DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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Corporate Governance Models

The Division of Credit Unions (DCU) and the Washington Credit Union League (WCUL) worked with a task force to develop model policies for Washington credit unions. DCU requested the task force to help answer questions[1] about election of officials and membership rights. The model policies are offered to credit unions as suggestions, do not have the force of law, and are not part of the examination. Please accept these model policies as an opportunity for discussion. Also be aware some of these policies are subject to on-going litigation[2]. The model policies are:

- Ethics
- Campaigning for office
- Member access to corporate records
- Elections, and
- Reporting illegal, fraudulent or dishonest conduct (whistleblower provisions)

Management and elected volunteers of credit unions are invited to four meetings across the state to discuss the model policies with representatives from DCU, WCUL, and members of the corporate governance task force.

- **Yakima**: Tuesday, September 20, 2005, 11:30 a.m., Catholic Credit Union, RSVP Paul Regimbal (509) 225-3250
- **Vancouver**: Tuesday, October 4, 2005, 5:30-7:00 p.m. at Columbia Credit Union (Operations Center - 200 Park Plaza Dr., Vancouver), RSVP Kathleen Porter at 360- 619-3011.
- **Spokane**: Thursday, November 10, 2005, at Spokane Chapter dinner meeting starting at 5:30 p.m., RSVP Demmaris Krummel at 509-328-5213 ext. 140, Red Lion River Inn, 700 N. Division, Spokane.
- **Seattle**: Tuesday, November 22, 2005 from 5:30 pm to 6:30 pm at WCUL office, RSVP Christine Djafarian at 206-340-4813.

If you have any questions, please contact Linda Jekel, DCU Director at 360-902-8778 or Ljekel@dfi.wa.gov, or Stacy Augustine, WCUL Senior VP/General Counsel at 1-800-552-0680, Ext 121 or SAugustine@waleague.org

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[1] The Introduction in *Corporate Governance Models* contains a list of eight questions provided to the task force.

[2] See *Save Columbia CU Committee v. Columbia Credit Union*, Washington State Court of Appeals docket no. 32858-5-II.

Corporate Governance Models for Washington Credit Unions

DFI Governance Task Force

June 27, 2005

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<u>Disclaimer:</u> These materials are distributed with the understanding that neither the Washington Credit Union League nor the DFI Governance Task Force is engaged in rendering legal advice. The model policies provided herein should not be relied upon or substituted for appropriate legal counsel.

Introduction

As both a not for profit with strong philosophical leanings and a cooperative businesses that must be operated with a constant eye toward minimizing losses and remaining compliant with applicable laws and rules, credit unions are sometimes faced with difficult decisions regarding corporate governance. If credit unions were either for-profit businesses or non-profit charities, answers to many of these thorny issues would be easier to resolve.

The recent implementation of the corporate governance standards found in the federal Sarbanes Oxley Act have increased member and regulatory scrutiny over corporate governance issues. While only two provisions of Sarbanes Oxley—those dealing with document destruction and whistleblower protections—explicitly require credit union compliance (with or without a policy (i)), the Act addresses many processes and practices that may be relevant to credit unions.[3]

From a corporate governance perspective, credit unions have been historically self-regulating in many respects. They generally embrace their responsibility to members, employees, and consumers by instituting sound external and internal controls and employing consistent practices. However, the scandals associated with the passage of Sarbanes Oxley are expected to have an effect on consumer expectations. For example, once consumers come to expect all publicly-traded corporations to have a policy on ethics, they may also expect their credit union to have an ethics policy. Further, many of the governance issues highlighted in recent credit union member disputes should cause credit unions to carefully review their policies concerning elections, campaigning, and member access to records.

The policies found in this document are models. They are the result of nearly a year's worth of work by a group of dedicated credit union and legal professionals who generously donated their time to the project. The DFI Governance Task Force considered questions such as:

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[3] Section 802 of the Sarbanes Oxley Act [18 U.S.C. §§ 1519, 1520] imposes criminal penalties for knowingly altering, destroying, concealing of falsifying any record or document with the intent to impede, obstruct, or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States. The Section 802 prohibition against document destruction is one of two corporate reforms that apply to credit unions.

- What records should a member have access to?
- What is a meaningful nomination policy that allows "outsiders" to participate in the democratic process of running for the credit union's board?
- Should members running for office be allowed to campaign on credit union property? If so, what are the appropriate guidelines for campaigning?
- How can credit union members best express differing opinions with their fellow members?
- How much should a credit union spend to retain its own board?
- How should a credit union's annual business meeting be run?
- What voting procedures are most cost-efficient and best allow for full participation?
- Who is eligible to vote?

There are no laws or rules that require your credit union to adopt any of the models or policies provided. These policies have been drafted first, as models your credit union may choose to easily adopt, and second, to generate discussion concerning some complex issues—issues that are best discussed before they actually occur!

Special thanks goes out to all of the members of the DFI Governance Task Force for the generous contribution of their time and talents:

Angela Brown, BECU
Denise Gabel, Spokane Teachers CU
Gary Gardner, BECU
Peter Glase, Preston Gates & Ellis LLP
Linda Jekel, Department of Financial Institutions
Mitchell Lucas, Harland Financial Solutions
Vicky Macias-Marin, Department of Financial Institutions
Annie Schaefer, BECU
Hal Scoggins, Farleigh Witt, P.C.
Susan Streifel, Woodstone CU
Joseph Vincent, Department of Financial Institutions
Alan Wicks, Preston Gates & Ellis, LLP
Brian Witt, Farleigh Witt, P.C.
Stacy Augustine, Washington CU League

How these Models are Organized

The work of the DFI Governance Task Force resulted in five model policies that can be used by credit unions, including policies on:

- Ethics
- Campaigning for office
- Member access to corporate records
- Elections; and
- Reporting illegal, fraudulent or dishonest conduct (whistleblower provisions).

The appendix to this guide also includes sample:

- Annual business meeting rules; and
- An annual business meeting script.

Each of the model policies drafted by the Governance Task Force is introduced with a preface which includes background information on the policy, tips for working with the policy, and possible issues for discussion at the management and board level. Much of the merit inherent in these models, as they are presented, lies in addressing controversial issues before they actually arise at the credit union.

General Guidelines

The following general guidelines are applicable to all of the models found in this guide:

Bylaw Consistency. A credit union's bylaws represent its principle governing document. At all times policies must be consistent with the credit union's bylaws, therefore, in order to adopt these policies, you may need to make changes to your credit union's bylaws. A state chartered credit union may amend its bylaws with a majority vote of its board of directors. Regulatory approval is not required for bylaw changes (other than certain changes relating to the credit union's field of membership). For copies of the Model Bylaws for State Chartered Credit Unions, contact the Washington Credit Union League's Compliance Department.

Amendment of Policies. Unless your credit union's board of directors voluntarily limits its ability to amend its policies (for example, your credit union may choose to limit its ability to change its election policies just before an election) these policies may be amended at any time. If, therefore, your credit union's election policy calls for in-person voting, the policy can later be amended to provide for balloted or electronic voting.

Consistency. To avoid liability and any appearance of impropriety, credit unions should be consistent in their practices. This may go without saying, however, credit unions should not adopt policies they aren't prepared to follow, either in principle or because they are unable to comply.

Customization of Models. All underlined text found in these models should be replaced with language applicable to the credit union. Bracketed information found in these model policies generally represents alternative language the credit union may choose to adopt. Remember that "model" policies are meant to be adapted to the specific needs of your credit union. Your credit union may choose to add its own processes and customs to the policies in order to customize them.

