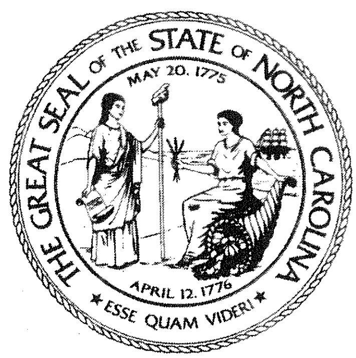
BYLAWS

______________________________ CREDIT UNION
(INCORPORATED UNDER LAWS OF NORTH CAROLINA)



(MONTH, YEAR)

CREDIT UNION DIVISION
NORTH CAROLINA DEPARTMENT OF COMMERCE
RALEIGH, NORTH CAROLINA

FOREWORD

In regard to the formation of credit unions, the North Carolina Credit Union Law, G.S. 54-109.3, reads as follows:

> "In order to simplify the organization of credit unions, the Administrator of Credit Unions shall cause to be prepared a form of articles of incorporation and a form of bylaws, consistent with Articles 14A to 14L of this Chapter, which may be used by credit union incorporators for their guidance."

G.S. 54-109.3(1)-(19) specifies what shall be provided for or included in the bylaws.

As required by Credit Union Law, these standard bylaws define the scope of the credit union's activities, its powers, and the duties and responsibilities of its officials. They have been designed to give the board of directors, the credit and supervisory committee (when appointed), and the executive officers maximum authority together with appropriate responsibility for the sound management and proper operation of the credit union. The officials should study the bylaws in order to thoroughly understand their duties, authorities, and responsibilities so they will be able to serve the interests of the members.

Article XXI. of the bylaws prescribes the method by which the bylaws may be amended. Bylaw amendments must be approved in writing by the Administrator of the Credit Union Division before they become effective. Officials wishing to amend the bylaws of their credit union may wish to write or discuss the proposed change with the Credit Union Administrator or the Deputy Administrator. The following information should be provided:

1. The section of the bylaws proposed to be amended.

2. A summary of the reasons why the amendment is considered desirable or necessary and what the proposed amendment will accomplish for the credit union.

3. The proposed wording of the amendment.

Upon reviewing the above information, the Credit Union Division will advise the credit union as to whether or not the proposed amendment will be approved.

BYLAWS

____ CREDIT UNION

Charter Number ________________

ARTICLE I

NAME-PURPOSE

Section 1. The name of this credit union shall be:

" CREDIT UNION."

Section 2. As a cooperative nonprofit association, the purpose of this credit union is to promote thrift among its members by affording them an opportunity to accumulate their savings; and to create for them a source of credit at a fair and reasonable rate of interest, and to provide for its members an opportunity to use and control their own money to improve their economic and social condition.

ARTICLE II

ORGANIZATION MEETING

Section 1. Organization Meeting. In organizing a credit union, twelve or more qualified subscribers shall convene for the purpose of:

a. preparing in duplicate the articles of incorporation,

b. preparing and adopting in duplicate bylaws for the general government of the credit union, and

c. selecting at least five qualified persons who agree to serve on the board of directors and who shall hold office until the first annual meeting of the members and until the election of their respective successors, or until a time that might be otherwise determined by the subscribers.

The articles of incorporation and bylaws shall be forwarded (in duplicate), along with the required charter and investigation fee, to the Administrator of Credit Unions for his review and approval.

Section 2. Election of Officers; Committee Appointments. On receipt of the approved organization certificate and bylaws from the Administrator of Credit Unions, the board of directors shall meet and elect the executive officers who shall hold office until the first meeting of the board of directors following the first annual meeting of the members and until the election and qualification of their respective successors. The board shall also appoint at this meeting a credit committee or loan officer(s) as provided in Article XII, Section 1. of these bylaws, and a supervisory committee as provided in Article XIII, Section 1. of these bylaws. The members so appointed shall hold office until the first regular meeting of the board following the first annual meeting of the members and until the appointment and qualification of their respective successors.

Section 3. Oath of Office. Within 15 days following the board of directors' initial or annual organization meeting, a record (Oath of Office form) of the names and addresses of the members of the board, committees and all other officers of the credit union shall be filed with the Credit Union Division.

Section 4. Vacancies. The office of any director or committee member who does not qualify within 30 days, or who has a delinquent loan shall automatically become vacant and shall be filled in accordance with the provisions of these bylaws pertaining to the filling of vacancies.

ARTICLE III.

QUALIFICATIONS FOR MEMBERSHIP

Section 1. Field of Membership. The field of membership in this credit union is limited to those persons and groups having a common bond of association, occupation, interest or residence as follows:

Section 2. Membership Applications. Applications for membership from persons eligible for membership under Section 1. of Article III. shall be signed by the applicant on membership cards or forms approved by the board. Upon approval of such an application by a majority of the directors or by a membership officer and upon the purchase of at least one share of this credit union and the payment of a uniform entrance fee if required by the board, the applicant is admitted to membership. If a membership application is denied, upon written request, the reasons shall be furnished in writing to the person whose application is denied. A person denied membership by a membership officer may appeal the denial to the board of directors.

