



# STANDARD CREDIT UNION BYLAWS

Approved by the  
Tennessee Department of Financial  
Institutions

*AS OF January 23, 2024*

## ARTICLE I – Name

The name of the credit union shall be:

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## ARTICLE II – Purpose

The purposes of this credit union shall be: (a) to promote thrift; (b) to issue shares and maintain accounts as set forth below; (c) to make loans to its members at reasonable rates of interest for provident purposes; (d) to invest any surplus not required for loans to members in the way and manner provided by law, and (e) to exercise those functions described in the laws of the State of Tennessee authorizing the organization of credit unions.

## ARTICLE III – Membership

Section 1. Any (include field of membership)

Section 2. Membership is determined by election of the Board of Directors, or as hereinafter provided, and by the subscription to one (1) or more shares and by payment for them in full or in part, as hereinafter provided.

## ARTICLE IV – Meetings of Members

Section 1. The Annual Meeting of the members shall be held during January, February, or March of each year. A notice of said meeting shall be mailed or handed to each member at least seven (7) days before the date thereof except that, if the 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 and wherein regular business hours are maintained, and the Board so determines notice of the meeting may be given by posting the notice thereof in a conspicuous place in the office of the credit union where it may be read by the members at least fourteen (14) days prior to such Annual Meeting.

Section 2. The credit union may hold its annual meeting of the members and special member meetings, for authorized purposes other than member expulsion under Tennessee Code Annotated Section 45-4-302(a), virtually and without an in-person quorum if all of the following conditions apply and are certified in meeting minutes by a resolution of the majority of a quorum of the board of directors:

- At least one of the following is located in an area where a federal, state, or local authority has declared a state of emergency or major disaster:
  1. all or part of a community the credit union serves; or
  2. the credit union's headquarters.

- The credit union has the technological capacity to facilitate a 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 Tennessee Department of Financial Institutions has issued general or specific guidance notifying the credit union that it is appropriate to invoke this bylaw provision.

For the purposes of this section, the terms “virtual” and “virtually” mean webcasts, teleconferences, virtual meeting rooms, or similar means permitting members to listen, vote as necessary, and participate.

Section 3. \_\_\_\_\_ members or ten percent (10%) of the members, whichever is the lower figure, shall constitute a quorum. If a quorum is not present on the date first appointed for a regular or special meeting of the credit union, the meeting shall be adjourned for ten (10) days, and a second notice shall be mailed or handed to each member containing the date of the adjourned meeting, at which adjourned meeting, those then present shall constitute a quorum for the transaction of business.

Section 4. Each member shall have one (1) vote, irrespective of the number of shares owned. When otherwise not provided, the vote of a majority of members present in person at a meeting shall be the act of the corporation. A member, other than a natural person, shall be entitled to one (1) vote, which said vote shall be cast by an agent duly authorized and designated in writing to represent such entity; provided, however, no credit union member under the age of eighteen (18) years on the date of a meeting shall be authorized to vote.

Section 5. The Board of Directors of the credit union may call special meetings of the credit union, and special meetings shall be held upon the request, in writing, of ten percent (10%) of the members. All notices of special meetings shall state clearly the purpose of the call for the meeting and, at said meeting, no other business shall be transacted, except as set forth in the call. Notices of all special meetings shall be mailed or handed to each member at least seven (7) days before the date of the meeting.

Section 6. Unless modified by the President or Acting Chairman, the order of business at the Annual Meeting shall be as follows: (a) roll call; (b) reading of minutes of last Annual Meeting; (c) Report of Directors; (d) Report of Treasurer; (e) unfinished business; (f) new business (including elections); and (g) adjournment.

Section 7. The members, by a majority vote of those present at any meeting, may review the acts and reverse the decisions of the Board of Directors, provided the notice of the meeting shall have stated the question to be considered.

Section 8. The fiscal year of the credit union shall end on the thirty-first (31<sup>st</sup>) day of December.

#### ARTICLE V – Directors

Section 1. The Board of Directors shall consist of (\_\_\_\_\_) (insert an odd number not less than five (5) members of the credit union, elected as follows: For the purpose of these bylaws, the first meeting of the incorporators shall be called the First Annual Meeting; the next Annual Meeting thereafter shall be called the Second Annual Meeting; following the Second Annual Meeting shall be the Third Annual Meeting, and so forth for all subsequent Annual Meetings. At the first meeting, there shall be (\_\_) directors elected for one (1) year; (\_\_\_\_\_) directors elected for two (2) years; and, (\_\_\_\_\_) directors elected for three (3) years. Thereafter, directors elected at the Annual Meeting shall be elected for terms of three (3) years, unless the election is to fill a vacancy, in which event, it shall be for the period of the unexpired term.