Consider Consulting with Your Attorney. While a legal review isn't required, when adopting policy changes such as those presented in these models, it's a good idea to consult with your credit union's attorney. Your attorney may be

able to suggest additional changes that will specifically benefit your credit union, and will be able to provide advice to the credit union concerning important issues such as whether the policies are consistent with the credit union's bylaws. If your credit union significantly customizes the policies, legal review is particularly important. Consider presenting your attorney with a first draft of these policies for review, rather than having your attorney draft them, if you'd like to reduce your legal costs.

Ethics Policy

Preface

Why Have a Code of Ethics? While the Sarbanes Oxley Act requires publicly traded companies to adopt a code of ethics, these provisions are not applicable to credit unions. However, credit unions are urged to consider adopting a code of ethics applicable to volunteers and officers of the credit union because consumers may begin to expect all organizations to have a code of ethics available. In short, having a code of ethics will likely become the business norm.

Most of the ethical standards found in the model Code of Ethics are based on an elected official's existing common law duty of care and loyalty or the requirements of the federal Bank Bribery Act. These duties to the credit union exist, whether or not the credit union has adopted a code of ethics. The underlined sections of the model Ethics Policy represent optional language your credit union may choose to include. The underlined sections are not part of an elected official's existing duties, but rather reflect standards of appropriate conduct at the credit union, and a commitment to credit union philosophy.

Applicability. The model Code of Ethics Policy is only applicable to members of the credit union's board of directors, supervisory committee, and other committee members in their capacity as volunteers. It is not applicable to employees of the credit union who do not serve in these roles because employees of the credit union do not have the same fiduciary responsibilities as elected (or appointed) officials. If your credit union has not already done so, you may want to consider the adoption of a separate code of ethics applicable to employees of the credit union.

Statement of Receipt & Understanding. Your credit union is encouraged to consider the periodic review and affirmation of its Code of Ethics. Newly elected leaders should be encouraged to read and understand the credit union's Code of Ethics, alternatively, the credit union's board of directors might be asked to re-commit to the credit union's Code of Ethics annually. Credit unions are not required to have elected officials sign a Statement of Receipt & Understanding. This form has been provided for your convenience. Your credit union may wish

to simply adopt a Code of Ethics in the form of a policy, and slate the policy for periodic review so that everyone is familiar with it.

Annual Review. Credit unions are cautioned to remove language committing to an annual review of the Code of Ethics if such a review will not actually be performed.

Discussion Issues:

- Does your credit union want to include the underlined, optional text in its Code of Ethics, including text evidencing a commitment to cooperative philosophy and social responsibility? Are there other ethical principles your credit union wishes to include in its list of ethical standards?
- Does your credit union already have a code of ethics policy applicable to employees? Should any of the provisions of that policy also apply to the credit union's board directors or committee volunteers?
- Is the complaint process outlined by the model policy appropriate for your credit union?
- How will the credit union administer its code of ethics? Will it require volunteers to sign an annual statement of receipt and understanding? Will it adopt a code of ethics and slate the policy for regular review just as the credit union regularly reviews policies such as its policy on the Bank Secrecy Act?

Model Ethics Policy

The _____ Credit Union ("Credit Union") is a not for profit financial cooperative dedicated to providing service to its member-owners. The business and affairs of the Credit Union are managed under the supervision of the Board of Directors, and audited under the direction of the Supervisory Committee. This Ethics Policy serves as a code of conduct for members of the Board, Supervisory Committee, and other committee members in their capacity as volunteers elected by the members of the Credit Union.

The principles of this policy are expressed in broad statements to guide ethical decision making. The statements provide a framework; they cannot, and do not dictate conduct to cover particular situations.

Ethical Standards

Credit Union board and committee members will:

- Observe the highest standards of personal conduct relating to the business of the Credit Union.
- At all times act in the best interests of the Credit Union.
- Perform their duties in good faith, in a manner they believe to be in the best interests of the Credit Union.
- Refrain from using their position for personal gain or profit.
- Be treated the same as all members, and will not expect personal favors or special treatment from the Credit Union.
- Strictly uphold the laws, regulations, bylaws, and policies relating to the operation of the Credit Union.
- Remain fully informed as to the financial and operational condition of the Credit Union.
- Exercise good business judgment.
- Recuse themselves from consideration of any contract, transaction or relationship in which they, or their family members have an interest.
- Disclose the existence of any conflict of interest either with the Credit Union or its members.
- Actively participate in the governance of the Credit Union.

- Conduct themselves in a respectful, professional and courteous manner towards other volunteers and the Credit Union's staff.
- Conduct their own personal financial affairs in such a responsible manner as to be above criticism.
- Maintain member, strategic, and trade secret information in strictest confidence.
- Not accept anything of value in return for influencing any Credit Union business or transaction.
- Cooperate and assist other credit unions for the betterment of the credit union movement.
- Promote social responsibility by contributing to the betterment of Credit Union members and the community.

Enforcement

The Credit Union has traditionally demanded and received the highest ethical performance from both its volunteers and staff. In an effort to maintain the high standard of conduct expected of the Credit Union with respect to the management of member funds, the Credit Union has adopted, and will enforce this policy in order to continue to hold itself to the highest ethical standards and meet the on-going expectations of its members.

The primary accountability and responsibility for enforcement of the Credit Union's Ethics Policy rests with each individual volunteer.

Complaints relating to an alleged violation of this policy should be reduced to writing (if possible) and submitted to any Credit Union officer, any member of the Credit Union's Board of Directors, or any Supervisory Committee member. Complaints received in this manner will be forwarded to the highest ranking individual on the Credit Union's Board of Directors or Supervisory Committee who was not named in the complaint.

All complaints relating to a breach of this Ethics Policy will be accorded serious consideration. The resolution of all complaints relating to a breach of this Ethics Policy will be documented in the official minutes of the Credit Union.

Direct or indirect retaliation of any kind by the Credit Union, its volunteers or employees against any individual that submits a complaint under this policy is strictly prohibited. This prohibition on retaliation will be strictly enforced by the Board, up to and including possible reprimand, suspension, or removal from office in accordance with applicable statutes and/or regulations.

Each volunteer has the responsibility for demonstrating their compliance with this policy, and all potential volunteers will review and sign this policy before consideration for office.

Availability of Policy

The Credit Union will continue to hold itself to the highest ethical standards and meet the on-going expectations of its members at all times. This Ethics Policy will be available to any member requesting it.

Annual Review

The Credit Union Board of Directors will review this policy annually.

Statement of Receipt & Understanding

This is to acknowledge that I have received a copy of the Credit Union's Ethics Policy outlining the ethical standards expected of Credit Union board and committee members.

As a not for profit financial cooperative dedicated to providing service to its member-owners, the board and committee members serving as volunteers at the Credit Union are proud of their commitment to the highest ethical standards.

By signing below, I acknowledge receipt of the Credit Union's Ethics Policy and agree to be bound by the Credit Union's Ethics Policy in my role as a volunteer at the Credit Union.

_____ _____

Name Date

Election Policy

Preface

Who is a Member? The model Elections Policy clarifies those persons who are members, and therefore eligible to vote at the credit union. This issue has created considerable confusion even at the most sophisticated credit unions. Joint tenants or joint owners of an account may be members, or might not be members in the credit union. Ultimately, a member is a person who has: (1) met the statutory requirements for membership, and (2) met the membership requirements found in the credit union's bylaws. Members have the right to open an account and vote at the credit union. Joint tenants who have not qualified for membership do not have the right to vote or open an account at the credit union. More than one membership can be associated with a single account number—however this is a data processing and recordkeeping issue, rather than a membership issue.