Section 3. Identifying Numbers. A number shall be assigned to each member as a means of identifying each account with the credit union and shall not be reissued to any other member.

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

Section 5. Effect of Membership Field. The membership of members who are no longer within the field of membership on the day this bylaw is effective or thereafter, is terminated immediately; provided, however, that the board may resolve that such members may retain membership if they meet certain reasonable minimum standards established by the board.

Section 6. Non-Individual Members. Societies and copartnerships composed primarily of individuals who are eligible for membership, and corporations whose stockholders are composed primarily of such individuals, may be admitted to membership in the same manner and under the same conditions as individuals, but are limited to secured loans.

Section 7. Other Credit Unions as Members. At the discretion of the board, any credit union organized under North Carolina law or any other acts may be admitted to membership in the same manner and under the same conditions as individuals.

ARTICLE IV.

SHARES OF MEMBERS

Section 1. Par Value; Subscriptions. The par value of each share shall be________ . Subscriptions to shares are payable at the time of subscription.

Section 2. Limitations. The number of shares this credit union may issue shall be unlimited. The maximum and minimum amount of shares which may be required to be held by any one member may be established from time to time by resolution of the board. A reasonable service charge may be established by the board for withdrawals that reduce the account below the minimum balance required by the board.

Section 3. Minimum Share Balance. The shareholdings of a member who reduces his/her share balance below par and does not increase the balance to at least par upon notification from the credit union within 90 days of the notification may be closed or transferred to an account payable upon established policy of the board.

Section 4. Addresses; Abandonment. Each member shall keep this credit union informed about his, her or, its current address. In the event a member fails to do so, a charge may be made to the member's share account for the actual cost incurred by this credit union in determining such address provided, however, that such charge shall not exceed $5.00 and shall not be made against the account or accounts of any one member more than once in any 12-month period.

A member's account shall be presumed abandoned if:

(a) The credit union receives information that the shareholder no longer resides at the address listed in the credit union's records.
(b) The credit union is unable to locate the owner, and,
(c) If there has been no deposits or withdrawals by the member within one year.

The board of directors shall establish policies under which shares of unlocated owners may be transferred to dormant shares and thereafter remitted to the North Carolina Escheat Fund in accordance with North Carolina Escheat and Abandoned Property Statutes.

Section 5. Transfer of Shares. Shares may be transferred from one member to another, only by written instrument, in such form as the board may prescribe. Such transfer may carry dividend credits with it.

Section 6. Withdrawal of Shares. Money paid on shares may be withdrawn on any day when payment on shares may be made provided, however, that:

(a) The board shall have the right, at any time, to require members to give, in writing, not more than 60 days notice of intention to withdraw the whole or any part of the amounts so paid by them.

(b) The board may determine that if shares are paid under the accumulated payroll deduction plan, they may not be withdrawn until credited to members' accounts.

(c) No member may withdraw shareholdings which are pledged as required security on loans without the written approval of the credit committee or a loan officer, except to the extent that such shares exceed the member's total primary and contingent liabilities to the credit union.

"Required security" as used in this section, refers to shares which are in existence at the time the loan is made, or which may be invested in the future, and which are specifically required to be pledged as security as part of a secured loan transaction.

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

(e) The share account of a person whose membership is terminated in accordance with Article III, Section 5. of these bylaws may be continued until the close of the dividend period in which the membership terminated, after which it shall be transferred to an account payable provided, however, that the shares may not be withdrawn or transferred below that person's primary or contingent liability to the credit union without the approval of the credit committee or a loan officer. Such shares may be retained as such until the close of the dividend period in which the member's liability to the credit union is liquidated.

(f) A deceased member's account may be retained by the credit union until requested by the settler of the estate.

(g) The board may establish a reasonable fee to be charged for excessive withdrawals within an accounting period.

Section 7. Share Draft Accounts. Share draft accounts may be offered according to policies adopted by the board and upon approval of the Administrator.

Section 8. Minors. Shares may be issued in the name of a minor or in trust therefore.

Section 9. Trusts. Shares may be issued in a revocable or irrevocable trust in accordance with the laws of this state, subject to the following:

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

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

ARTICLE V.

THRIFT ACCOUNTS

Section 1. Thrift Accounts. Christmas clubs, vacation clubs, and other thrift accounts may be offered under terms and conditions established by the board.

ARTICLE VI.

DEPOSITS

Section 1. Authority. The credit union may receive on deposit the savings of its members and also nonmembers in such amounts and upon such terms as the board of directors may determine.

