

GC/MM:sg

SSIC 3701

91-0423

[]

FROM: Hattie M. Ulan, Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment - []

(Your April 12, 1991, Memo)

DATE: April 30, 1991

You have asked for our comments on [] ("FCU") proposed nonstandard bylaw amendment which provides for only one annual face-to-face meeting of the board of directors with the remaining eleven meetings conducted by conference call.

ANALYSIS

The FCU has a nine member board of directors that is divided between two geographic locations. Five members of the board are located in Columbus, Ohio and four members are located in Washington, D.C. The FCU has adopted the standard bylaw amendment allowing for a regular board meeting each quarter with conference call meetings held in the other months. The FCU board's practice, however, is to hold one face-to-face meeting and conduct the other eleven meetings via conference calls in violation of their own bylaws. To rectify this problem, the FCU has submitted a nonstandard bylaw amendment to permit eleven board meetings via conference call and one face-to-face meeting. The FCU believes this nonstandard bylaw amendment is necessary due to the split in location of the board members and will result in saving approximately \$5,000 annually in expenses.

The FCU is a [] operating under a Letter of Understanding and Agreement signed in September of 1990. []. You are inclined to deny the amendment on the basis of safety and soundness.

We have no legal objection to the proposed nonstandard bylaw amendment. However, we defer to your Office for any safety and soundness considerations. We note that if the nonstandard amendment is not approved, the FCU may hold its required four face-to-face meetings with only the five out of nine directors who are located in Columbus, Ohio. This option may also cause problems. There may be better alternatives for a nonstandard amendment. Perhaps requiring two face-to-face meetings each year rather than the one requested or the four required by the standard amendment would serve as a better alternative. Additionally, perhaps the conference call meetings should be limited to the board members being in two locations only, that is four members would be required to assemble in D.C. and five members in Ohio rather than allowing each board member to be in a separate location.