

**IN THE COURT OF COMMON PLEAS
BUTLER COUNTY, OHIO
CIVIL DIVISION**

Kathy J. Wright)
4688 Westmeath Ct.)
Middletown, Ohio, 45042)

CASE NO.:

and)

JUDGE:

Kerry L. Byrd)
306 Kenec Drive)
Middletown, Ohio 45042)

and)

Brenda Louise Byrd)
306 Kenec Drive)
Middletown, Ohio 45042)

and)

Donna Warman)
1333 Double Eagle Court)
Lebanon, Ohio 45036)

COMPLAINT

and)

David W. Creach)
7321 Elk Creek Road)
Middletown, Ohio 45042)

and)

Stephen L. Snider)
1 Mariner's Cove)
Cincinnati, OH 45249)

And)

Jacqueline Hunter)
3207 Central Avenue)
Middletown, Ohio 45044)

and)
)
Amanda Young)
6868 West Alexandria Road)
Middletown, Ohio 45042)
)
and)
)
Stefan Wannemacher)
1617 Gage Drive)
Middletown, Ohio 45042)
)
and)
)
Gwendolyn H. Wannemacher)
1617 Gage Drive)
Middletown, Ohio 45042)
)
and)
)
June Mann fka June Hom)
133 Zachery Drive)
Middletown, Ohio 45042)
)
and)
)
Elizabeth C. Baxter)
7000 Wallace Avenue)
Cincinnati, Ohio 45243)
)
and)
)
David B. Hunter)
3207 Central Avenue)
Middletown, Ohio 45044)
)
and)
)
Mary Ann DeHart)
177 Minnick Street)
Franklin, Ohio 45005)
)
and)
)
Diane Moore)
4560 Shawnray Dr. #145)

Middletown, Ohio 45044)

Plaintiff(s),)

vs.)

John David Terrill)

601 Hill Street)

Middletown, Ohio 45042)

Individually and in his)

Capacity as a Director of The Butler)

Heritage Federal Credit Union)

and)

Vincent Lovejoy)

1500 Middletown Eaton Road)

Middletown, Ohio 45042))

Individually and in his)

Capacity as a Director of The Butler)

Heritage Federal Credit Union)

and)

James Hall)

3113 Bexley Drive)

Middletown, Ohio 45041)

Individually and in his)

Capacity as a Director of The Butler)

Heritage Federal Credit Union)

and)

Robert J. Fraley)

675 Kirby Road)

Lebanon, Ohio 45036)

Individually and in his)

Capacity as a Director of The Butler)

Heritage Federal Credit Union)

and)

Ernest W. Howard)

201 Batsey Drive)

Middletown, Ohio)

Individually and in his)
Capacity as a Director of The Butler)
Heritage Federal Credit Union)
)
and)
)
Butler Heritage Federal Credit Union)
660 N. University Blvd.)
Middletown, OH 45042)
)
And)
)
MyUSA Credit Union)
fna MidUSA Credit Union)
3600 Towne Blvd.)
Middletown, OH 45005)
)
and)
)
MyUSA Credit Union Board of Directors)
3600 Towne Blvd.)
Middletown, OH 45005)
)
and)
)
James C. Miles, President & CEO)
Of MyUSA Credit Union)
3600 Towne Blvd)
Middletown, OH 45005)
Individually and in their Official Capacity)
of President and CEO)
)
and)
)
Margaret Hale, Director of Member)
Services of MyUSA Credit Union)
Individually and in their)
Official Capacity)
3600 Towne Blvd)
Middletown, OH 45005)
Individually and in their Official Capacity)
of Director of Member Services)
)
and)
)
Lisa Parks, Branch Manager)

3600 Towne Blvd)
 Middletown, OH 45005)
 Individually and in their official capacity)
 Of Branch Manager)
)
 and)
)
 Kevin Dreyer, Accounting &)
 Finance Manager,)
 3600 Towne Blvd)
 Middletown, OH 45005)
 Individually and in their Official Capacity,)
)
 Defendants.)

Plaintiffs, as their Complaint against the Defendants named herein, state as follows:

IDENTITY OF THE PARTIES

1. Plaintiffs and each of them are a citizen and resident of this State and this Judicial District and within the venue of this Court, and/or have engaged in business and activities within this County and the Jurisdiction and Venue of this Court, and are each valid and bona fide Members of and Depositors in the Butler Heritage Federal Credit Union, and therefore the legal and equitable owners of the Butler Heritage Federal Credit Union, formerly known as the Middletown City Employees Federal Credit Union (hereinafter referred to as “BHFCU”).