Section 2. A meeting of the Board of Directors shall be held as soon as possible (and not later than seven (7) days) after their election, and the newly elected Board of Directors shall elect, from their own number, a President, a Vice President, a Secretary, and a Treasurer. The offices of Secretary and Treasurer may be held by one (1) person. The Board of Directors shall meet at least once each month, or more often if necessary, upon notification by the Secretary. A majority of members of the Board shall constitute a quorum.

Section 3. The Board of Directors shall have general management of the affairs, funds, and records of the credit union. It shall be their special duty: (a) to act upon all applications for membership and on the expulsion of members; however, the Board of Directors may appoint a membership officer from among the members of the credit union, other than the Treasurer, Assistant Treasurer, or a loan officer, who may approve applications for membership under such conditions as the Board may prescribe, except that this membership officer shall submit to the Board at each regular meeting a list of approved or pending applications for membership received since the previous regular meeting; (b) to inspect or cause to be inspected, the securities, cash, and accounts, and to review the acts of all committees and the officers of the credit union at frequent intervals, but in no event less than annually. The Board of Directors shall make or cause to be made at the close of each fiscal year, a thorough review or audit of the receipts, disbursements, income, assets, and liabilities of the credit union for the fiscal year and shall make a full report thereon to the membership which report shall be read or provided at the Annual Meeting and shall be filed and preserved with the records of the credit union; (c) to determine the amount of the blanket surety bond which shall be required for all officials and employees which amount shall be as follows: for one(1) year from the charter date, the bond shall be not less than one thousand dollars (\$1,000.00); thereafter, the bond shall not be less than thirty percent (30%) of the true assets of the credit union, or if the bond contains a deductible clause, the bond shall exceed the deductible amount provided in such clause by not less than thirty percent (30%) of the true assets of the credit union; and the amount of the bond shall be adjusted annually subject to a

maximum bond requirement in any case of one million dollars (\$1,000,000.00) or such greater amount as required by the credit union insurer; and provided, however, that no such blanket surety bond shall include a deductible clause without the written approval of the Commissioner of the Tennessee Department of Financial Institutions (the “Commissioner of Financial Institutions”), upon such terms and conditions as the Commissioner may establish by rule, and unless the credit union shall maintain all statutory and insurer reserves, including a reserve for the deductible equal to the amount of the deductible; (d) to fix, if it deems necessary, the maximum number of shares which may be held by any one(1) member and to fix the maximum amount which may be loaned to any one (1) member; (e) to determine the interest rates on loans; (f) to determine the amount of retroactive reductions of interest; (g) to select a bank as a depository for the funds of the credit union; (h) to authorize the borrowing of funds (up to fifty percent (50%) of the member accounts and surplus), if needed; (i) to declare dividends in the way and manner provided by law; (j) to adopt amendments to these bylaws; (k) to fill vacancies in the Board until the election and qualification of successors; (l) to have charge of the investment of funds of the credit union, other loans to members; (m) to provide compensation for the Treasurer; (n) to determine whether to have a credit committee and to appoint either a credit committee and/or loan officers; (o) to determine whether to appoint and to fill vacancies on a supervisory committee to make or cause to be made at the close of the fiscal year a review or audit of the receipts, disbursements, income, assets, and liabilities of the credit union for the fiscal year and to make a full report to the Board of Directors; and (p) to perform, occasionally, such other duties as the members authorize.

Section 4-A. No member of the credit or supervisory committee shall receive any compensation for services as a member of the committee.

Section 4-B, As an alternative to reimbursement for members of the Board of Directors in subsection 4-C of this Article, each member of the Board of Directors may be compensated subject to the following conditions:

- 1) The Board shall adopt a resolution stating that the credit union requires expertise among board members for the prudent general management of the affairs, funds and records of the credit union.
- 2) Such compensation shall be payable to board members elected after the adoption of the resolution in subsection B-1.
- 3) The credit union shall adopt a policy governing the participation and attendance that a board member shall comply with in order to receive compensation’ and
- 4) The annual report of the credit union’s income and expenses shall include board member compensation as a specific expense item.

Section 4-C. Notwithstanding the provisions of subsection 4-A of this Article, the Board of Directors may provide that the credit union shall reimburse any member of the Board of Directors or the credit or supervisory committee for any loss of earnings caused by time spent

in the service of the credit union, in such amount as the Board of Directors may determine, not to exceed the amount of the earnings lost.

Section 5. The Board of Directors may authorize the appointment of someone other than the Treasurer to be general manager or manager of the credit union, subject to the control and direction of the Board of Directors, and provide compensation, if any, of such person. In addition to the general manager or manager, the Board of Directors may establish positions for such additional employees as may be necessary to carry on the business of the credit union and establish the guidelines for the compensation of such employees.