Timing Issues. The model Election Policy includes timing requirements that should be carefully reviewed by your credit union before adoption in order to assure that they comport with your credit union's existing policies and bylaws. Consider creating a timeline for the election process at your credit union and work backwards from the date of your annual membership meeting. Your credit union may want to change some of the timing requirements provided in the model policy to suit your members' convenience and the type of voting in use at the credit union (e.g., in-person or balloted).

Candidate Eligibility Requirements. Under the Washington State Credit Union Act, a state chartered credit union may establish reasonable eligibility criteria for those serving on the credit union's board of directors.[4] If a credit union chooses to establish this type of criteria, the criteria must be included in the credit union's bylaws. The underlined text in this section of the model Election Policy should only be included if you have adopted this criteria. Underlined text should be replaced with eligibility specifics from your credit union's bylaws. If you have not adopted eligibility criteria, but would like to do so, be sure your bylaws are amended to reflect criteria approved by the board.

[4] RCW 31.12.235(3).

Rules of Order. State chartered credit unions are not required to conduct official meetings under *Robert's Rules of Order*.[5] *Robert's Rules of Order* is a weighty and cumbersome parliamentary process designed for legislative bodies. While many people are more familiar with Robert's, the credit union may wish to carefully consider the advantages of a simpler and more nimble set of parliamentary rules such as *The Democratic Rules of Order* or *The Modern Rules of Order by the Pennsylvania Bar Institute*. The rules of order chosen by the credit union should be specified in the credit union's bylaws, and the model Election Policy should be amended to correspond with the credit union's bylaws.

Membership Meeting Rules. In addition to general parliamentary standards adopted by the board for all official meetings, and included in your credit union's bylaws, the model Election Policy allows the board to adopt rules specifically intended for an upcoming membership meeting. These rules address issues such as the amount of time allotted to each speaker, and question and answer periods. These are not issues addressed by *Robert's Rules of Order* or other parliamentary guides. Meeting rules applicable to stockholders' meetings were used to create these model rules, which are part of this packet of information. (See "Membership Meeting Rules".)

Election Tellers. The model Election Policy only calls for the appointment of one election teller—not a group of election tellers. This language is repeated in the model Membership Meeting Rules provided in this packet of information. Having just one election teller creates a clear reporting structure between the board chair and the election teller. While the model Election Policy only calls for the appointment of one election teller, it allows the election teller to have the assistance of one or more credit union employees as necessary to perform the tasks assigned.

Voting Procedures. There are three alternative methods of voting established in the model Election Policy: in-person voting, balloted voting, and electronic voting. Your credit union may choose to employ just one of these voting methods. Alternatively, the credit union may choose to combine methods for the convenience of your members. Your credit union, however, should only adopt those methods it intends to actually put to use. Alternatives that will not

[5] RCW 31.12.185(1).

be used by the credit union should be deleted from the policy before adoption by the credit union's board of directors.

Amendment of Election Policy. After careful consideration, the DFI Governance Task Force chose to include a self-imposed prohibition against amending the credit union's Election Policy during the 120 day period before the credit union's annual membership meeting. While the credit union would be free to make amendments to its Election Policy at any other time of year, this section was included to assure a level playing field between incumbents and candidates running for office against incumbents.

Discussion Issues:

- Are your credit union's policies clear concerning who is a member of the credit union?
- Are the timing and deadlines provided for in the model appropriate for your credit union?
- Does the model policy comport with your credit union's bylaws and existing policies? (Pay particular attention to existing policies and bylaw provisions pertaining to the role of the Nominating Committee.)
- Has your credit union adopted eligibility criteria for serving on the credit union's board of directors? If so, be sure the criteria is accurately reflected in the credit union's Election Policy.
- Which voting method has been approved by the credit union's board of directors for use in elections?
- Is your credit union willing to voluntarily self-impose restrictions against amending its Election Policy during the credit union's election cycle? If so, is the time period set forth in the model Election Policy appropriate for your credit union?

Model Election Policy

_____ Credit Union ("Credit Union") is a member-owned, not for profit cooperative existing for the purpose of serving its members' financial needs.

The Credit Union is governed by a seven person Board of Directors, chosen from among eligible members. Each member at the Credit Union is entitled to one vote, and all eligible members are entitled to serve on the Credit Union's Board of Directors or Supervisory Committee.

Membership Criteria

Only members of the Credit Union are eligible to vote, or serve on the Credit Union's Board of Directors or Supervisory Committee. Members of the Credit Union are those persons who have met the membership requirements outlined in the Credit Union's bylaws. Joint tenants on an account are not considered members and may not vote or hold office.

Only members at least the age of eighteen are eligible to vote (ii).

Volunteer Recruitment

The Credit Union will regularly inform members of their ability to serve on the Credit Union's Board of Directors and Supervisory Committee, and any qualifications to serve as a volunteer. Members expressing an interest in serving as a Board or Supervisory Committee member will be provided with the Credit Union's:

- Code of Ethics;
- Election Policy;
- Information about the Credit Union;
- Duties and Responsibilities of the Board of Directors;
- Duties and Responsibilities of the Supervisory Committee;
- Current list of Board members;
- Campaigning & Access Policy; and
- Application for Nomination.

The Application for Nomination must be completed at least 120 days prior to the Credit Union's annual membership meeting in order to be considered for

nomination by the Nominating Committee. Nothing will require incumbent Board and Supervisory Committee members to be provided with the information in this section or require incumbents to complete an Application for Nomination form.

Nominating Committee

At least 120 days prior to the Credit Union's annual membership meeting, the Chair of the Credit Union's Board of Directors will appoint a Nominating Committee. The Nominating Committee will consist of three Credit Union members, at least one of which will be a member of the Credit Union's Board of Directors. No member serving on the Nominating Committee may be seeking election at the Credit Union.

The Nominating Committee will review any Applications for Nomination received by the Credit Union. The Nominating Committee shall not nominate any candidate who fails to meet the Candidate Eligibility Requirements set forth in this policy.

The Nominating Committee will nominate at least one eligible member for each vacancy to be filled at the election at least 90 days prior to the Credit Union's annual membership meeting.

At least 90 days prior to the Credit Union's annual membership meeting, the Secretary of the Credit Union shall notify all members of their right to petition for inclusion on the Credit Union's ballot. Notification to members under this section may include statement inserts and/or newsletter articles. Publication of the notice on the Credit Union's web site alone will not serve as sufficient notification. The written notice will also indicate that the election will not be conducted if there is only one nominee for each position to be filled.

Nomination by Petition

Any qualified member who wishes to be a candidate for the Credit Union's Board of Directors or Supervisory Committee, and who meets the Credit Union's Candidate Eligibility Requirements may collect the signatures of 200 members of the Credit Union and submit a petition to the Credit Union's Nominating Committee at least 60 days prior to the Credit Union's annual membership meeting.

The Secretary of the Credit Union will be responsible for ascertaining whether a member seeking nomination by petition has successfully met the requirements of this section.

Any eligible member collecting the signatures necessary for nomination by petition will be provided with documents listed in the "Volunteer Recruitment" section of this policy.