2. Defendants James C. Miles, Margaret Hale, Lisa Parks and Kevin Dreyer are employees of MyUSA Credit Union fna MIDUSA Credit Union (hereinafter referred to as MyUSA), and who have each participated in the management of BHFCU and in the open and partly secret planning of a merger between MyUSA and BHFCU, by MyUSA acquiring all of the assets, and therefore the Members, of BHFCU.

3. Defendant BHFCU is a federally chartered credit union and under federal regulatory authority of the National Credit Union Administration (NCUA); and Defendant MyUSA is a

credit union regulated by the State of Ohio, and one or both are duly organized as such under Ohio and/or Federal laws; and has offices in and conducted activities related to the allegations in this case within the venue and jurisdiction of this Court. The BHFCU operates under its own Charter, issued on or about December 11, 1956, and which in and of itself has value as an independently chartered Credit Union.

4. BHFCU is operated by a Board, whose members vary from time to time, and are hereinafter referred to collectively, individually, jointly, and severally, as the "Board." Defendants John Terrill, Vincent Lovejoy, James Hall, Robert Fraley and Ernest Howard is or were each, and at all times relevant hereto, members of, either de facto or otherwise, the governing Board of Defendant BHFCU, and exercising the authority, and responsibilities of that office and position; and are each also residents and citizens of this State and/or this County, and also conducted activities related to the allegations in this case within the venue and jurisdiction of this Court.

FACTUAL ALLEGATIONS

5. This Complaint centers around the actions and conduct of the Directors of the BHFCU, who through their lack of knowledge and experience in management of a credit union, and their resulting decisions, actions, neglect, dereliction of duties and unwillingness to act as a competent Board or Board Director, or to acquire the necessary expertise or advice to do so; and have not acted in the best interest of BHFCU, or to its employees or its members, who are each in fact the actual and only Owners of BHFCU. Plaintiffs allege that the Board of Directors, through affirmative acts and by omission, engaged in a civil conspiracy with MyUSA and its Employees to acquire the assets of BHFCU free of charge or compensation, under the guise of a "merger," necessitated if at all due to the mismanagement of the BHFCU Board. The Board of Directors and MyUSA employees have coerced votes from members, have acquired votes illegally

in violation of the BHFCU Charter and Bylaws, and in direct violation of the National Credit Union Administration (NCUA) Code of Federal Regulations, Title 12 C.F.R. Section 708b.106, et seq.; and further without consideration of and in disregard of the inherent and great value BHFCU has as an independently chartered and federally insured Credit Union.

6. During the times relevant to this Complaint, the BHFCU Board of Directors had received mandated instructions and directives, in the form known as “Documents of Resolutions” or DOR’s, given to them by the NCUA, and the Board either violated, ignored, or otherwise did not perform the directives, and in addition, with MyUSA, planned in contravention of the DOR’s, and in the course of doing so deceived otherwise un-informed Members in multiple ways, most recently by fraudulently acquiring purported but illegal votes from BHFCU Members to approve a merger, alleged to be justified by the Board’s own mismanagement, and give away the BHFCU assets.

7. The BHFCU Board and MyUSA have not followed the rules of a merger mandated by NCUA and the BHFCU Charter and Bylaws. The BHFCU Board President Defendant John Terrill coerced and manipulated other members of the Board of Directors, has directly conspired with the President and CEO of MyUSA Jim Miles and Margaret Hale and Lisa Parks to plan and accomplish the merger and in an unlawful way. The Board’s actions and inactions have depreciated the net worth BHFCU, also creating the artificial appearance of a “need” or merit to a merger. Directors of the BHFCU Board, with MyUSA management in attendance, have falsified BHFCU member’s votes at an annual meeting to keep themselves in office and to complete the avoidable and unlawful merger. The Board Defendants have engaged in a civil conspiracy with MyUSA to keep themselves in office until the unlawful merger is complete. On information and belief, the BHFCU Board in conspiracy with MyUSA allowed insurance to pay legal fees for Board members’ settlement and fraudulent activities towards employees.

8. BHFCU has always been solvent and remains so today. As of December 31, 2022,

it had assets exceeding \$14,000,000.00. As documented in recent merger documents sent to members on or about March 6, 2023, the assets have increased to over Fifteen Million Dollars (\$15,000,000.00) as of January 31, 2023.