Section 6. The Board of Directors shall review the acts of the officers and of all committees and to remove from office at any time by a two-thirds (2/3) vote of the entire Board of Directors any or all members of such committees or the officers for cause, including the failure to discharge assigned responsibilities, any acts involving dishonesty or breach of trust, any act, omission, or practice which constitutes a breach of fiduciary duty to the credit union or which is a violation of the credit union's bylaws, policies, or the laws or regulations of the State of Tennessee.

#### ARTICLE VI – Officers and their Duties

Section 1. The officers of this credit union shall be as defined in Article V, Section 2, of these bylaws. Unless sooner removed as herein provided, the officers shall hold office until the next meeting of the Board of Directors following the next Annual Meeting of members, and until the election of their respective successors.

Section 2. The duties of the President shall be to preside at meetings of the members and of the Board of Directors; to countersign all notes drawn by the credit union, and to perform all the usual duties connected with that office.

Section 3. The Vice President shall have and exercise all of the powers, authority, and duties of the President during the absence of the latter or the Presidents inability to act, and such other duties as the Board of Directors may, from time-to-time, prescribe.

Section 4. The Treasurer may be appointed by the Board of Directors as the general manager or manager of the credit union under the control and direction of the Board of Directors. Subject to such limitations and controls as may be imposed by the Board of Directors, the Treasurer shall have custody of general ledger accounts, and other valuable papers of this credit union. The Treasurer shall be responsible for providing and maintaining full and complete records of the balance sheet accounts and financial transactions of this credit union in accordance with the forms and procedures prescribed or approved by the Commissioner of Financial Institutions. The Treasurer shall sign or provide for an authorized signature on all checks, drafts, and notes drawn by the credit union; shall deposit or cause to be deposited all funds of the credit union except for petty cash and cash charge funds, in such qualified depositories as the Board may from time-to-time designate, and all such funds shall

be so deposited not later than the second banking day after their receipt; provided, however, that receipts in the aggregate of three hundred dollars (\$300.00) or less may be held as long as five (5) banking days before they are deposited. Within fifteen (15) days after the close of each month, the Treasurer shall prepare or cause to be prepared a financial statement showing the condition of this credit union as of the end of the month, including a summary of delinquent loans, and shall submit the statement and summary to the Board of Directors at its next meeting. The Treasurer shall promptly post or cause to be posted a copy of such monthly financial statement in a conspicuous place in the office of this credit union, where it shall remain posted until replaced by the financial statement for the next succeeding month. The Treasurer shall prepare and forward or cause to be prepared and forwarded to the Commissioner of Financial Institutions such financial reports as said Commissioner may require. The Treasurer may delegate the responsibilities set forth in this Section to other credit union employees upon approval by the Board of Directors.

Section 5. An Assistant Treasurer may be appointed by the Board of Directors and authorized to perform, under the direction of the Treasurer, any of the duties devolving on the Treasurer, including the signing of checks. The Assistant Treasurer may also act as Treasurer during the absence of the Treasurer or in the event of the Treasurers inability to act.

Section 6. The Secretary shall be responsible for the preparation and maintenance of full and correct records of all meetings of the members and of the Board of Directors. The Secretary 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 all other duties incident to this office.

#### ARTICLE VII – Credit Committee

The Board of Directors shall determine whether the credit union shall have a credit committee. If the Board determines that the credit union shall not have a credit committee, the Board of Directors shall appoint one (1) or more loan officers and such loan officer(s) shall approve or disapprove every loan or advance made by the corporation to members. If the Board of Directors determines that the credit union shall have a credit committee, the Board of Directors shall appoint the credit committee and it shall serve under the terms and conditions determined by the Board of Directors and shall approve or disapprove every loan or advance made by the corporation to members, except as herein provided. The credit committee may appoint one (1) or more loan officers and delegate to such loan officer(s) the power to approve or disapprove loans. Each loan officer shall furnish to the credit committee, or in the absence of such committee, to the Board of Directors, a record of each loan approved or disapproved within thirty (30) days of the date of the filing of the application therefore. No individual shall have authority to disburse funds of the credit union for any loan which they have approved in their capacity as a loan officer. An applicant for a loan may appeal to the Directors if the initial decision to disapprove the loan is made by the credit committee or by a loan officer in the absence of a credit committee.

#### ARTICLE VIII – Supervisory Committee

The Board of Directors, in its discretion, may appoint a supervisory committee to report to the Board of Directors, charged with the duty and responsibility to inspect or cause to be inspected the securities, cash and accounts, and to make or cause to be made at the close of the fiscal year, a thorough review or audit of the receipts, disbursements, income, assets, and liabilities of the credit union and make a full report of their findings to the Board.