Candidate Eligibility Requirements

In order to qualify to serve on the Credit Union's Board of Directors or Supervisory Committee, a member must:

- Be eligible for bonding.
- Be eligible to vote in Credit Union elections and at membership meetings.
- Have been a member of the Credit Union for two years before taking office.
- Not have been an employee of the Credit Union or its subsidiaries for the past two years.
- Not be an employee, officer, or director of another financial institution.

Voting Procedures

Rules of Order

Prior to the any membership meeting, the Board will adopt parliamentary rules applicable to the meeting. If no rules are adopted by the Board prior to the meeting, the rules of order specified by the Credit Union's bylaws will serve as the default rules of order for the meeting.

Alternative #1

In Person Voting

All persons nominated by the nominating committee, or nominated by petition and meeting the Candidate Eligibility Requirements established by the Credit Union will be placed before the members at the annual or a special membership meeting.

Nominations will not be taken from the floor unless insufficient nominations have been made by the nominating committee or by petition to provide for one nominee for each position to be filled or circumstances prevent the candidacy of the one nominee for a position to be filled. Only those positions without a nominee are subject to nominations from the floor.

When nominations are closed, an Election Teller will be appointed by the Chair, and ballots will be distributed to those members present who are eligible to vote. The Election Teller may have the assistance of one or more Credit Union employees as necessary.

The vote will be taken and tallied by the Election Teller, and the results announced at the meeting. The election will be determined by plurality vote.

When only one member has been nominated or qualified by petition for each position to be filled, the Chair may take a voice vote or declare each nominee elected by general consent or acclamation at the meeting in lieu of distributing ballots.

Alternative #2

Balloted Voting

At least 45 days before a membership meeting for the purpose of electing one or more directors, the Chair will appoint an Election Teller.

At least 30 days before the membership meeting the Board Secretary will mail voting materials to each member eligible to vote. These voting materials will include:

- A ballot including the names of qualified candidates for office. Candidates will be listed randomly, and incumbents will be identified as such on the ballot;
- A brief personal statement of qualifications and biographical data of no more than 100 words on each candidate. The personal statement will not be edited for grammar or content by anyone other than the candidate, except that the Board Secretary may remove offensive or lewd language;
- A clearly marked ballot envelope, with instructions that the completed ballot must be placed in the ballot envelope and sealed;
- Clear instructions pertaining to the deadline for receiving the ballot;
- A postage paid, pre-addressed mailing envelope; and
- Verification procedures, which must identify the member voting on the ballot.

Ballots must be received no later than _____ days [e.g., five days, three days, two business days] before the date of the election.

The Election Teller must verify, or cause to be verified, that each ballot received was completed by a member of the Credit Union eligible to vote. The Election Teller will also be responsible for tallying the vote, or causing the vote to be tallied. The election will be determined by plurality vote.

The Election Teller may have the assistance of one or more Credit Union employees as necessary.

Ballots and the accompanying verification procedures must be placed in the Credit Union's vault or an alternative place of safekeeping until the Election Teller is instructed to destroy the ballots.

When only one member has been nominated or qualified by petition for each position to be filled, the Chair may declare each nominee elected by general consent or acclamation in lieu of distributing ballots.

The result of the election will be announced at the membership meeting by the Chair of the Credit Union's Board of Directors.

Alternative #3

Electronic Voting

At least 45 days before a membership meeting for the purpose of electing one or more directors, the Chair will appoint an Election Teller.

At least 30 days before the membership meeting the Board Secretary will send an election notice to each member eligible to vote. This election notice will include:

- A ballot notice including the names of qualified candidates for office. Candidates will be listed randomly, and incumbents will be identified as such on the ballot;
- A brief personal statement of qualifications and biographical data of no more than 100 words on each candidate. The personal statement will not be edited for grammar or content by anyone other than the candidate, except that the Board Secretary may remove offensive or lewd language;
- An 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 instructions will state that members without the requisite electronic device necessary to vote on the system may: (1) vote by mail ballot upon written or telephone request, and specify the date the request must be received by the Credit Union, or (2) may visit any branch during business hours and a member service representative can help them vote electronically at the branch; and
- Verification procedures, which must identify the member voting on the ballot.

Ballots must be received no later than _____ days [e.g., five days, three days, two business days] before the date of the election.

The Election Teller must verify, or cause to be verified, that each electronic vote received was completed by a member of the Credit Union eligible to vote. The Election Teller will also be responsible for testing the integrity of the balloting system at regular intervals during the election period, and will be responsible

for tallying the vote, or causing the vote to be tallied. The election will be determined by plurality vote.

The Election Teller may have the assistance of one or more Credit Union employees as necessary.

A record of votes cast and verification procedures will be securely kept by the Credit Union or the Credit Union's designated custodian until the Election Teller is instructed to destroy the voting records.

When only one member has been nominated or qualified by petition for each position to be filled, the Chair may declare each nominee elected by general consent or acclamation in lieu of conducting an electronic vote.

The result of the election will be announced at the membership meeting by the Chair of the Credit Union's Board of Directors.

Amendment of Election Policy

No material aspect of this Election Policy will be amended by the Credit Union's Board of Directors during the 120 day period before its annual meeting of members.

Campaigning & Access Policy

Preface

Democratic Process. In post-Enron America, many credit unions are having difficulty recruiting volunteer directors and contested board elections are rare. However, as is often the case, a contested election is most likely to occur following controversy of some type. For this reason, the credit union is well-advised to adopt a campaigning policy before it actually needs one! The model Campaigning & Access Policy recognizes that credit unions are democratic organizations, and that members who wish to run for office should have the opportunity to do so. Because the credit union cannot provide the third-party candidate with a list of members under the restrictions of the Gramm Leach Bliley (Privacy) Act, the policy creates a balanced procedure for in-person campaigning and the distribution of informational materials on behalf of the candidate. The model was based, in part, upon existing credit union policies, and in part upon the Office of Thrift Supervision rules applicable to federally chartered mutual savings banks.[6]

Internal Campaign Expenditures. The last paragraph of the model Campaigning Policy requires the credit union to disclose expenditures incurred on behalf of retaining its elected leadership. This clause was added to the policy in the interests of equity and because of the credit union's disproportional ability to influence an election. The credit union has ready access to member contact information, and infinitely greater economic resources than most candidates running for office. After careful discussion, the DFI Governance Task Force included this clause, after considering a range of alternatives. For example, a more robust limitation might include voluntarily limiting expenditures, rather than just disclosing expenditures.

Discussion Issues:

- Who should requests for access go to at the credit union? The branch manager? The CEO?
- Are the access rules established by this model appropriate for your credit union? For example, are the limits on the number of persons who can be

[6] 12 C.F.R. 544.8

present to campaign, the location of campaign activities, and the rules pertaining to appropriate campaigning activities acceptable?

- Is your credit union willing to disclose campaign expenditures incurred on behalf of retaining elected leadership? Should your credit union's policy only require the disclosure of expenditures made within 90 days of an election? Alternatively, would your credit union prefer to limit all expenditures of this type? If so, what limit would be appropriate?

Model Campaigning & Access Policy

As a democratically controlled financial cooperative, _____ Credit Union ("Credit Union") members should have reasonable access to Credit Union premises to interact with fellow members for the purpose of communicating about Credit Union membership issues including campaigning for Board of Director and Supervisory Committee positions, and gathering petition signatures for nominations or special meetings of members, so long as these activities do not pose a threat to the safety and security of the Credit Union, Credit Union staff, and members.