Section 2. Withdrawals. Any depositor may withdraw all or part of his/her deposits at any time that the office of the credit union is open for business, but the board of directors may require as much as 90 days written notice of the depositor's intention to make the withdrawal, and may further require that said depositor shall withdraw his/her deposit in equal installments at regular intervals for a period not exceeding one year. Such withdrawals shall be honored in the order in which the notice therefore is filed and as funds therefore become available in the same manner as in the case of withdrawals of shares, as provided in Section 5. of Article IV. of these bylaws provided, however, that in the matter of withdrawals, deposits shall be preferred over shares.

ARTICLE VII.

RECEIPTING FOR MONEY AND STATEMENT OF ACCOUNT

Section 1. Receipting Required. Money paid out of an account of shares, deposits, thrift accounts, loans, and interest, or late charges shall be evidenced by an appropriate voucher or receipt. Each voucher or receipt shall identify the person (name and account number), the date, and the amount of money received or disbursed. Entries on the members' statement of account with the credit union shall be the official permanent record.

ARTICLE VIII.

MEETINGS OF MEMBERS

Section 1. Fiscal Year; Annual Meeting. The fiscal year of this credit union shall end December 31. The annual meeting of the members shall be held prior to June 30 of each year at such time and place as the board of directors shall designate.

Section 2. Notice. At least fifteen (15) days before the date of any annual meeting of the members, the secretary shall cause written notice thereof to be handed to each member in person or mailed to each member at his/her address as the same appears on the records of this credit union; except that if this credit union maintains an office that is readily accessible to members and wherein regular business hours are maintained, and the board so determines, notice of the annual meeting may be given by posting the notice thereof, in a conspicuous place in the office of this credit union where it may be read by the members, at least 30 days prior to such meeting; provided, however, that any meeting of the members, whether annual or special, may be held without prior notice at any place or time, if all of the members entitled to vote thereat who are not present at such meeting shall in writing waive notice thereof, either before, during, or after the meeting.

Section 3. Voting. The board of directors shall prescribe procedures to insure that only credit union members may participate and vote during any regular or special meeting.

Section 4. Special Meetings. Special meetings of the members may be called by the chairman or by the supervisory committee and shall be called on the written request of not less than 10% of the membership.

Section 5. Quorum. Except as hereinafter provided, at annual or special meetings, fifteen members shall constitute a quorum. If no quorum is present, an adjournment may be taken to a date not less than seven nor more than fifteen days thereafter; and the members present at any such adjourned meeting shall constitute a quorum, regardless of the number of members present. Notice of any adjourned meeting shall be given by the clerk in the manner prescribed in Section 2. of this Article not less than five days prior to the date of the meeting as fixed in the adjournment.

Section 6. Order of Business. The order of business of annual meetings of members shall be as follows:

(a) Ascertainment that a quorum is present.
(b) Reading and approval (or correction) of the minutes of the last meeting;
(c) Report of directors.
(d) Report of the financial status.
(e) Report of the loan activity.
(f) Report of audit/examination.
(g) Unfinished business.
(h) New business other than elections.
(I) Report of nominating committee.
(j) Elections.
(k) Adjournment.

ARTICLE IX.

ELECTIONS

Section 1. Nominating Committee. At least 60 days prior to each annual meeting, the chairman shall appoint a nominating committee to nominate at the annual meeting at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held.

Section 2. Voting. After the nominations of the nominating committee have been placed before the members, the president shall call for nominations from the floor. When nominations are closed, tellers shall be appointed by the chairman, ballots shall be distributed, the vote shall be taken and tallied by the tellers, and the results announced. The board may adopt policies and procedures providing for nominations by petition from the membership in lieu of nominations from the floor. Proper prior notice of such policy and procedures must be given to the membership at least sixty (60) days before becoming effective. All elections shall be determined by the majority vote and shall be by ballot unless otherwise provided or when there is only one nominee for the office.

Section 3. Proxies. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated in writing for that purpose. (A trustee, or other person acting in a representative capacity, shall not, as such, be entitled to vote.) Absentee voting may be allowed in accordance with procedures adopted by the board.

Section 4. One Vote Per Member. No member shall have more than one vote, irrespective of the number of shares held by him/her.

Section 5. Reporting Results. Within 15 days after the election of the directors and the election of the officers the names and addresses of members of the board, executive officers, executive committee, and members of the credit and supervisory committees shall be forwarded to the Administrator of Credit Unions in accordance with the laws and regulations in such manner as may be required by the Administrator.

Section 6. Minimum Age Requirements. The minimum age of sixteen (16) is a qualification for eligibility to vote at meetings of the members; and the minimum age of eighteen (18) is a qualification to hold elective and/or appointive office.

ARTICLE X.

BOARD OF DIRECTORS

Section 1. Membership. The board of directors shall consist of ______ members (not less than five), all of whom shall be members of this credit union. Regular terms of office for directors shall be for periods of three (3) years. At the first meeting of the members, the members shall elect directors to serve as follows:

( ) Directors for one (1) year

( ) Directors for two (2) years

( ) Directors for three (3) years

(Upon any increase or decrease in the number of directors, the regular terms shall be so fixed that approximately an equal number of regular terms shall expire at each annual meeting.)