9. Due to the aging population of its membership, BHFCU has taken in substantial deposits, but that have not been invested (loaned out), because the Board Defendants and MYUSA (who has been managing BHFCU) have intentionally failed to create or implement an earnings plan as instructed by regulatory authorities, or any plan, or take the necessary action needed to properly manage the deposits to generate the revenue and income needed even to cover ordinary expenses of BHFCU. The Board's gross mismanagement and gross neglect of their fiduciary duties to create an earnings plan, and while having MyUSA manage or mismanage it, has caused the net worth of the BHFCU to drop; and in addition to Defendants spending its members' money for unnecessary and unreasonable expenses and items instead of actions to better manage and promote the well-being of BHFCU.

10. A merger with MyUSA will also result in the member's accounts and funds being insured by private insurance rather than the government authority. NCUA that has always insured the member's accounts. NCUA and FNA Bureau of Federal Credit Unions are government-backed insurers of credit unions in the United States and have insured BHFCU member's accounts since the BHFCU inception in 1956.

11. The Charter and Bylaws of the BHFCU creating and establishing and governing the BHFCU is attached hereto, and is incorporated herein by reference, and is in Defendants' possession.

12. The BHFCU Charter, Article VI (Elections), Sections 1, 2, 3, 4, 5 and 6, have all been routinely and intentionally neglected and violated by the Board. Since 2020, there have

been no nominations as the process is mandated by the Charter for Directors, for the mandated credit committee members, and for the mandated 3 supervisory committee members. Factually there is no credit committee and no functioning supervisory committee.

13. Article X (SUPERVISORY COMMITTEE), Section 1, reads in part: “The supervisory committee shall consist of three members, none of whom shall be directors, and all of whom shall be members of the Credit Union.”

14. Section 2 reads in part; “The supervisory committee members shall choose from among their number a chairman and a secretary.”

15. Sections 3 reads; “They shall make, at least quarterly, an examination of the affairs of this Credit Union (including an audit of its books), and shall make a written report thereof to the board of directors; and shall make an annual audit and a written report on the condition and affairs of this Credit Union to be submitted to the members at each annual meeting. It shall prepare and forward to the Bureau of Federal Credit Unions (now known as NCUA) such reports as Bureau may require.”

16. Section 5 reads: “By unanimous vote the supervisory committee may suspend until the next meeting of members any director, officer, or member of the credit committee. In the event of such suspension the supervisory committee shall call a special meeting of the members to act on said suspension within 7 days thereof. The notice of any such special meeting shall state the purpose for which it is to be held.”

17. Section 6. reads; “By affirmative vote of a majority of members, the supervisory committee may call a special meeting of the members to consider any violation of the provisions of the Federal Credit Union act (including any amendments thereto), or of the charter or bylaws of this Credit Union, or to consider any practice of this Credit Union which the committee deems

to be unsafe or unauthorized. Notice of any such special meeting shall be given in the manner elsewhere herein provided for the giving of notice of special meetings of the members.”

18. In 2020 the BHFCU appointed three supervisory committee members that consisted of Defendant Vince Lovejoy, who was also a director, Jordan Terrill, the son of Board member John Terrill, and Rod Hale, the former husband and allegedly close friend of Defendant Margaret Hale. None of them have ever performed or acted as mandated in the Charter.

19. Prior to 2021 and since that time there have been no meetings of any supervisory committee. Therefore, there has been no supervisory committee to address all of the mandates in Article X, and all actions have been invalid, unlawful, and ultra vires.

20. Defendant Lovejoy, whose appointment itself is in violation of the Charter, has signed and authorized numerous documents in the capacity of Supervisory Chair such as a Management Agreement with MyUSA.

21. The appointment of the son of John Terrill as a supervisory committee member, who has never been involved with the Credit Union or with the non-existent supervisory committee affairs, is a conflict of interest and therefore also a breach of fiduciary duty, considering the supervisory committee is charged with the task of overseeing and possibly suspending his father the President of the Board for violations apparent; and further one or more of the Defendants created new qualifications for new board members in conflict with the BHFCU Charter, and for the purpose of deterring or preventing others from becoming Board or Committee members, and although those newly created requirements would in fact have also disqualified one or more of the existing serving members of the Board and/or its committees or offices.

22. The appointment of Rod Hale because of his relationship with Margaret Hale who

was expected to manage MYUSA is another conflict of interest and breach of fiduciary duty.