This policy has been adopted by the Credit Union to govern protocol concerning activities conducted on the property of the Credit Union.

Physical Access Procedure

Members wishing to conduct campaigning activities on Credit Union property must complete a Request for Access form, and submit the Request for access to _____ [e.g., the manager of the branch at which the member desires access, the President/CEO, the Secretary of the Board]. Each member desiring access must complete a separate Request for Access.

Rules Governing Access to Credit Union Property

Access to Credit Union property is subject to the following conditions:

- Members must be in good standing, and must agree to abide by the terms and conditions of this policy.
- The Request for Access is valid only for the approved member, the approved purpose, and the branch, time and duration indicated during the normal business hours of the branch, or during the hours as designated by Credit Union management or the branch manager.
- Access is limited to those portions of the branch common areas as designated by Credit Union management or the branch manager. This access may be adjusted at the discretion of management to assure the safety and security of the Credit Union staff and members.
- Any contact or communication with other Credit Union members or customers shall be limited to matters related to the Credit Union as are specifically identified in the Request for Access.

- Because of size limitations at the branch, the number of members approved for access at any one time will be limited, and in most circumstances will not exceed two people. If there are multiple requests for access to any one branch, Credit Union management retains the discretion to schedule access to provide reasonable access.
- All activity conducted pursuant to the Request for Access must follow reasonable standards of public decorum. Inquiries or requests made to members that compromise the privacy and confidentiality of member information or transactions (e.g., requesting Social Security Numbers or account numbers), or comments that could be considered defamatory, false, or misleading will not be tolerated.
- Informational flyers, campaign information, or other handouts may be distributed to persons on Credit Union premises, so long as the information distributed is not defamatory, false, misleading or offensive.
- Members granted access to Credit Union property will not represent themselves as employees of the Credit Union.
- The Credit Union reserves the right to impose additional restrictions on access granted under the Request for Access at any time, as necessary to assure the safety and security of the Credit Union, its staff and members.

A member's access to Credit Union premises for campaigning purposes is subject to immediate termination if the member fails to conform to the conditions outlined in this policy.

Informational Access Procedure

In compliance with the federal Privacy Act the Credit Union will not release lists of member names and addresses. Credit Union Members wishing to distribute informational materials to other members of the Credit Union by mail, must complete a Request for Access form, and submit the Request for access to _____ [e.g., the manager of the branch at which the member desires access, the President/CEO, the Secretary of the Board] along with a copy of the materials to be distributed.

Following receipt of the Request for Access and a copy of the materials to be distributed, the Credit Union will provide the member with either: a bid on the cost of distributing the informational materials to members of the Credit Union through a third-party mailing house, and an estimate of how long it will take for the Credit Union to provide the materials to the mailing house; or prompt

notification that the materials to be distributed do not meet the Credit Union's standards for distribution (see "Rules Governing Information Distribution" below). The cost estimate obtained by the Credit Union will be provided within ten days of receiving a completed Request for Access form and a copy of the materials to be distributed. If a member chooses to accept the cost estimate provided by the Credit Union it must notify the Credit Union of acceptance, pay in advance for the cost of distributing the materials (or make arrangements for payment that are acceptable to the Credit Union or the Credit Union's third party mailing house), and provide sufficient copies of the materials to be distributed. Materials provided by the member will be distributed to the mailing house within fifteen days of the member's notification of acceptance of the estimate to the Credit Union, and payment of costs.

Rules Governing Information Distribution

The distribution of informational material to members of the Credit Union under this policy is subject to the following conditions:

- Members must be in good standing, and must agree to abide by the terms and conditions of this policy.
- Members wishing to distribute informational material to other members of the Credit Union must pay for the cost of mailing the information through a third-party mailing house.
- Informational materials distributed under this policy shall be limited to matters related to the Credit Union as are specifically identified in the Request for Access.
- Information mailed under this process may not contain information relating to a personal claim or a personal grievance, or be solicitous of personal gain or business advantage by or on behalf of any party.
- Information mailed under this process may not relate to any matter, including general economic, political, racial, religious, social, or similar cause, that is not significantly related to the business of the Credit Union or is not within the control of the Credit Union.
- Information mailed under this process may not contain defamatory, false, misleading or offensive information, and may not include charges or statements impugning the stability and soundness of the Credit Union.
- The President/CEO will be responsible for making a good faith, reasonable determination concerning whether materials to be distributed meet the standards established under this policy.

- The Credit Union will not be responsible for editing informational materials sent to other members under this policy

The Credit Union reserves the right to impose additional restrictions on access granted under the Request for Access at any time, as necessary to assure that member confidentiality is protected, and the Credit Union is protected from adverse legal proceedings.

Internal Campaign Expenditures

From time to time the Credit Union may choose to expend its own funds to retain the Credit Union's elected leadership or educate members on an issue that must be determined by member vote. The Credit Union recognizes that there may be a substantial disparity between the resources of the Credit Union and members campaigning for office or wishing to offer a different viewpoint. As such, the Credit Union will annually disclose the aggregate direct expenses incurred in conducting meetings or campaigns related thereto.

Request for Access

This form must be completed and forwarded to _____ [e.g., the manager of the branch at which the member desires access, the President/CEO, the Secretary of the Board].

Name: _____

Member Number: _____

I am requesting:

- ❑ Physical access to the Credit Union branch offices located at: _____.
- ❑ Informational access to the members of the Credit Union (if you are requesting the Credit Union to mail informational materials to its members on your behalf, please include a copy of the materials with this Request for Access, and the Credit Union will contact you with a timeline for distribution, and a bid on the cost of distributing the materials).

Please describe the purpose of this Request for Access:* _____

_____

_____

_____

_____

Please tell us how we can best reach you for more information:

_____ _____

Telephone E-Mail

I have read and agree to the Credit Union's Campaigning & Access Policy, including any rules governing access to the Credit Union's property or relating to the distribution of information materials.

_____ _____

Signature Date

_____

Printed Name

*Reminder: The Credit Union's policies prohibit the distribution of solicitation materials through this Request for Access process.

For Internal Use Only:	
Date Request for Access Received:	
Date cost estimate provided to member:	
Date of member acceptance (including sufficient copies for mailing and payment of estimated costs):	

Member Access to Records Policy

Preface

Information Available to Members. As a cooperative financial institution owned by its members, credit unions must carefully balance the desire for open governance processes, the need to keep proprietary information confidential, and protecting member privacy. As a result, the list of information that must be provided to members upon request is actually rather short. It includes minutes from membership meetings, but not board meetings. It includes the information on the credit union's 5300 Call Report, but does not include copies of the financial statements provided at board meetings. Before your credit union adopts the model Member Access to Records Policy, you should carefully consider whether you want to provide only the most recent or up-to-date copy of the records listed, or whether the credit union will provide these documents for a specified time period (e.g., for the past five years). The model policy does not limit access to information. If your credit union chooses to adopt the model policy, it's important to also adopt a reasonable research and copying fee, which should limit any potential abuses of the policy. If the credit union already has a research or copying fee, be sure it is applicable to governance documents such as those listed in this policy.

As you adopt the model policy for use at your credit union, give careful consideration to the underlined text in the model. If your credit union does not have a policy concerning reporting illegal, fraudulent or dishonest conduct (a whistleblower policy) or a code of ethics, do not include them in the list of documents available to members. If your credit union is federally chartered, do not include IRS Form 990 in your list of documents available to members because federally chartered credit unions are exempt from filing this form.