Section 2. Vacancies. Any vacancy on the board, credit committee, or supervisory committee shall be filled by vote of a majority of the directors then holding office. Directors so appointed shall hold office only until the next annual meeting, at which any unexpired terms shall be filled by vote of the members, and until the qualification of their successors. Members of the supervisory committee and credit committee so appointed shall hold office until the first regular meeting of the board following the next annual meeting of members at which the regular term expires, and until the appointment and qualification of their successors.

Section 3. Meetings. A regular monthly meeting of the board shall be held, unless otherwise authorized by the Administrator, at the time and place fixed by the board. The president, chairman or in his/her absence, the ranking officer, may call a special meeting of the board at any time; and shall do so upon written request of a majority of the directors then holding office. Unless the board prescribes otherwise, the chairman, or in his/her absence the ranking officer, shall fix the time and place of special meetings. Notice of all meetings shall be given in such manner as the board may from time to time prescribe by resolution.

Section 4. Authority. The board shall have the general direction and control of the affairs of this credit union as required by applicable law and regulations, and shall be responsible for performing all the duties customarily performed by boards of directors.

Section 5. Quorum. A majority of the number of directors (inclusive of any vacancies) shall constitute a quorum for the transaction of business at any meeting thereof, but fewer than a quorum may adjourn from time to time until a quorum is in attendance.

Section 6. Performance. If a director or a credit committee member fails to attend regular meetings of the board or credit committee, respectively, for three consecutive meetings, or otherwise fails to perform any of the duties devolving upon him/her as a director or a credit committee member, his/her office shall be declared vacant by the board and the vacancy filled as herein provided. The board may remove any executive officer from office for failure to satisfactorily perform the duties thereof, after giving the officer reasonable notice and opportunity to be heard. When any executive officer, membership officer, executive committee member, or investment committee member is absent, disqualified or otherwise unable to perform the duties of his/her office, the board may by resolution designate another member of this credit union to act temporarily in his/her place. The board may also, by resolutions, designate another member or members of this credit union to act on the credit committee, when necessary, in order to obtain a quorum.

Section 7. Supervisory Committee Members. If a member of the supervisory committee fails to perform any of the duties devolving upon him/her as a committee member, his/her office may be declared vacant by the board and the vacancy filled as herein provided.

ARTICLE XI.

EXECUTIVE OFFICERS, EXECUTIVE COMMITTEE, AND MANAGEMENT STAFF

Section 1. Officers. The directors shall elect from their own number an executive officer, who shall be designated as president or chairman of the board, one or more vice presidents of the board or vice chairman, a treasurer, and a secretary. If more than one vice-president or vice-chairman of the board is elected, the board shall determine their rank. Only the office of treasurer and secretary may be held by the same person. Unless removed as herein provided, the officers elected at the first meeting of the board shall hold office until the first meeting of the board following the first annual meeting of the members, and until the election and qualification of their respective successors.

Section 2. Term of Office. Officers elected at the first meeting of the board following the annual meeting of the members, which shall be held not later than 30 days after the annual meeting, shall hold office for a term of one year and until the election and qualification of their respective successors.

Any person elected to fill a vacancy caused by the death, resignation, or removal of an officer shall be elected by the board to serve for the unexpired term of such officer and until his/her successor is duly elected and qualified.

Section 3. President or Chairman. The president or chairman of the board shall preside at all meetings of the members and at all meetings of the board. He/she may countersign all notes of this credit union, and all checks, drafts, and other orders for disbursement of its funds as prescribed in Article XVIII, Section 2. of these bylaws. He/she shall also perform such other duties as customarily pertain to the office of the president or chairman, or as he/she may be directed to perform by resolution of the board, not inconsistent with the laws, regulations, and these bylaws.

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

Section 5. Treasurer. Unless the board has employed a separate manager, the treasurer shall be the chief financial officer/manager of this credit union under the control and direction of the board. Subject to such limitations, controls and delegations as may be imposed by the board, the treasurer shall:

(a) Have custody of all funds, securities, valuable papers, and other assets of this credit union.

(b) Sign all notes of this credit union, and all checks, drafts, and other orders for disbursement of its funds.

(c) Provide and maintain full and complete records of all the assets and liabilities of this credit union.

(d) Within 15 days after the close of the month, prepare and submit to the board financial statements showing the condition of this credit union as of the end of the month. At least monthly he/she shall promptly post copies of such statements in a conspicuous place in the office of this credit union where they will remain until replaced by the financial statements for the next succeeding month.

(e) Prepare and forward to the Administrator of Credit Unions such financial and other reports as the Administrator may require.

(f) If so authorized by the board and within standards and limitations prescribed by the board, employ assistant managers, tellers, clerks, bookkeepers, and other office employees, and have the authority to remove such employees.

