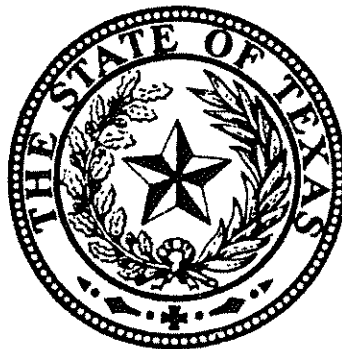


TEXAS

STANDARD BYLAWS FOR STATE CHARTERED CREDIT UNIONS



Credit Union Department
State of Texas

Revised July 14, 1986

STANDARD BYLAWS FOR STATE CHARTERED CREDIT UNIONS

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**STANDARD BYLAWS FOR
STATE CHARTERED CREDIT UNIONS**

CHAPTER I. NAME, DEFINITION AND PURPOSE

Section 1.01. NAME

The name of this credit union shall be Highway District 2
Credit Union.¹

Section 1.02. DEFINITION AND PURPOSES

This credit union is a voluntary, cooperative, nonprofit financial institution, incorporated under the Texas Credit Union Act (Texas Revised Civil Statutes Annotated, Article 2461-1.01 et. seq.) for the purposes of encouraging thrift among its members, creating a source of credit at fair and reasonable rates of interest, providing an opportunity for its members to use and control their own money in order to improve their economic and social conditions, and conducting any other business, engaging in any other activity, and providing any other service that may be of benefit to its members subject to the Texas Credit Union Act and commission rules adopted thereunder.

¹The name used must include "Credit Union."

CHAPTER III. MEMBERSHIP, MEETINGS AND ELECTIONS

Section 3.01. FIELD OF MEMBERSHIP

The field of membership in this credit union is limited to those persons, including incorporated and unincorporated organizations, who have the following definable community of interest (Use attachment if needed):² 1. Employees of District 2, State Department of Highways and Public Transportation, Fort Worth, Texas;

2. Any business or organization whose employees or members are within this field of membership;

3. Persons who are receiving retirement, pension, or other benefits as a result of prior employment by any business or organization included within this field of membership;

4. Spouses of persons who died while within the field of membership of this credit union;

and members of the family of such persons. "Members of the family" shall be as specified by the board of directors in written policy.

²The Credit Union Commission has promulgated standard optional provisions which may be used in addition or as an alternative to specific designations.

3. Spouses of persons who died while within the field of membership of this credit union.
4. Groups of employees or members of companies or associations which are located within one mile of this credit union's main office or any additional office and which have furnished written evidence of sponsor support to the credit union; provided, however, that (1) any group having more than 300 employees or 500 members or (2) any group already being served as primary members of another credit union shall be admitted only by an amendment of this section which specifically names the group being admitted.

Section 3.02. EXPULSION FROM MEMBERSHIP AND FORFEITURE OF MEMBERSHIP

(a) Based upon a finding of good cause, the board of directors may vote to expel a member of the credit union. Good cause shall include, but not be limited to: (1) Failure to maintain the requirements necessary for membership; (2) Physical abuse or assault, harassment or multiple instances of verbal abuse of an employee, an officer, a director, or another member of the credit union; (3) Neglect or refusal to comply with provisions of the Texas Credit Union Act, commission rules, these bylaws, or the articles of incorporation; (4) Conviction of a felony; (5) Habitual neglect to pay obligations; and (6) Insolvency or bankruptcy. After an initial vote to expel, the board must give written notice to the member of the right to a hearing upon written request and must therein inform the member of the cause for expulsion and of the procedure for expulsion. Forty-five (45) days after the date of notice, the expulsion automatically becomes final unless the member has responded with a written request for a hearing and appears at the hearing when scheduled as provided for herein. Upon receiving such a request, the board shall schedule a date for the hearing which must be within forty-five (45) days after receipt of the request. No less than fifteen (15) days prior to the hearing, the board must send to the member written notice of the date, time and place for the hearing. After the hearing, the board shall again vote on whether to expel the member. The member is expelled if a majority of the board votes to expel.

(b) An expelled member shall remain liable for any sums owed to the credit union for loans or other purposes.