Discussion Issues:

- Are there other documents your credit union wants made available to members generally?
- Does your credit union want to place a time limit on available documents (e.g. five years), or would the credit union prefer to make all of these governance documents available to members with a reasonable research and copying fee?

- Who should requests for information go to at the credit union?

Model Member Access to Records Policy

_____ Credit Union ("Credit Union") will restrict access to member personal and account information in compliance with federal law, and in order to protect the privacy and security of its members.

As a member-owned financial cooperative organized for the purpose of providing service, the Credit Union believes that current members in good standing should have reasonable access to fundamental governance documents. Access to corporate documents will not extend to any personal account information attributable to an individual member, to proprietary information and trade secrets, information the Credit Union is prohibited from releasing by law, or to information which could be harmful to the Credit Union or its members if released.

The Credit Union has adopted, and will enforce this policy in order to provide reasonable access to information to its members in good standing while protecting the confidentiality of sensitive account and strategic information.

Information Available to Members Upon Reasonable Request

- Articles of Incorporation
- The Credit Union's Bylaws (as amended)
- Minutes of Annual Membership Meetings
- Minutes of Special Membership Meetings
- Annual Report of Outside Auditors or Annual Supervisory Committee Report
- Statement of Financial Condition (5300 Call Report (iii))
- The Credit Union's Policy Concerning Reporting Illegal, Fraudulent or Dishonest Conduct [only include if your credit union has adopted a such a policy]
- IRS Form 990 [only include if state chartered]
- Credit Union Code of Ethics [only include if your credit union has adopted such a code]

The Credit Union may make other documents and policies available to members, upon request, on a case-by-case basis.

Reasonable Request Process

Requests for information available to members under this policy must be reasonable. Requests must be made in advance to _____ [e.g., a branch manager, the President/CEO, the Secretary of the Board], giving the Credit Union two business days to prepare the information for the requesting member. If the information requested is more than a year old, additional time may be necessary to retrieve and prepare the information for the requesting member.

At its discretion, the Credit Union may allow a member to inspect these records in person or may choose to provide the member with a copy of the information requested. Personal access will only be provided during normal business hours or during the hours designated by the Credit Union. If copies are provided to the member, the Credit Union may charge the member a reasonable research and/or copying fee for the records.

Members obtaining copies of corporate Credit Union information are restricted from further distributing the information unless the information is already publicly available.

Reporting Illegal, Fraudulent or Dishonest Conduct Policy

Preface

Sarbanes Oxley Applicability to Credit Unions. Section 1107 of the Sarbanes Oxley Act of 2002 makes it a crime for any individual to retaliate against a whistleblower for providing truthful information to a law enforcement officer relating to the commission or possible commission of any federal offense.[7] While most of the provisions of the Sarbanes Oxley Act only apply to publicly traded companies, Section 1107 is applicable to credit unions. The Act does not require the adoption of a whistleblower policy, however, because the penalties for violating Section 1107 include imprisonment for up to ten years and substantial fines, credit unions are strongly urged to consider adopting a policy that will encourage whistleblowers to report suspected violations of law and protect them from retaliation. Thus, whistleblowers will be encouraged to make their complaints within the credit union's system—rather than going directly to the authorities. As a result, credit unions should:

1. Adopt a policy prohibiting retaliation.
2. Train managers and supervisors on procedures for handling employee concerns.
3. Allow for a non-traditional "shotgun style" reporting structure that allows an employee with concerns to take those concerns to persons other than their supervisor or report their concerns anonymously.
4. Establish (and adhere to) a policy taking disciplinary action against those who engage in retaliation.
5. Document performance issues carefully. Without good documentation, an employer will have a difficult time proving that a termination or adverse action against the employee was *not* retaliation.

"Shotgun" Style Reporting. The model Reporting Illegal, Fraudulent or Dishonest Conduct Policy creates a "shotgun" style of reporting rather than a strictly

[7] 18 U.S.C. 1513(e).

hierarchical, traditional complaint tree. Some credit unions may not be entirely comfortable with the broad array of persons to whom a report of illegal activity may be made. However, providing the employee with a range of reporting options is intentional. Remember that the purpose of having a whistleblower policy is to *encourage* the employee to report within the organization, rather than going directly to the authorities. By giving the employee a choice of persons to receive the report of suspected wrongdoing, the credit union is increasing the likelihood of reporting within the organization. If wrongdoing is reported within the organization, the credit union can conduct its own investigation and address any wrongdoing revealed—without the involvement of the authorities (unless such involvement is warranted by the investigation).

Keep it Simple. As your credit union adopts its own whistleblower policy, be mindful of keeping the process for reporting wrongdoing easy for the employee to understand and use. By keeping the process simple, the credit union is encouraging internal reporting. If the process is made too complex, the employee will be encouraged to make their report directly to outside authorities, eliminating the credit union's ability to swiftly and quietly address wrongdoing.

Discussion Issues:

- What reporting tree should the credit union adopt? How will the credit union ensure that an employee reporting wrongdoing will feel comfortable doing so?
- Should the credit union adopt some form of confidential reporting process? How will that process work?
- Who will be responsible for investigating allegations of wrongdoing?
- Should the same policy apply to employees, volunteers, service providers, and members, or should the credit union adopt separate policies for one or more of these groups?

Model Reporting Illegal, Fraudulent or Dishonest Conduct Policy

The _____ Credit Union ("Credit Union") expects all staff and volunteers to conduct all Credit Union-related business at the highest standards of integrity and honesty. The Credit Union has an obligation to guard against illegal, fraudulent and dishonest conduct, and protect persons reporting such conduct. The Credit Union expressly prohibits retaliation based on any conduct protected by law.

This policy addresses the treatment of complaints of illegal, fraudulent or dishonest conduct. For ease of reference, the term "employee" has been used throughout this policy, however the policy is applicable to any member of the Credit Union's community, including employees, volunteers, service providers, and members.

Reports of Illegal, Fraudulent or Dishonest Conduct

Employees at the Credit Union are encouraged to report possible illegal, fraudulent or dishonest conduct. An employee should report concerns to his or her manager or supervisor. If an employee feels that appropriate action may not result from reporting possible illegal, fraudulent or dishonest conduct to their manager or supervisor, the employee can report his or her concerns directly to the Credit Union's President/CEO, General Counsel, Chief Financial Officer, Internal Auditor or the Credit Union's human resources manager. If the employee's concern involves one of these individuals, or if the concerns are raised by a Credit Union volunteer, the report may be made instead to the Chair of the Credit Union's Board of Directors, or the Chair of the Credit Union's Supervisory Committee. Contact information for any of these parties can be found in a number of locations at the Credit Union, including: the Credit Union web site, the Credit Union intranet, and in the internal Credit Union directory.

What Constitutes Illegal, Fraudulent or Dishonest Conduct

Illegal, fraudulent or dishonest conduct includes any deliberate act or failure to act, with the intention of obtaining a material, unauthorized benefit. Examples of illegal, fraudulent or dishonest conduct include, but are not limited to:

- Forgery or alteration of documents.

- Unauthorized disclosure, alteration or manipulation of computer files.
- Fraudulent financial reporting.
- Submitting fraudulent or improper expense account reporting.
- Pursuit of a benefit or advantage in violation of the Credit Union's conflict of interest or bank bribery policies.
- Misappropriation or misuse of Credit Union resources.
- Authorizing or receiving payments for goods not received or services not performed.
- Authorizing or receiving compensation not earned.
- Violations of applicable laws or rules.