#### ARTICLE IX – Capital

The capital of this credit union shall consist of the payments made upon shares by its members.

#### ARTICLE X – Shares

Section 1. The number of shares which may be issued by this credit union shall be unlimited.

Section 2. The par value of shares shall be five dollars (\$5.00).

Section 3. Shares may be paid in full at the time of subscription or may be paid in installments of not less than one dollar (\$1.00) per installment.

Section 4. There may be an entrance fee of (\$ \_\_\_\_\_) dollars to be paid on joining the credit union.

Section 5. Fully-paid shares may be transferred to any person eligible for membership, subject to the approval of the Board of Directors and upon payment of a transfer fee not to exceed five dollars (\$5.00).

Section 6. A member may withdraw money paid on shares on any day when payments for shares may be received, provided the withdrawing member has filed a written notice of such intention, but the Board of Directors may require a member, at any time, to give sixty (60) days written notice of their intention to withdraw the whole or any part of the amount paid in by the member on account of shares, and such withdrawing member shall receive the amount paid in on account of shares, together with such dividends as have been credited thereto, less any lawful fines or other obligations due to this credit union. Withdrawals shall be met in the order of their filing and as funds therefore become available. No member who has filed a notice of intention to withdraw shall exercise any of the privileges of membership.

Section 7. No officer, director, or committee member shall discount or directly or indirectly purchase from another member a share of this credit union, whether or not filed for withdrawal.



Section 8. The credit union shall have a lien and right of set-off on the shares and special accounts of any member and upon the dividends payable thereon for and to the extent of any loans made to the member, or any dues and fines payable by member.

Section 9. A joint survivorship agreement may be entered into by any member with any person or persons, all of whom shall execute a written agreement in such form as is prescribed by the credit union.

#### ARTICLE XI – Expulsion

Section 1. A credit union may expel a member in one of three ways. The first way is through a regularly called meeting at which the members, by two-thirds (2/3) vote of those present, may expel any member from the credit union as provided in Tennessee Code Annotated § 45-4-302. The second way is through a special meeting. Under this option, the credit union must call a special meeting of the members, provide the member the opportunity to be heard, and obtain two-thirds (2/3) vote of the members present at the special meeting to expel a member. The third way to expel a member is by a two-thirds (2/3) vote of a quorum of the directors of the credit union. A credit union can only expel a member for cause and through a vote of the Board of Directors of the credit union if it follows the policy for expulsion in Section 2 of this Article.

Section 2. A credit union's Board of Directors may vote to expel a member for cause if the credit union has provided a written copy of this Article to each member of the credit union. The communication of the policy, along with all notices required under this section, must be legible, written in plain language, reasonably understandable by ordinary members, and may be provided electronically only in the case of members who have elected to receive electronic communications from the credit union.

If a member will be subject to expulsion, the member shall be notified in writing in advance, along with the reason for such expulsion. The notice must include, at minimum, (i) relevant dates, (ii) sufficient detail for the member to understand the grounds for expulsion, (iii) the member's right to request a hearing, (iv) how to request a hearing, (v) the procedures related to the hearing, (vi) notification that, if a hearing is not requested, membership will terminate after 60 calendar days, and (vii) if applicable, a general statement on the effect of expulsion related to the member's accounts or loans at the credit union. The notice cannot include only conclusory statements regarding the reason for the member's expulsion. The notice must also tell the member that any complaints related to the member's potential expulsion should be submitted to the Tennessee Department of Financial Institutions' Consumer Resources Section if the complaint cannot be resolved directly with the credit union. The credit union must maintain a copy of the provided notice for its records. The notice shall be provided in person, by mail to the member's address, or, if the member has elected to receive electronic communications from the credit union, may be provided electronically.

A member shall have sixty (60) calendar days from the date of receipt of a notification to request a hearing from the Board of Directors of the credit union. A member is not entitled to attend the hearing in person, but the member must be provided a meaningful opportunity to present the member's case orally to the credit union Board through a videoconference hearing. The member may choose to provide a written submission to the Board instead of a hearing with oral statements. If a member cannot participate in a videoconference hearing, then the credit union may offer a telephonic hearing. If a member does not request a hearing or provide a written submission, the member shall be expelled after the end of the sixty (60) day period after receipt of the notice. If a member requests a hearing, the Board of Directors must provide the member with a hearing. At the hearing, the Board of Directors may not raise any rationale for expulsion that is not explicitly included in the notice to the member.