(c) Members whose notes are defaulted and charged off as a loss automatically forfeit membership when their shares are applied toward the loan balance. Reinstatement of membership in case of forfeiture may only be by majority vote of the board of directors.

- (8) Unfinished business;
- (9) New business other than elections;
- (10) Election of Directors;
- (11) Adjournment.

The agenda may be rearranged by the chairman, if so authorized by vote of the members present.

(e) At annual and at special meetings, a majority of the members shall constitute a quorum, provided, however, that at any time the membership of the credit union increases to such extent that a majority of such membership is in excess of twenty-five (25) members, then twenty-five (25) members shall constitute a quorum. If no quorum is present, an adjournment may be taken to a date not less than seven (7) nor more than fifteen (15) days thereafter; and the members present at any such adjourned meeting shall constitute a quorum, regardless of the number of members present. At least seven (7) days prior to any such adjourned meeting, the secretary shall post notice of the adjourned meeting in a conspicuous place in the office of the credit union.

(f) A decision made by a majority vote of the members present at any duly held meeting at which a quorum is present is an act of the membership.

Section 3.04. ELECTIONS

(a) Nominating Committee. At least thirty (30) days prior to each annual membership meeting, the chairman of the board with board approval shall appoint a nominating committee of not less than three credit union members in good standing. It shall be the duty of the nominating committee to nominate at least one member for each board vacancy, including any unexpired term, for which elections are to be held.

(b) Nominations from the floor. After the report of the nominating committee is made to the membership, the presiding officer shall call for nominations from the floor. When nominations are closed, the vote shall be taken. Elections may be by voice vote unless a member demands that the election be by ballot for a particular contested position. If such a demand is made, that position shall be determined by ballot.

(c) Election Rules. The board of directors shall prescribe election rules, including the procedure to be followed in the event of a tie vote, as part of their written board policy.

(d) Mail Ballots. This credit union may conduct voting by mail ballot, if such method is authorized by the board of directors. Mail balloting shall be conducted according to rules adopted by the Credit Union Commission.

Section 4.04. EXPENSES, FEES AND PENALTIES

(a) In accordance with the Texas Credit Union Act, the credit union may require members to pay all reasonable expenses and fees incurred in connection with making, closing, disbursing, extending, readjusting or renewing a loan. Such fees and expenses are in addition to interest.

(b) The credit union may charge a member a penalty when a loan payment is 10 or more days in arrears provided that such penalty may not exceed five percent of the payment due and provided that only one penalty may be charged on each past due payment. Such penalties do not constitute interest.

(c) The board may levy and collect other fees and charges in accordance with the Texas Credit Union Act and commission rules.

Section 5.03. CERTIFICATE OF ELECTION

The chairman of the board and the secretary shall execute a certificate of election that sets forth the names and addresses of the officers, directors, and committee members elected or appointed, and shall file a copy of the certificate of election with the department within thirty (30) days after the election or appointment, and on forms supplied by the department for that purpose. Such forms may provide for other information as deemed appropriate by the commissioner.

Section 5.04. MEETINGS OF DIRECTORS

(a) Regular meetings of the board of directors shall be held at least monthly. The chairman of the board, or in his absence the vice-chairman or any other officer, may call a special meeting of the board of directors at any time, and shall do so upon written request of any three (3) directors. Because of the confidential nature of their duties, the board of directors shall prescribe written policy governing the attendance at board meetings by persons other than directors. Notice of meetings of the board of directors shall be given in such a manner as the board of directors may from time to time, prescribe by written policy.