(g) Perform such other duties as customarily pertain to the office of treasurer or as he/she may be directed to perform by resolution of the board not inconsistent with the laws, regulations, and these bylaws.

The treasurer, as manager, may be compensated for his/her services to such extent as may be determined by the board.

The board may authorize one or more assistant treasurers, none of whom may hold office as president or vice president, and may authorize them under the direction of the treasurer, to perform any of the duties devolving on the treasurer, including the signing of checks and the discharge or release of records of any deed of trust, mortgage, or other instrument intended to serve the payment of money. When designated by the board, any assistant treasurer may also act as treasurer during the temporary absence of the treasurer or in the event of his temporary inability to act.

Section 6. Manager. The board may employ a manager who may or may not be a member of the board and who shall be under the direction and control of the board. No employee of the credit union other than the manager may be a member of the board. The board may authorize assistant managers under the direction of the manager, to perform any of the duties devolving on the manager, including the signing of checks. When designated by the board, any assistant manager may also act as manager during the temporary absence of the manager or in the event of his/her temporary inability to act. The manager may be assigned any or all of the responsibilities of the treasurer described in Section 5. of this Article.

Section 7. Secretary. The secretary shall prepare and maintain full and correct records of all meetings of the members and of the board. These records shall be prepared within 15 working days after the respective meetings. The secretary shall promptly inform the Administrator of Credit Unions in writing of any change in the address of the office of this credit union or the location of its principle records. He/she shall give or cause to be given, in the manner prescribed in these bylaws, proper notice of all meetings of the members, and shall perform such other duties as he/she may be directed to perform by resolution of the board not inconsistent with the laws, regulations, and these bylaws.

The board may authorize expenses for clerical assistance as determined by the presiding officer to perform any of the duties devolving on the secretary.

Section 8. Executive Committee. The board may appoint an executive committee of not fewer than three directors to act for it, with respect to specifically delegated functions and subject to such limitations as prescribed by the board.

Section 9. Membership Officers. The board may appoint one or more membership officers from among the members of this credit union to approve applications for membership under such conditions as the board and these bylaws may prescribe.

Section 10. Committees. The board may appoint an investment committee to have charge of making investments under rules and procedures established by the board; and appoint any other special committee it deems necessary.

Section 11. Compensation. No member of the executive committee, or investment committee, or any membership officer may be compensated as such. Members of the executive committee, investment committee and membership officers shall serve at the pleasure of the board of directors.

ARTICLE XII.

CREDIT COMMITTEE

Section 1. Credit Committee. The board of directors shall appoint a credit committee from the membership consisting of an odd number, not less than three, or in lieu of a credit committee, appoint one or more loan officers from the membership and in such instances the duties and responsibilities of the credit committee shall be carried out by such loan officer(s). Directors and supervisory committee members shall not serve as members of the credit committee; however, the board may appoint the treasurer to the committee.

Section 2. Term of Office. Regular terms of office for credit committee members shall be for periods of either two or three years as the board shall determine, provided that all regular terms shall be for the same number of years and until the appointment and the qualification of successors. The regular terms shall be so fixed at the beginning or upon any increase or decrease in the number of committee members, that approximately an equal number of regular terms shall expire at each annual meeting.

Section 3. Officers of Committee. The credit committee shall choose from their number a chairman and a secretary. The secretary of the committee shall prepare and maintain full and correct records of all actions taken by it, and such records shall be prepared within three days after the action. The offices of chairman and secretary may be held by the same person.

Section 4. Loan Officers. The credit committee may, as authorized by the board of directors, appoint one or more loan officers and delegate to him/her or them the power to approve loans, releases, and substitutions of security, within limits specified by the committee or board. Each loan officer shall furnish a record of each transaction approved or not approved by him/her within seven days of the application or request, and this record shall become a part of the records of the credit union. A properly documented loan application shall constitute such record. All applications or requests not approved by a loan officer shall be acted upon by the committee, if any. No individual may sign a check to disburse funds of this credit union for any loan which he/she has approved as a loan officer.

Section 5. Meetings. The credit committee, if any, shall hold such meetings as the business of this credit union may require, and not less frequently than once a month. Notice of such meetings shall be given to members of the committee in such manner as the committee may from time to time, by resolution, prescribe.

Section 6. Loan Applications. The credit committee or a loan officer shall inquire carefully into the character and financial condition of each applicant for a loan and his/her sureties, if any, to ascertain their ability to repay fully and promptly the obligations incurred by them. The credit committee or loan officer should endeavor diligently to assist applicants in solving their financial problems.

Section 7. Loans. No loan shall be made unless approved by the committee or a loan officer in accordance with applicable law, regulations, and board policy.

Section 8. Security. The credit committee or loan officer shall determine the security required for each loan, if any, and the terms upon which it shall be repaid subject to the general policies of the board. The security furnished shall be adequate in quality and character and consistent with sound lending practices. When funds are not available to make all the loans for which there are loan applications, preference should be given to the applications for small loans.