After the hearing, the Board of Directors of the credit union must hold a vote within thirty (30) calendar days on expelling the member. If a member is expelled, either through the expiration of the sixty (60) day period or a vote to expel the member after a hearing, written notice of the expulsion must be provided to the member in person, by mail to the member's address, or, if the member has elected to receive electronic communications from the credit union, may be provided electronically. The notice must provide information on the effect of the expulsion, including information related to account access and any deductions by the credit union related to amounts due. The notice must also tell the member that any complaints related to their expulsion should be submitted to the Tennessee Department of Financial Institutions' Consumer Resources Section if the complaint cannot be resolved directly with the credit union. The notice must also state that the member has an opportunity to request reinstatement.

A member expelled under this authority must be given an opportunity to request reinstatement of membership. The credit union may act on a reinstatement request through a majority vote of a quorum of the Board of Directors of the credit union, a majority vote of the members of the credit union present at a special meeting, or a majority vote of members at an annual meeting, provided the annual meeting occurs within 90 days of the member's reinstatement request. If the credit union holds a meeting of the members to vote on the reinstatement request, an in-person vote is not required. A credit union is only required to hold a Board vote or special meeting in response to a member's first reinstatement request following expulsion.

Credit unions are required to maintain records related to any member expelled through a vote of the Board of Directors of the credit union for six (6) years.

Section 3. The term cause in this Article means (A) a substantial or repeated violation of the membership agreement of the credit union; (B) a substantial or repeated disruption, including dangerous or abusive behavior, to the operations of a credit union, as defined below; or (C) fraud, attempted fraud, or conviction of other illegal conduct in relation to the credit union, including the credit union's employees conducting business on behalf of the credit union.

If the credit union is considering expulsion of a member due to repeated non-substantial violations of the membership agreement or repeated disruptions to the credit union's operations, the credit union must provide written notice to the member at least once prior to the notice of expulsion, and the violation or conduct must be repeated within two (2) years after having been notified of the violation. The written notice must state the specific nature of the violation or conduct and that if the violation or conduct occurs again, the member may be expelled from the credit union.

Dangerous or abusive behavior includes the following: (1) violence, intimidation, physical threats, harassment, or physical or verbal abuse of officials or employees of the credit union, members, or agents of the credit union. This only includes (a) actions while on credit union premises or otherwise related to credit union activities, and through use of telephone, mail, email, or other electronic method; (b) behavior that causes or threatens damage to credit union property; or (c) unauthorized use or access of credit union property. Expressions of frustration with the credit union or its employees through elevated volume and tone; expressions of intent to seek lawful recourse, regardless of perceived merit; or repeated interactions with credit union employees are insufficient to constitute dangerous or abusive behavior. Additionally, members cannot be expelled due to or in retaliation for their complaints to the Tennessee Department of Financial Institutions or any other regulatory agency or law enforcement, and members who are employees or former employees of the credit union cannot be expelled for any protected whistleblower activities.

Section 4. Expulsion or withdrawal does not relieve a member of any liability to the credit union. The credit union will pay all of the member's shares upon the member's expulsion or withdrawal less any amounts due to the credit union.

Section 5. An expulsion of a member pursuant to Section 2 shall be done individually on a case-by-case basis and the credit union may not expel a class of members.

#### ARTICLE XII – Fines

A member failing to make a payment on a loan when due, shall pay a fine set by the Board of Directors at a rate not to exceed five percent (5%) on amounts in default, provided that such fine shall not be less than five dollars (\$5.00). The Board of Directors of the credit union, unless the fine has been excused for cause shown, may take such action to effect collection of said account as the Board may deem advisable.

#### ARTICLE XIII – Member Special Accounts

Section 1. The credit union may receive special accounts from its members only subject to such conditions as the Board of Directors may approve. Under no circumstances may non-members borrow from the credit union.

Section 2. A member's special account in the credit union may draw interest beginning the first day of deposit through the date of withdrawal.

Section 3. The rate of interest to be paid on "members special accounts" shall be determined by the Board of Directors and shall be payable within the periods established by the Board of Directors, and shall be credited to the account of the member unless withdrawn by the member; however, no interest will be payable on a fractional part of a dollar and no interest will be paid on those portions of "special" accounts that are withdrawn during the interest paying period established by the Board of Directors.

Section 4. Any member may withdraw all or part of the member's special account at any time the office of the credit union is open for business. The Board of Directors may, however, require thirty (30) days notice, in writing, of the intention of a member to make the withdrawal. Such withdrawal shall be honored in the order in which the notice therefore is filed, as provided for share withdrawals in Article X, Section 6.

#### ARTICLE XIV – Remote Withdrawals and Payment Procedures

Section 1. Members may withdraw funds from share and special accounts by remote funds withdrawal procedures including, but not limited to, share drafts, mail share withdrawals, member-held loan drafts, etc., provided that such procedures have been authorized by the Board of Directors, approved by the Commissioner of Financial Institutions, and are made equally available to all members maintaining specified minimum balances in their share or special accounts.

