, the words of one gender may be construed as denoting such other gender as is appropriate.

ARTICLE XVII. AMENDMENTS OF BYLAWS AND CHARTER

Section 1. Amendment Procedures. 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. General Definitions. 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) **Agency** means the Regional Director, the Director of the Office of National Examinations and Supervision, or the Director of the Office of Credit Union Resources and Expansion.
- (d) **Applicable law and regulations** mean the Federal Credit Union Act and rules and regulations issued or other applicable Federal statutes and rules and regulations issued as the context indicates (such as The Higher Education Act of 1965).
- (e) **Board** means board of directors of the federal credit union.
- (f) **Charter** means the approved organization certificate and field of membership issued by the National Credit Union Administration or one of its predecessors. It is the document that authorizes a group to operate as a credit union, defines the fundamental limits of its operating authority, and includes the persons the credit union is permitted to accept for membership.
- (g) **Field of Membership** means the persons (including organizations and other legal entities) a credit union is permitted to accept for membership.
- (h) **Loans** means any type of loan product the credit union offers. This includes, but is not limited to, consumer loans, line of credit, credit cards, member business loans, commercial loans, and real estate loans.
- (i) **Management** means the Board, Financial Officer, and Management Official.
- (j) **Member** means a person must be eligible for membership under Section 5 of the charter, sign membership forms as approved by the credit union board, subscribe to at least one share (par value) of stock, pay the initial installment, pay the entrance fee (if required), and be eligible to vote upon reaching the minimum age the credit union establishes for voting and participation in the affairs of the credit union.
- (k) **Membership Officer** means a majority of the board of directors, a majority of the members of a duly authorized executive committee, or an individual(s) appointed by the board of directors to serve as such.
- (l) **NCUA Board** means the board of the National Credit Union Administration.
- (m) **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.

- (n) **Paid in and unimpaired capital** as of a given date, means the balance of the paid-in shares account 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.
- (o) **Regulation or regulations** means rules and regulations issued by the NCUA board.
- (p) **Share or shares** means all classes of shares and share certificates that may be held in accordance with applicable law and regulations.
- (q) **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 as the case may be. Reserves are not considered as part of the surplus.

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

- (a) **Organizations of such person(s)** 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.
- (c) **Household** is defined as persons living in the same residence maintaining a single economic unit.