23. Because Vincent Lovejoy is the only purported active member of the supervisory committee and he is in conflict with the Charter as a member of the Board and a Defendant in this complaint, he is in no way likely to act in the supervisory capacity as mandated in Article X of the Charter nor suspend or charge himself, the Board or the Board members with any violation.

24. This lack of supervisory committee oversight, controlled by the Board of Directors themselves, have caused and allowed many of the allegations herein pertaining to but not limited to the unlawful merger process.

25. Article V Section 1. reads: "The annual meeting of the members shall be held during January of each year in the county in which the office of this Credit Union is situated, at such time and place as the Board of Directors shall designate." BHFCU's only office is undeniably located in Middletown Ohio and in the County of Butler. The last two annual meetings have been held at MyUSA's office at 3600 Towne Blvd in the Ohio County of Warren. Those were held on December 28, 2021 and December 6, 2022 not in the required month of January.

26. The Board Defendants herein, with the aid of the MyUSA Defendants, attempted to conduct a "meeting" and a "vote" for approval of the proposed merger, on or around April 4, 2023. No one has released the results to the members, although one or more of the named Defendants were asked and have lied to members about what happened and what they know.

27. According to an appropriate construction and interpretation of the actual and legally binding Charter and By-Laws of BHFCU, any proposed merger with another institution cannot be approved in the form or manner by which the Defendants herein attempted to do so,

and any resulting “approval” would be unlawful and ultra vires, and including but not necessarily limited to:

A. Article V Section 5. MEETINGS OF MEMBERS: “Except as hereinafter provided, at annual and special meetings 15 members shall constitute a quorum. If no quorum is present, an adjournment may be taken to a date not fewer than 7 nor more than 15 days thereafter; and the members present at any such adjournment meeting shall constitute a quorum regardless of the number of members present. The same notice shall be given from the adjourned meeting as is prescribed in Section 2 of this Article for the original meeting, and each notice shall be given not fewer than 5 days previous to the date of the meeting as fixed in the adjournment.”

B. The Board has conducted meetings and business without sufficient notice and without a quorum, and including to maintain themselves on the Board.

C. Article VI Section 4. ELECTION: “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.”

D. At the annual meeting scheduled for December 28, 2021, and at an improper location according to the Charter, and while having the entirety of Article V Section 5 in hand to determine the amount needed for a quorum, and which Article also described in detail the procedure the Board was to use in the event a quorum was not met, Board members John Terrill, Ernie Howard and James Hall acted as if they had made phone calls to relatives and friends for permission to vote for them. Defendant Terrill wrote the names of Jordan Terrill, Roxie Terrill and Rod Hale (Margaret Hale’s ex-husband) on the sign in sheet and voted and cast ballots for each of them without them present and even without any written authority. Ernie Howard wrote

the names of Ernest Howard Jr., Elaine Howard and Josephin Howard on the sign in sheet and he voted and cast ballots for each of them. James Hall wrote the name Kathy Hall on the sign in sheet and voted and cast a ballot for her.

E. The Board has conducted meetings and business and taken votes, including for the purported merger, by phone, electronically, by other forms of alleged “proxy,” and John Terrill, Ernie Howard and James Hall even faked votes by signatures of persons not present, and including to maintain themselves with their positions.

.28. On March 6, 2023, and other times leading up to March 17, 2023, members received emails promoting and titled “Member Appreciation Day,” wherein the email promotes the giveaway of three “Grand Prizes,” being a 50” TV and two \$500 Visa Gift Cards. It also promotes a “FREE FOOD TRUCK & SHRED TRUCK EVENT,” for Friday, March 17 from 11:30am to 1:30 pm at 660 N. University, which is the address of BHFCU.

29. The advertisement said nothing about voting, only a lure for free food and prizes.

30. There was a button link in the email, “ENTER TO WIN”. When a member clicks on the link the member is required to enter an account number and last four digits of their social security number, and then the member needs to click on the next link button that says “LOG ON”. The next page thanks the member for registering and says their information has been included in the prize drawing pool, and “Please click on the ‘Vote Now’ button if you wish to cast a ballot on the election.” Clicking on the button takes the member to a site to vote wherein there is the “Notice of Special Meeting on Proposal to Merge and Convert to Non-federally Insured Status.”

31. When members first read the email it appears that the “Grand Prizes” are being given away on March 17, at the free food and shred truck events. Once a member has completed

the intended process, the member is told the drawing will not take place until the later date of April 7, 2023, three days *after voting ends*.