Section 2. The credit union shall maintain a reserve against its accounts utilized for share draft or other remote withdrawal services. Said reserves shall be maintained in an amount not less than ten percent (10%) of its share draft accounts and accounts subject to remote withdrawal service. Reserves shall be held in the form of: (a) cash on hand or due from other financial institutions on demand; (b) local clearings; and (c) deposits held directly with the Federal Reserve Bank in the district where the credit union is located or held in another depository institution in a pass through account. In addition, fifty percent (50%) of the reserve requirements not held in a pass through account or with the Federal Reserve Bank may be held in obligations of the United States Government with a maturity of one (1) year or less if such obligations are not pledged as security for any account or any creditor. Required reserves are computed on the basis of a daily account balance during a seven (7) day period (the base week) beginning on Thursday and ending the following Wednesday. The preceding day's totals will apply on a day when the credit union is closed. During the week immediately following the base week, the credit union shall maintain an average daily reserve in the allowable form of reserves in an amount not less than ten percent (10%) of the average daily total of accounts of the base week.

Section 3. Remote withdrawal procedures as authorized by the Board of Directors and approved by the Commissioner of Financial Institutions shall not be available to eligible

members until such members and all other persons authorized to employ the applicable remote withdrawal procedures have executed and filed with the credit union's central office agreements setting forth the basic terms of the procedure and the respective rights and obligations of the parties to the agreement.

Section 4. The notice requirements of Article XIII, Section 4, pertaining to withdrawal of special accounts and Article X, Section 6, pertaining to withdrawal of shares, may be eliminated or otherwise modified by any agreement, approved by the Board of Directors for remote withdrawal of shares, or other funds in a member's special accounts.

#### ARTICLE XV – Power to Borrow

The credit union may borrow from any agency or person selected by the Board of Directors provided, however, that said Directors shall determine the amount to be borrowed, the terms of the loan, and shall authorize such borrowing. The aggregate amount of rediscounts and borrowing shall, at no time, exceed fifty percent (50%) of the sum total of member accounts and surplus of the credit union.

#### ARTICLE XVI – Investment of Funds

The capital, special accounts, reserve funds, undivided profits, and all other monies of the credit union may be invested in one or more of the following ways, and in such ways only: (a) they may be loaned to the members of the credit union for provident purposes, and in any way and manner provided in Article XVII, of these bylaws; (b) they may be deposited to the credit of the credit union in (i) any legally-chartered bank or trust company insured by the Federal Deposit Insurance Corporation (FDIC), (ii) any state or federal savings and loan association insured by the Federal Savings and Loan Insurance Corporation (FSLIC) or the FDIC, (iii) in credit unions (state or federally-chartered) subject to limitations contained in Tennessee Code Annotated (T.C.A.) § 45-4-501(3)(C), (iv) in any central credit union (state or federal) approved by such investments by the Commissioner of Financial Institutions subject to the limitations contained in T.C.A. § 45-4-501(3)(C), (v) in any agency, association, or corporation in which membership and loans are restricted to credit unions and organizations of credit unions whose purpose of organization is designed to service or assist credit union operations in an aggregate amount not to exceed twenty-five percent (25%) of the reserve funds of the investing credit union, (vi) in obligations fully-secured as to principal and interest by the State of Tennessee or the United States Government, (vii) in any bonds of the State of Tennessee or any of its political subdivisions, (viii) in bonds or other obligations issued by the Tennessee Valley Authority pursuant to the Tennessee Valley Authority Act of 1933, and any amendment thereto; and (c) in any investment authorized for federal credit unions under Title 12 of the United States Code or authorized by Section 35-3-120, Tennessee Code Annotated.

#### ARTICLE XVII – Loans

Section 1. Loans shall be made only to members in good standing.

Section 2. No loan shall be made to any member that shall cause such member to become indebted to the credit union in an aggregate amount in excess of ten percent (10%) of the credit union's assets or three hundred dollars (\$300.00), whichever is greater.

Section 3. Subject to a written loan policy which shall be established by the Board of Directors, the amount of the loan, the time for which it is granted, the term of its repayment, and the form and value of the security, if any, shall be determined by the credit committee or loan officer. Preference shall always be given to the smaller loans in the event the available funds do not permit all loans approved by the credit committee, or loan officer, to be made.

Section 4. The rate of interest charged on loans shall be fixed by the Board of Directors. All loans shall be secured by the promissory note of the borrower and by such additional security, if any, as the credit committee or loan officer(s) may require; provided however, the Board of Directors may require that security be taken on all loans in excess of specified amount. Endorsement for a note or an assignment of shares in any credit union may be considered security within the meaning of this Section.