(b) Subject to the same notice and quorum provisions as for any other meeting of the board of directors, any meeting of the board of directors may be held by telephone conference call in which all or certain of the directors are not physically present at the place of the meeting but nevertheless participate in the conduct thereof by telephone. Provided, however, there shall be no more than one regular meeting held by telephone conference call per calendar quarter and there shall be no consecutive regular meetings held by telephone conference call. Before any regular meeting may be held by conference call, the members of the board of directors must be provided with a written copy of the agenda and copies of any materials that will be discussed. Minutes will be kept in the same manner as for any other meeting of the board of directors. For the purpose of determining the presence of a quorum and for all voting purposes at such a meeting, all directors participating in the meeting shall be considered present and acting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

(c) Any action required or permitted to be taken by the board of directors under any provision of the Texas Credit Union Act may be taken without a meeting if all members of the board shall individually or collectively consent in writing to the action. The written consent or consents shall be filed with the minutes of the proceedings of the board. Any action by written consent shall have the same force and effect as a unanimous vote of those consenting directors. Any certificate or other document filed under any provision of the Texas Credit Union Act that relates to action so taken shall state that the action was taken by unanimous written consent of the board of directors without a meeting and that these bylaws authorize the directors to so act, and that statement shall be prima facie evidence of such authority.

(d) The credit union shall notify the commissioner in writing within ten days of the removal of any director pursuant to this section.

Section 5.08. EXECUTIVE COMMITTEE

The board of directors may appoint from its own number an executive committee of not less than three (3) persons to exercise, between meetings of the board of directors, such authority as may be specifically delegated to it by the board of directors. The executive committee shall report to the board of directors the activities it has taken between meetings of the board of directors, and a report of such activities shall be placed in the minutes of the board of directors.

Section 5.09. DUTIES AND POWERS OF DIRECTORS

The board of directors shall have the general direction and control of the affairs, funds and records of this credit union and shall exercise any and all powers granted by law to boards of directors of corporations, including those powers set forth in the statutes of the State of Texas regulating the organization and operation of credit unions. The board of directors may delegate to others, including the president, other officers or committees, the performance of these duties, including the authority to further delegate these duties; provided, however, the board in delegating such duties is not relieved from the responsibility for the performance of such duties. All such delegations must be recorded in the minutes of the board and include: (1) the person or persons authorized to exercise the delegated powers; and (2) appropriate guidelines and limitations for the exercise of such delegated powers.

In addition to the duties customarily performed by boards of directors, the board of directors shall perform the following special duties and all other duties enumerated in these bylaws, in the laws of the State of Texas pertaining to credit unions, and in the commission rules, including:

(a) To direct the affairs of the credit union in accordance with the Texas Credit Union Act, commission rules, articles of incorporation, these bylaws, and sound business practices.

(b) To assure formulation and adoption of written policy statements that will ensure conformity with the Texas Credit Union Act and commission rules for the following:

- (1) The field of membership,
- (2) Lending,
- (3) Deposit accounts,
- (4) Investments,
- (5) Internal control and audit procedures,

(p) The board may take all necessary or appropriate measures for the interest of the credit union members, including appointing any committees deemed necessary, not within the exclusive jurisdiction of the general membership meeting and not inconsistent with the laws of the State of Texas and these bylaws.

(q) Adopt an operating budget forecast on an annual or semiannual basis, not later than thirty (30) days after the start of such annual or semiannual periods. The budget forecast may be amended by the board from time to time.

Section 5.10. ELECTION AND APPOINTMENT OF OFFICERS

(a) At their first meeting, which shall be held within thirty (30) days following the annual meeting of the members, the board of directors shall elect from their own number a chairman, a vice-chairman, a treasurer, and a secretary. The thirty (30) day period may be extended, if approved in writing by the commissioner.

(b) The board may employ, elect, or appoint a chief executive officer who is in charge of operations and whose title shall be president. The president may or may not be a member of the board of directors, but the president may not be the chairman, vice-chairman, or secretary. The president serves at the pleasure of the board.

(c) Subject to guidelines set by the board and in conformity with Article 2461-5.04 of the Texas Credit Union Act, the president shall appoint, employ, or hire and may discharge other officers and employees that the president considers necessary for operation of the credit union.

Section 5.11. DUTIES OF OFFICERS

(a) **The chairman of the board** shall preside at meetings of the members, and of the board of directors, and shall perform such other duties as pertain to this office.

(b) **The vice-chairman** shall perform duties of the chairman of the board in the event of absence or disability of that officer.