While employees are encouraged to report suspected fraud or dishonest conduct, they should avoid baseless allegations. Allegations proven to be maliciously or knowingly false will be considered a disciplinary offense.

How to Make a Report of Illegal, Fraudulent or Dishonest Conduct

Wherever possible, persons reporting possible illegal, fraudulent or dishonest conduct are encouraged, but not required, to make their report in writing, and to include:

- A detailed description of the improper activity.
- The name of the individual(s) involved.
- Details that may be important to the Credit Union's investigation such as dates, witnesses, documents and evidence.
- Contact information.

The Credit Union takes reports of illegal, fraudulent or dishonest conduct very seriously. Supplying detailed information will contribute to a thorough and efficient investigation of the complaint.

When reporting possible illegal, fraudulent or dishonest conduct, employees may make their reports confidentially. For example, the employee could establish a free, confidential e-mail address and the Credit Union could contact the employee through this address (however, any information exchanged via e-mail must meet the Credit Union's information security standards and should not include account numbers or access codes). Whenever possible, however, the Credit Union encourages employees to include contact information, so that additional questions can be asked of the employee during the investigation of the complaint.

Investigation of Illegal, Fraudulent or Dishonest Conduct

The Credit Union will investigate any alleged illegal, fraudulent or dishonest conduct, or misuse of Credit Union resources by management, staff or volunteers. Anyone found to have engaged in illegal, fraudulent or dishonest conduct is subject to disciplinary action by the Credit Union and civil or criminal prosecution when warranted.

In conducting an investigation under this policy, persons charged with investigating allegations of fraud or dishonesty should take reasonable care in dealing with suspected misconduct to avoid:

- Baseless allegations.
- Premature notice to persons suspected of misconduct.
- Disclosure of suspected misconduct to others not involved in the investigation.
- Violations of a person's rights under law.

No person involved in the alleged illegal, fraudulent or dishonest conduct shall be involved in any part of the investigation of the reported conduct.

During the investigation process the Credit Union may periodically update employees who have filed a complaint on the status of the investigation if the employee has provided the Credit Union with contact information.

Once the investigation of the report is complete, the investigation will be documented in writing. If the investigation uncovers legal or regulatory violations, or serious misconduct, the Credit Union's Board of Directors and Supervisory Committee will be presented with a copy of the report.

Credit Union managers and supervisors are responsible for maintaining a system of management controls, which help detect and deter illegal, fraudulent and dishonest conduct. Failure by a manager or supervisor to establish management controls or report misconduct within the scope of this policy may result in adverse personnel action against the manager or supervisor, up to and including dismissal.

Protection Against Retaliation

The Credit Union will protect employees reporting illegal, fraudulent or dishonest behaviors as defined below:

- The Credit Union will endeavor to protect the employee's confidentiality, if requested. However, the Credit Union cannot guarantee confidentiality.
- Credit Union employees may not retaliate against a employee filing a complaint under this policy with the intent or effect of adversely affecting the terms or conditions of employment (including but not limited to, threats of physical harm, loss of a job, punitive work assignments, or impact on salary or wages). Employees who believe that they have been retaliated against may file a written complaint with their manager or supervisor. If an employee feels that appropriate action may not result from the complaint, the employee may file his or her complaint directly with the Credit Union's President/CEO, General Counsel, Chief Financial Officer, Internal Auditor or the Credit Union's human resources manager. If the employee's concern involves one of these individuals, the complaint may be made instead to the Chair of the Credit Union's Board of Directors, or the Chair of the Credit Union's Supervisory Committee. A proven complaint of retaliation will result in the initiation of disciplinary action.

This policy is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

Appendix

Membership Meeting Rules

Preface

What are Membership Meeting Rules? In addition to general parliamentary standards adopted by the board for all official meetings, and included in your credit union's bylaws, the model Election Policy allows the board to adopt rules specifically intended for an upcoming membership meeting. These rules are essentially an outline of how the business of the meeting will flow. The rules address issues such as the amount of time allotted to each speaker, and question and answer periods. Meeting rules have long been in use with regard to stockholders' meetings, and manage issues that are not addressed by *Robert's Rules of Order* or other parliamentary guides.

How to Use Meeting Rules. Meeting rules can be changed from meeting to meeting at the will of the board in order to address unique meeting needs. The model Meeting Rules provided as part of the Corporate Governance Policies for Washington Credit Unions represent a tool your credit union can use to better manage its membership meeting processes. For example, membership meeting rules relating to an annual membership meeting might differ from those applicable to a special membership meeting. A credit union might want to delete rule #7, which creates a question and answer period about the general affairs of the credit union if the membership meeting is a special meeting, called for one particular purpose. Rule #3, which appoints a parliamentarian for the meeting, should be modified as appropriate for a meeting—for example, if the credit union is expecting a contentious meeting, it might want to appoint its attorney as parliamentarian, however, if the meeting is expected to be routine, perhaps a board or staff member versed in parliamentary law could serve as parliamentarian for the meeting.

Consistency. If your credit union chooses to adopt meeting rules for a membership meeting, the rules need to be consistent with any meeting rules found in the credit union's existing bylaws and/or policies.

Election Tellers. Model Membership Meeting Rule #2 concerns the appointment of an election teller. You'll note that the rule only calls for the appointment of one election teller—not a group of election tellers. Having just one election

teller creates a clear reporting structure between the board chair and the election teller. Not to fear though…the model Election Policy allows the election teller to have the assistance of one or more credit union employees as necessary.

Discussion Issues:

- Are the model Membership Meeting Rules consistent with your credit union's existing membership meeting practices?

Model Membership Meeting Rules

The _____ Credit Union's ("Credit Union") Board of Directors has adopted these meeting rules pertaining to the Credit Union's meeting of members to be held on ___[day]_____, 20___, at __[time]__, at the Credit Union's office.

1. The Chair of the Credit Union's Board of Directors will preside over the meeting of members.

2. _____, the Credit Union's Secretary [or other person such as an independent accountant, attorney, or the Chair of the Credit Union's Nominating Committee] is designated as the meeting's Election Teller. The Election Teller will determine all questions of eligibility to vote or eligibility to participate in the meeting, and will tabulate the results and report on the same at the meeting. The Election Teller may have the assistance of one or more Credit Union employees as necessary.

3. _____, [e.g., "a lawyer with the firm of XYZ, L.P., counsel for the Credit Union"] is designated parliamentarian, to provide advice and assistance to the Chair as necessary.

4. The Credit Union's bylaws restrict Board nominations to those persons nominated by the Credit Union's Nominating Committee, or qualifying by petition. Nominations will not be taken from the floor unless insufficient nominations have been made by the Nominating Committee or by petition to provide for one nominee for each position to be filled, or circumstances prevent the candidacy of the one nominee for a position to be filled. Only those positions without a nominee are subject to nominations from the floor.

5. In addition to the election of directors, all matters to come before the meeting are limited to the proper purposes of the meeting. Subjects which are not germane, or which should first be considered by the Credit Union's Board of Directors, may be ruled out of order, or deferred to the question and answer session of the meeting.

6. In order to facilitate the good order of the meeting as to any matter debated, each member will be limited to no more than two speeches each, with each speech limited to three minutes, unless the Chair rules otherwise. Each speaker must be a current Credit Union member in good standing and must identify him or herself before speaking. If there are many persons seeking to speak, the Chair may limit each speaker to one speech not to exceed three minutes.