Section 5. Applications for loans shall be in writing and shall state specifically the purpose for which the money is borrowed and the security offered, if any. If the facts stated in the application are found to be misrepresented, or the money is used for some other purpose than that for which it was borrowed, the loan shall become immediately due and payable.

Section 6. An applicant for a loan may appeal to the Board of Directors, if the decision to disapprove the loan is made by the credit committee or by a loan officer in the absence of a credit committee. The decision of the Board of Directors shall be final.

Section 7. Subject to the limitations contained in Section 2 above, and as may be specified in written loan policies established by the Board of Directors, a director or member of any credit or supervisory committee shall be allowed to borrow from the credit union.

#### ARTICLE XVIII – Share or Special Account Statement

The credit union shall provide a share or special account statement to each member after each dividend or interest period, unless a different method of account verification is utilized pursuant to a remote withdrawal of funds agreement. The share or special account statement shall provide a statement of all debits and credits to the account and interest or dividends credited during the period covered by the statement.

#### ARTICLE XIX – Reserve Fund

Section 1. A reserve fund, belonging to the credit union, shall be maintained for contingencies. It shall not be distributed to the members except upon dissolution of the credit union. Losses incurred by the credit union shall be charged against the reserve fund. Any sums

recovered on items previously charged-off against the reserve fund shall be credited to such fund. The fund shall be established and maintained according to the requirements of T.C.A. §45-4-703.

Section 2. After the payment of the organization expenses, all entrance fees, fines, and transfer fees shall be added to the reserve fund of the credit union monthly or at the close of the dividend period.

Section 3. Transfers out of the fund may be made to profit and loss of such amounts as are in excess of the level specified in T.C.A. § 45-4-703(a) at the end of any fiscal year.

#### ARTICLE XX – Dividends

Section 1. A credit union may declare dividends at such rates as it deems appropriate for such periods and class of accounts as the Board of Directors shall establish; provided that no dividends shall be authorized or paid which will total more than the current earnings of the credit union after the required reserve transfer, undivided profits, and the amount held in regular reserves in excess of legal requirements unless the Commissioner of Financial Institutions shall have granted written approval in advance of the payment of such dividends.

Section 2. Undivided profits are to be calculated by crediting to the profit and loss account earnings from all sources and charging against such account all expenses paid or incurred, interest paid, or accrued and unpaid, on debts owing by the credit union and all losses sustained by it in excess of its reserve fund. The credit balance of the profit and loss account, as thus determined, shall constitute the undivided profits at the close of such period.

Section 3. Dividends shall be paid on all fully-paid shares outstanding at the close of the dividend period; but shares which become fully-paid during the period shall be entitled to a proportional part of said dividends calculated from the first day of the month following such payment in full or the first day of the same month in which payment-in-full is made by the tenth day of the month. Dividends may be credited to a shareholder's account or paid in cash at the option of the shareholder. Dividends may be paid from the date of deposit or the date when shares become fully-paid to the date of withdrawal or such deposits or shares.

#### ARTICLE XXI –Dormant Accounts

The credit union may transfer a dormant account to the regular reserve within thirty (30) days after written notice to the credit union member, at the member's last known address, as shown upon the records of the credit union, stating the credit unions intention to make such transfer, and giving the member the opportunity to request the deferral of such action or to withdraw the account prior to such transfer. For purposes of this section, a dormant account is defined as being a share or special account of less than twenty-five dollars (\$25.00) in which no payments, transfers, deposits, or withdrawals have occurred for a period of one (1) year.

## ARTICLE XXII – Amendment

Amendments of the credit union bylaws may be adopted by the affirmative vote of two-thirds (2/3) of the authorized number of members of the Board of Directors of the credit union at any duly held meeting thereof, if the members of the Board have been given prior written notice of such meeting and the notice has contained a copy of the proposed amendment or amendments, and provided further, that no amendment of the bylaws of the credit union shall become effective until approved, in writing, by the Commissioner of Financial Institutions.

## ARTICLE XXIII – Dissolution, Liquidation, and Merger

Section 1. Dissolution – A majority of the entire membership of the credit union may vote to dissolve the credit union at a regular or special meeting called for that expressly-stated purpose. Any member, within twenty (20) days of the date of the mailing of the notice of such meeting, may vote on the question of dissolution by signing a statement in form approved by the Commissioner of Financial Institutions, and such vote shall have the same force and effect as any other vote. The credit union shall thereupon immediately cease to do all business except for the purpose of liquidation, and the President and Secretary shall, within fifteen (15) days following such meeting, notify the Commissioner of Financial Institutions, in writing, of its intention to liquidate, and shall include in such notice a list of the names of directors and officers of the credit union together with their addresses.