(c) **The secretary** shall prepare and maintain full and correct records of all meetings of the members and of the board of directors. The secretary shall promptly inform the Credit Union Department in writing of any change in the address of the office of this credit union, or location of its records, and promptly file changes in the officers, directors and the chairman of the audit committee of the credit union with the Credit Union Commissioner. 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 of the board of directors. The secretary shall also perform such other duties as he or she may be directed to perform by resolution of the board of directors not inconsistent with the Texas Credit Union Act and these bylaws.

CHAPTER VI. CAPITAL ACCOUNTS

Section 6.01. CAPITAL

The capital of this credit union shall consist of the following:

(a) Shares purchased by members which may be with or without par value and which may be of different types or classes as determined by the board of directors. Shares may be paid for as prescribed by the board of directors, in written policy. Dividends and other credits to the share accounts of members shall constitute payments on shares.

Dividends may be paid on fully paid shares or on the total amount of fully paid and partial shares, as prescribed by the board of directors in written policy.

(b) All deposit accounts, which shall be operated in accordance with policies prescribed by the board of directors and in conformity with the rules of the Credit Union Commission.

(c) All reserve accounts, including allowances for loan losses, and undivided earnings.

Section 6.02. WITHDRAWAL AND TRANSFER OF SHARES

(a) Shares may be transferred from one member to another only in writing on the books of the credit union. A reasonable fee for each transfer may be required by the board.

(b) Monies paid in on shares may be withdrawn as provided in these bylaws on any day when payment for shares may be made, but the board of directors shall have the right at any time to:

- (1) Require members and other depositors to give sixty (60) days notice of intention to withdraw the whole or any part of the amounts so paid in by them;
- (2) Prescribe rules regarding withdrawals of shareholdings or deposits below the amount of a member's total indebtedness, either direct or indirect, to the credit union;
- (3) Prescribe rules regarding remote withdrawal of shares and/or deposits, in accordance with rules promulgated by the Credit Union Commission;
- (4) Prescribe a fee for each withdrawal above a reasonable number of withdrawals per month as prescribed by the board in written policy; and
- (5) Prescribe a reasonable minimum amount for each withdrawal.

(c) The limitations on the powers delegated, which may include restrictions on the type and/or amounts of loans approved, restrictions on the power to disapprove loans, or restrictions on further delegations of these powers;

(d) If authority to disapprove a loan application is granted to any one person, including a loan officer, the board of directors must provide for at least one level of appeal from a denial of a loan application. This appeal may be to the board of directors or any individual or group of individuals the board of directors may designate; and

(e) Notwithstanding any delegation of the power to deny a loan application, the board of directors shall have the right to review any loan application which has been denied.

Section 7.07. LOANS TO OFFICIALS

Loans made to the credit union's directors, employees, loan officers, credit manager, credit committee members and members of the immediate families of such persons shall be made in accordance with Section 7.05 of the Texas Credit Union Act.

CERTIFICATE

This is to certify that these bylaws have been duly adopted by the board of directors of this credit union, at a (regular) (special) meeting held on 30th day of December, 19 86.

Witness our signatures this 30th day of Dec., 19 86.

(Print or type) Rena Reynolds Signature: Rena E Reynolds
(Chairman of the Board)

(Print or type) James M. Chenault Signature: James M. Chenault
(Secretary)

Approved this 5th day of January, 19 87.

John R. Hall
Credit Union Commissioner

The original and one copy are to be forwarded to the Credit Union Commissioner for his approval; the original will be returned to the credit union for permanent retention, the copy will be retained by the Credit Union Department. These bylaws become effective upon approval by the Credit Union Commissioner and shall supercede all previous bylaws and amendments thereto.

State of Texas



Credit Union Department

I, Harold E. Feeney, Commissioner, of the Credit Union Department do hereby certify that the document attached is a true, full and correct copy of the original bylaws of Highway District 2 CU, which is now on file in and forms a part of the permanent records of this Department.

In Testimony whereof I have hereunto subscribed my name officially, and have hereon impressed my Seal of Office at the City of Austin, in the State of Texas, this 22ND day of APRIL A.D. 20 02.

Harold E. Feeney

CREDIT UNION COMMISSIONER