ARTICLE XIII.

SUPERVISORY COMMITTEE

Section 1. Supervisory Committee. The board of directors shall appoint a supervisory committee, not less than three, from the membership (no more than one of whom may be a member of the board and none an employee of this credit union or a member of the credit committee), who may employ and use such auditing and clerical assistance as may be required to perform the duties of the supervisory committee. (In lieu of a supervisory committee, the board of directors may employ and use such auditing and clerical assistance to perform all the duties and responsibilities of the supervisory committee). Members who have accounting or bookkeeping knowledge and experience should be considered for appointment to the committee whenever possible. Regular terms of committee members shall be for periods as set by the board.

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

Section 3. Audits and Reports. Unless otherwise required by laws and regulations, the supervisory committee shall make or cause to be made, such audits and written reports as required by laws and the Administrator. The committee shall use such auditing and clerical assistance as may be required to carry out its responsibilities as prescribed by this Article, and may request the board to provided compensation for such assistance. It shall prepare and forward to the Administrator of Credit Unions such reports as may be required.

Section 4. Verification of Accounts. The supervisory committee shall, from time to time and not less frequently than as required by laws and regulations, cause the accounts of all members to be verified with the records of the credit union. The committee shall maintain a record of such verification.

Section 5. Violations. Any violation of the provisions of the credit union laws, the regulations, the charter and bylaws of this credit union, or any practice of this credit union which the committee deems to be unsafe or unsound shall be reported to the board of directors and the Administrator within seven days of its discovery.

ARTICLE XIV.

LOANS TO MEMBERS

Section 1. Eligibility. Loans shall be made only to members, and shall be made in accordance with applicable law and regulations.

Section 2. Limitations. Within the limitations prescribed by applicable law and regulations, the board shall fix from time to time the interest rates on loans, the rate of interest refund, if any, to be made to members, the maximum maturities and terms of payment or amortization of loans to members, and the maximum amount that may be loaned with and without security provided, however, that without adequate security, no loan in excess of $__________ shall be made. When, by action of the board, the interest rates on future loans are reduced, similar action may be taken with regard to interest rates on unpaid balances of existing loans.

Section 3. Maximum Loans. The aggregate amount of loans to any member and the terms and conditions of such loans shall not exceed the limits permitted by applicable law and regulations.

Section 4. Repayment. A borrower may repay his/her loan prior to maturity, in whole or in part, on any business day.

Section 5. Loan Application. Applications for loans shall be on forms prepared and furnished by the board, and shall in each case set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required by the credit committee, loan officer, or by applicable law, regulations, and board policies.

Section 6. Late Charges. Subject to the limitations of applicable law and regulations, any member failing to pay any installment or obligations when due may be required by the board to pay a late charge amounting to two percent (2%) per month of the installment or installments in arrears.

Section 7. Fees. Subject to limitations of applicable law and regulations, the board may set a reasonable loan application or processing fee to be charged.

ARTICLE XV.

RESERVES

Section 1. Regular Reserves. All amounts as required by credit union law and regulations shall be set aside as a regular reserve, provided that when the regular reserve thus established shall reach the minimum balance required by the laws and regulations; no further transfers shall be required, except amounts required by law to maintain such minimum balance. Amounts in excess of the above requirements may be transferred to the regular reserve by authorization or by policy adopted by the board. The regular reserve shall be used only for losses as authorized by applicable law and regulations.

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

ARTICLE XVI.

DIVIDENDS

Section 1. Establishment. The board shall establish dividend periods and declare dividends as permitted by the law and regulations and in accordance with the following:

(a) Dividends may be declared by the board, for an established dividend period, from earnings available after provision for reserves required by the law and regulations.
(b) All dividend declarations shall include the establishment of a date on which such declared dividends will be distributed or posted to the accounts of the members.
(c) The board of directors may classify share accounts, and may establish variable dividend rates.

Section 2. Limitation. No dividend shall be declared or paid when the cost would exceed available earnings without prior written approval of the Administrator.

ARTICLE XVII.

INTEREST REFUNDS

Section 1. Interest Refund. Within the limits prescribed by applicable laws and regulations the board of directors shall fix from time to time the rate of interest refund, if any, to be refunded to members.

Section 2. Amounts. The amount of interest refund to the member shall be in proportion to the amount of interest paid by the member during the dividend period as determined by the application of a uniform percentage on such classes of loans and under such conditions as the board prescribes.

Section 3. Prior Periods. If the dividend periods of the credit union are more frequent than annually and an interest refund was omitted for one or more such dividend periods, the board during the time permitted for the declaration of the current dividend, may authorize an interest refund for the current dividend period and for any one or more of the omitted dividend periods during the same fiscal year. (However, the board shall not authorize an interest refund for any dividend period with respect to which the board has not declared a dividend.)

ARTICLE XVIII.