Section 2. Liquidation – (1) A credit union under order to liquidate or in the course of dissolution or liquidation, shall continue in existence for the purpose of discharging its debts, collecting and distributing its assets, and doing all acts required in order to wind up its business, and may sue and be sued for the purpose of enforcing such debts and obligations until it's affairs are fully adjusted. The Board of Directors of the credit union, or in the case of involuntary dissolution or liquidation by order of the Commissioner of Financial Institutions, the liquidating agent, shall use the assets of the credit union to pay: first, all expenses incidental to liquidation, including, without limitation, any surety bond that may be required; second, any liability due non-members; and third, redemption of shares, share accounts, and members' special accounts. Assets then remaining shall be distributed to the members proportionately to the purchase price of shares held by each member as of the date dissolution was voted, or the date of the order of liquidation or suspension by the Commissioner of Financial Institutions, as the case may be.

Liquidation – (2) As soon as the Board or the liquidating agent determines that all assets from which there is a reasonable expectancy of realization have been liquidated and distributed as set forth in Article XXIII, Section 2(1), it shall execute a Certificate of Dissolution and forward same to the Commissioner of Financial Institutions who shall review the details of the liquidation and, if the Commissioner approves same, shall issue a Certificate of Approval and return such certificate to the Board or liquidating agent who shall then file same with the



Secretary of State for Tennessee and thereafter file same with the office of the Register of Deeds of the county in which the credit union has its principal place of business.

Liquidation – (3) If the credit union has filed a Certificate of Dissolution or has indicated an intention to file such certificate, and the Directors and officers of the credit union in the opinion of the Commissioner of Financial Institutions, are not conducting the liquidation proceedings in an expeditious, orderly, and efficient manner, or in the best interest of its members, the Commissioner of Financial Institutions may terminate the liquidation proceedings, take possession of the business and property of such credit union, and for the purpose of carrying out such liquidation, may appoint or cause to be appointed, a liquidating agent therefore. Such liquidating agent shall furnish bond for the faithful discharge of their duties in an amount to be approved by the Commissioner of Financial Institutions.

Liquidation – (4) The liquidating agent may, under such rules and regulations as the Commissioner prescribes: (a) receive and take possession of the books, records, assets, and property of every description of the credit union in liquidation; sell, enforce collection of, and liquidate all such assets and property; compound all bad or doubtful debts, sue in the name of the credit union in liquidation, and defend such actions as are brought against them as liquidating agent or against the credit union; (b) receive, examine, and pass upon all claims against the credit union in liquidation, including claims of members; (c) make distribution and payments to creditors and members as their interests appear; (d) execute such documents and papers and do such other acts as they deem necessary or desirable to discharge their duties; and (e) the expenses incurred by the liquidating agent in the liquidation of the credit union including the compensation of the liquidating agent and any other necessary or proper expenses connected therewith all of which shall be paid in order of priority out of the property of the credit union in the hands of the liquidating agent. Such expenses of liquidation, including the compensation of the liquidating agent, are subject to approval by the Commissioner of Financial Institutions unless such agent is appointed by the court.

Section 3. Mergers – (1) The credit union may, with the approval of the Commissioner of Financial Institutions, merge with any other credit union under the existing charter of the other credit union, pursuant to any plan approved by the Board of Directors of each credit union joining in the merger, and approved by two-thirds (2/3) of the members of each credit union represented at a meeting of members duly called for such purpose, at which a minimum of ten percent (10%) of the entire membership is present, unless such a meeting of members of either credit union has been waived by the Commissioner of Financial Institutions. After such approval of the Board and members of each credit union, the President or Chairman of the Board and Secretary of each credit union shall execute a Certificate of Merger, which shall set forth all of the following: (a) the time and place of the meeting of the Board of Directors at which the plan was agreed upon; (b) the vote in favor of adoption of the plan; (c) a copy of the resolution or other action by which the plan was agreed upon; (d) the time and place of the meeting of the members at which the plan agreed upon was approved; and (e) the vote by which the plan was approved by members.

Mergers – (2) Such certificates and a copy of the plan of merger agreed upon shall be forwarded to the Commissioner of Financial Institutions, and, upon approval, returned to the merging credit unions. The Certificate of Merger (with the Certificate of Approval of the Commissioner of Financial Institutions annexed thereto) shall be recorded in the office of the Secretary of State for Tennessee and in the Register’s Office of the county in which each credit union has its principal place of business.

Mergers – (3) Upon any such merger so effected, all property, property rights, and interest of the merged credit unions shall vest in the surviving credit union without deed, endorsement, or other instrument of transfer, and all debts, obligations and liabilities of the merged credit union shall be deemed to have been assumed by the surviving credit union under whose charter the merger was effected.