7. At the end of the meeting, following adjournment, the Credit Union's Chair and its Chief Executive Officer will receive questions from current members in good standing in a question and answer format. Questions taken will not be restricted to matters within the meeting's agenda, however, some questions

may be ruled out of order (e.g., questions that aren't germane to the Credit Union's business, or questions that would intrude upon the privacy of Credit Union members, or matters in litigation).

This question and answer period will not exceed thirty minutes in total.

Script Outline of Credit Union Annual Membership Meeting

Preface

Purpose. The model Script Outline of a Credit Union Annual Membership Meeting has been provided as part of these Corporate Governance Models for Washington Credit Unions for your use and convenience. The model Outline includes the use of membership meeting rules, and covers most of the agenda items discussed at a credit union's typical membership meeting.

Model Script Outline of Credit Union Annual Membership Meeting

Chair: Good evening and welcome to the _____ Credit Union's 71st Annual Membership Meeting. I am _____, the Chair of the Credit Union's Board of Directors.

Call to Order

Chair: The _____ Credit Union Annual Membership Meeting is called to order.

Introduction of Volunteers

Chair: I'd like to introduce and recognize the other members of your Board of Directors:

Name	First Year of Service	Position
Mark Twain	1998	Vice Chair
Emily Dickens	1995	Director

The credit union's Supervisory Committee acts as a check and balance to the Board, and is responsible for ascertaining regular audits of the credit union's membership and financial records. Here tonight representing the Supervisory Committee we have:

Name	First Year of Service	Position
John Gault	2003	Supervisory Cmte. Chair
Dagny Taggart	1999	Cmte. Member

Quorum Report

Chair: Our first order of business is to establish whether or not we have a quorum. Under the Credit Union's bylaws, a quorum exists when either .01% or fifteen Credit Union members are present, whichever number is greater.

Do we have a quorum present?

Election Teller: Yes Mr. Chair, _____ members are present.

Chair: I therefore declare that a quorum is present. The 71st Annual Membership Meeting of the _____ Credit Union is duly constituted and open for business which may properly come before it.

Meeting Rules & Adopting of Agenda

Chair: Copies of the rules applicable to this meeting are available at the front table. These rules have been adopted by the Board of Directors for the purpose of this meeting. Now that we have established that a quorum is present, our next order of business is to approve the agenda found in the Credit Union's annual report.[8] Do I hear a motion to approve the agenda as presented?

Member #1: Mr. Chair, I move approval of the agenda as presented.

Member #2: I second the motion.

Chair: Will all those in favor of the motion say "aye"; if there are any opposed, please say "no". The motion is carried.

Appointment of Parliamentarian, Secretary & Election Teller

Chair: At this time, I would like to appoint a parliamentarian for the meeting. Tom Jones, an attorney with the firm of Acme & Jones, L.P., is appointed parliamentarian. Thank you Tom. As parliamentarian, Tom will be responsible for providing advice and assistance concerning the proceedings of this meeting to me as necessary.

I would like to appoint Walter Scott as Secretary of this meeting. Thank you Walter. As Secretary, Walter will be responsible for keeping a record of the official proceedings of this meeting.

Next, I would like to appoint Jules Verne as our Election Teller. As Election Teller, Jules will be responsible for determining all questions of eligibility to vote or eligibility to participate in the meeting, and will tabulate the results of the election with the assistance of one or more Credit Union employees as necessary.

[8] Once an agenda is adopted by majority vote, a 2/3 vote is required to deviate from it.

Approval of Membership Meeting Minutes

Chair: Copies of the minutes from last year's Annual Membership Meeting have been distributed and are now before the members for approval. Are there any questions? If not, then I call for a motion to approve the minutes of the 2005 Annual Membership Meeting.

I recognize _____.

Member #1: Mr. Chair, I move that we waive reading of the minutes of the last meeting of members, and approve those minutes.

Member #2: I second the motion.

Chair: Will all those in favor of the motion say "aye"; if there are any opposed, please say "no". The motion is carried.

Report of the Chair

[Insert report here.]

Report of the Supervisory Committee
[Insert report here.]

Report of the President/CEO & Recognition of Leadership Team
[Insert report here.]

President: The Credit Union is very proud of its leadership team and it's my pleasure to introduce them to you:

Name	Title
Alex Dumas	President/CEO

Report of the Treasurer
[Insert report here.]

Chair: Do I hear a motion to approve the audited financial statement as presented in the Credit Union's annual report?[9]

Member #1: Mr. Chair, I move approval of the Credit Union's financial statement as presented.

Member #2: I second the motion.

Chair: Will all those in favor of the motion say "aye"; if there are any opposed, please say "no". The motion is carried.

Business of the Meeting

A. Unfinished Business

There is no unfinished business.

B. New Business

There is no new business.

[9] Under Robert's Rules of Order the audited financial statement should be approved by the members. No other reports need be approved in this manner.

C. Election of Directors

Alternative #1: Directors running unopposed.

Chair: Will the Credit Union's Nominating Committee Chair, Ms. Beatrix Potter, please present the slate of candidates?

Nominating Committee Chair: Yes Mr. Chair. The candidates nominated for election are:

1. Herman Melville
2. Joseph Conrad
3. William Shakespeare

All candidates are running unopposed.

Chair: There being no opposition to the slate of candidates as presented, they are each elected to the Credit Union's Board of Directors for a three year term.

Chair: [Closing remarks as appropriate]

Alternative #2: Directors running opposed:

Chair: Will the Credit Union's Nominating Committee Chair, Ms. Beatrix Potter, please present the slate of candidates nominated by the Nominating Committee or who have met the Credit Union's bylaw requirements to be eligible for nomination at this meeting?

Nominating Committee Chair: Yes Mr. Chair. The candidates eligible for election are:

1. Herman Melville
2. Joseph Conrad
3. William Shakespeare
4. John Locke
5. Adam Smith

Chair: May I have the Election Teller's report?

Chair: [Read results of election.] I therefore declare that these persons have been elected for three year terms on the Credit Union's Board of Directors. Subject to the Credit Union's bylaws concerning eligibility, they are to serve until their successors are elected and qualified.

Chair: [Closing remarks as appropriate]

Destruction of the Ballots

Chair: I order that the ballots be maintained in the Credit Union's vault [or alternative place of safekeeping] for one month. After that time, the Election Teller is instructed to destroy the ballots.

Adjournment

Chair: Following adjournment of this meeting, both I and the Credit Union's President/CEO will take questions for up to thirty minutes.

As there is no further business to come before this meeting, the Chair declares this meeting is adjourned.

Question & Answer Period

[Chair & President take questions from members under the meeting rules established prior to the meeting.]

Endnotes

[i] This phrase was added after the Vancouver meeting on October 4, 2005, to clarify a credit union could be compliance of the Act's requirements for whistleblower protections without a policy. (See page 4.)

[ii] At the Vancouver meeting on October 4, 2005, a request was made to clarify the voting age of a member. RCW 31.12.386 (3) states "A member who is not at least eighteen years of age is not eligible to vote as a member unless otherwise provided in the credit union's bylaws." A credit union's bylaws may set a different age than eighteen years for eligibility of voting. (See page 19.)

iii On October 26, 2005, DCU discovered an error regarding what is public information in the 5300 call report. The Contact and Certification Page for the US Patriot Act (page 8 of the 5300 Call Report) is not public information and therefore, would not be accessible to credit union members. (See page 36.)