DEPOSIT AND DISBURSEMENT OF FUNDS - INVESTMENTS AND BORROWING

Section 1. Deposits. All funds of this credit union, except for petty cash and cash change funds authorized by Section 3. of this Article, shall be deposited in such qualified depository or depositories from among those authorized by applicable law and regulations as the board may from time to time by resolution designate; and shall be so deposited not later than the next banking day after their receipt, provided that receipts in the aggregate of $500 or less may be held no more than three banking days.

Section 2. Countersigning. All disbursements of funds of this credit union shall be made by checks, share drafts, or other written instruments signed by those individuals designated by the board of directors, and countersigned by the president or in his/her absence or inability to serve, by the ranking vice president, provided that the board may by resolution eliminate the requirement of countersigning.

Section 3. Cash Fund. A cash change fund may be authorized by the board by resolution.

The board may authorize by resolution the establishment of a petty cash fund for payment of small expense items.

Section 4. Investments. The funds of this credit union shall be invested only as authorized by applicable law and regulations.

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

ARTICLE XIX.

GENERAL PROVISIONS

Section 1. Exercise of Authority. All power, authority, duties, and functions of the members, directors, officers and employees of this credit union, pursuant to the provisions of these bylaws, shall be exercised in strict conformity with the applicable provisions of law and regulations issued thereunder, and of the bylaws of this credit union.

Section 2. Confidences. The officers, directors, members of committees, and employees of this credit union shall hold in STRICTEST CONFIDENCE all transactions of this credit union with its members and all information regarding their personal affairs, except to the extent deemed necessary with the making of loans and the collection thereof. A violation of this section by an employee and/or official is grounds for immediate dismissal or removal by the board of directors.

Section 3. Exercise of Authority. The authority of the board of directors, including committees, is a group authority to be exercised as the body assembles. The authority of an elected or appointed person, acting individually and without direction from the board of directors or committees, shall be no greater than that of any other credit union member.

Section 4. Removal. Notwithstanding any other provisions in these bylaws, any director, committee member, officer, or employee of this credit union may be removed from office by the affirmative vote of two-thirds of the members present at a special meeting called for that purpose, but only after he/she has been informed in writing of the charges against him/her and an opportunity has been given to him/her after reasonable notice, to be heard thereon.

Section 5. Records. Copies of the organizational paper of this credit union, its bylaws and amendments thereto, and any special authorization by the Administrator shall be preserved in a place of safekeeping. Returns of nominations and elections, as well as proceedings of all regular and special meetings of the members, the directors, and the supervisory committee, shall be recorded in the minute books of this credit union. The minutes of the meetings of the members, the board of directors, and the committees shall be signed by their respective chairmen or presiding officers and by the persons who serve as secretaries of such meetings.

Section 6. Examination of Books and Records. All books of account and other records of this credit union shall at all times be available for examination or inspection by the board of directors and committee members of this credit union as a group. In accordance with Section 3. of this Article this privilege does not extend to an elected or appointed person who is acting individually and without direction from the board of directors or committees.

Section 7. Authority of Administrator. This credit union, organized under the provision of G.S. 54-109.2, shall be subject to the management, control and supervision of the Administrator of Credit Unions as to their conduct, organization, management, business practices, and their financial and fiscal matters. It shall be the duty of the board and various committees to follow the lawful orders, rules and instructions of the Administrator. Failure to do so shall constitute grounds for removal as specified by credit union law.

ARTICLE XX.

EXPULSION AND WITHDRAWALS

Section 1. Expulsions and Withdrawals. A member may be expelled only in the manner provided by the law. Expulsion or withdrawal shall not operate to relieve a member of any liability to his/her credit union. All amounts paid on shares, deposits or other thrift accounts by expelled or withdrawing members, prior to their expulsion or withdrawal, shall be paid to them in the order of their expulsion or withdrawal, but only as funds become available and only after deducting therefrom any amounts due from such members to this credit union.

ARTICLE XXI.

AMENDMENT OF BYLAWS

Section 1. Procedure. Amendments of these bylaws may be adopted by affirmative vote of two-thirds of the members of the board of a duly held meeting thereof, if the members of the board have been given at least seven days notice of said meeting and the notice has contained a copy of the proposed amendment or amendments.

Section 2. Effective Date. No amendment of these bylaws shall become effective until approved in writing by the Administrator of Credit Unions of the State of North Carolina.

Section 3. Recordation. All amendments to these bylaws shall be properly recorded in the minutes, and the actions taken by the board in regard to bylaw changes shall be reported to the members at the next annual meeting. When the board votes to change the (1) field of membership or (2) the number of directors, the membership shall be informed of such change by written notice or by displaying a copy of the approved change on bulletin boards or doors of the credit union, or in conspicuous places so as to be readily accessible to the members.

ARTICLE XXII.

LIQUIDATION

Section 1. <u>Voluntary</u>. The credit union may elect to dissolve voluntarily and liquidate its affairs in the manner prescribed by the statutes.

Section 2. <u>Distribution of Assets</u>. In the event of liquidation, the board of directors or the liquidating agent shall distribute the assets of the credit union in the following manner:

(a) Payment of expenses incidental to liquidating.
(b) Money borrowed including accrued interest to date of liquidation.
(c) Payment of other legal obligations to nonmembers.
(d) Payment of deposits including accrued interest to date of liquidation.
(e) Prorata apportionment of the balance among shareholders.

ARTICLE XXIII.

MERGER

Section 1. <u>Merger</u>. This credit union may, with the approval of the Administrator of Credit Unions, merge with another credit union subject to the rules and regulations set forth by the Administrator of Credit Unions.

ARTICLE XXIV.

INSURANCE AND GROUP PURCHASING

Section 1. <u>Insurance</u>. This credit union may purchase or make available insurance for its members in amounts related to their respective ages, shares, deposits, or loan balances, or to any combination of them.

Section 2. <u>Marketing</u>. This credit union may enter into cooperative marketing arrangements to facilitate the members' voluntary purchases of such goods and services as are in the interest of improving economic and social conditions of the members.

Section 3. <u>Officials' Insurance</u>. This credit union may provide reasonable life, health, accident, and similar insurance protection for a director or committee member. Directors and committee members may be reimbursed for necessary expenses incidental to the performance of official business of the credit union.

ARTICLE XXV.

DEFINITIONS

Section 1. Definitions of Terms. When used in these bylaws the terms:

(a) "Law(s)" means the North Carolina Credit Union Laws, Subchapter III, Chapter 54, of the General Statutes of North Carolina as enacted or amended.

(b) "Administrator" means the Administrator of the North Carolina Credit Union Division.

(c) "Regulation" or "regulations" means rules and regulations issued by the Administrator of the Credit Union Division.

(d "Applicable law and regulations" means the North Carolina Credit Union Act and rules and regulations issued thereunder, or other applicable statutes and rules and regulations issued thereunder, or other applicable statutes and rules and regulations issued thereunder as the context indicates.

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

(f) "Paid-in and unimpaired capital," means the balance of shares, undivided surplus, and reserves less any known or possible losses.

(g) "Surplus," as of a given date, means the credit balance of the undivided earnings account on such date, after all losses have been provided for and net earnings or net losses have been added thereto or deducted therefrom, as the case may be. Reserves shall not be considered as a part of the surplus.

(h) "Deposits," means a preferred savings account on which the credit union is obligated to pay a guaranteed interest rate on a continuing basis in such amounts and upon such terms as the board of directors approve.

(i) The order of the ranking officers shall be the president, first vice-president, second vice-president, treasurer, secretary (or secretary/treasurer).

Section 2. Other terms. If included in the definition of the field of membership in the organization certificate of this credit union, or the Bylaws (Article III) the terms or expressions:

(a) "Members of the immediate family" includes the following secondary members: spouse, parents, and children of the primary members. Memberships may not be extended to a third party or persons such as the children and other relatives of the secondary members admitted under the "immediate family" clause provided this provision shall not be deemed to affect the membership of any person who is a member of the credit union prior to the effective date of this bylaw provision.

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

Section 3. Titles. The titles "chairman" and "vice-chairman" and other similar corporate titles may be used for the titles "president" and "vice-president" at the discretion of the board. Such titles may be adopted for use by resolution of the board without requiring an amendment to these bylaws. A copy of the resolution should be filed with the bylaws.

ACKNOWLEDGMENT OF BYLAWS

STATE OF NORTH CAROLINA,
COUNTY OF ______________:

IN WITNESS WHEREOF, We, the incorporators and/or board of directors, have hereunto set our hands and affixed our seals, this the ____ day of _____________, 20___.

____________________________(SEAL) _____________________________(SEAL)
____________________________(SEAL) _____________________________(SEAL)
____________________________(SEAL) _____________________________(SEAL)
____________________________(SEAL) _____________________________(SEAL)
____________________________(SEAL) _____________________________(SEAL)
____________________________(SEAL) _____________________________(SEAL)

STATE OF NORTH CAROLINA,
COUNTY OF ______________:

The execution of the foregoing Bylaws of _________________ CREDIT UNION was this day duly acknowledged before me by ___________________________________.

_______________________, _______________________, _______________________
_______________________, _______________________, _______________________
_______________________, _______________________, _______________________
_______________________, and ______________________, the incorporators herein named for the purpose herein expressed.

WITNESS my hand and notarial seal, this the ____ day of ____________, 20___.
My commission expires the ____ day of _______________, 20___.

____
Notary Public

CERTIFICATE OF APPROVAL

The BYLAWS of the _________________________________ CREDIT UNION located in the City of _________________, County of __________________ and State of North Carolina, were filed for examination and approved on this the _____ day of _________________, 20___.

____
ADMINISTRATOR OF CREDIT UNIONS
CREDIT UNION DIVISION
NORTH CAROLINA DEPARTMENT OF COMMERCE