32. The implication from these communications, which are insufficient and non-compliant with the Charter and By-Laws, was to deceptively cause members to proceed to register for prizes and ultimately persuade them to vote, including to vote electronically (not permitted by the existing BHFCU Charter and therefore also in violation of Federal Regulations) for the merger and for private insurance, resulting in an entirely unlawful vote. The email initially has a member believe the drawing will be March 17, while they are at the event, but once the member has completed the intended process, the member sees that the drawing will take place on April 7, three days after voting ends.

33. On March 6, 2023, the BHFCU Board, in the continuing conspiracy with MyUSA, posted on its website that a merger vote was needed to merge no later than 6:00 p.m. on April 4, 2023, which is only a 30-day advance notice for a vote instead of the 45-day notice for a merger vote per NCUA Regulations. Mailed notices were received by members no earlier than March 8, 2023. Any individual, who did not access the website on March 6, 2022, and receives a letter at a later date, received even less than a 30-day notice. The notice is titled: "Notice of Special Meeting on Proposal to Merge and Convert to Non-federally Insured Status".

34. According to the Defendants' own amendment dated August 24, 2022, which may be invalid under the Charter, the Notice is for a meeting to vote on a merger that requires a minimum of 45-days' notice. Defendants are unlawfully shortening the time to vote to cause members to have less time for members due diligence by calling it a "special" meeting which requires less notice.

35. On the Credit Union's website and in the official March 6, 2023, notice mailed to

members, the Directors state: “If you cannot attend the meeting, please complete the ballot and return it to E Space Communications Inc., PO Box 3156, Dublin, OH 43016 by no later than 6:00 PM (ET) on April 4, 2023. To be counted, your ballot must reach E Space Communications Inc. by the date and time announced for the meeting.” Thereafter and during the actual meeting, the Board Defendants’ arbitrarily and without any advance notice to anyone, extended the voting to 7:09 pm, and only for members actually present.

36. The “special meeting” that members had been encouraged to attend was noticed to begin (and did begin) at 6:00 PM April 4, 2023; the same minute when voting ended, according to the mandatory (but short) advance notice. Therefore, members did not have any opportunity before the voting to fully ask questions of the Board in a formal setting or official setting about the merger or the change from federal insurance to private insurance; and when questions were asked at the meeting, it was also after voting for most of the members had already occurred, and only one Board Member spoke, and the answers given were deceptive, evasive, incomplete, unresponsive, and even then, was cut off.

37. That attempted merger described in this Complaint, in addition to being in violation of the BHFCU Charter, is in violation of one or more of the provisions of the Federal governing regulations, Title 12 C.F.R. Section 708b.106, including but not necessarily limited to:

- A. “§ 708b.106 Approval of the merger proposal by members
 - (a) Advance notice of member vote. Members of the merging credit union must receive written notice at least 45 calendar days, but no more than 90 calendar days, before any member meeting called to vote on the merger proposal.”

The first members notice of a meeting/merger was on March 6, 2023 with a posting on the BHFCU website, stating the vote was from “March 6 - April 4 2023,” which is only a 30-day notice, and not the required minimum of 45 days for members meeting for a merger, and that’s only if a member actually accessed the website. Votes were acquired during the required

notification period even before the required meeting to be held for the vote.

- B. “(b) Contents of member notice. While the merging credit union may refer members to attachments for additional information or explanation, the notice provided to members pursuant to paragraph (a) of this section must be in the form set forth in subpart C of this part and contain the following information:
- (1) A statement of the purpose of the meeting and the time and place;
 - (2) A statement that members may vote on the merger proposal in person or by mail ballot (or electronically, if the credit union's Bylaws so permit) received by the merging credit union no later than the date and time announced for the member meeting called to vote on the merger proposal;”

There was no amendment made to the Bylaws to permit an electronic vote for a merger. In the meeting for members on April 4, 2023, the Board President Defendant John Terrill and the MyUSA manager Margaret Hale admitted that there had been no amendments to the Bylaws except one in late 2022, requiring 45-calendar days, but no more than 90 calendar days, before any member meeting concerning a merger. Therefore, there was no amendment to the bylaws permitting electronic votes before the majority of votes were induced (deceptively) and acquired electronically by MyUSA Employees and BHFCU through a third-party E-Space Communications Inc. By NCUA federal regulations all electronic votes should be voided.

- C. “(3) A statement about the availability of a website where members of the merging credit union can share comments and questions about the merger pursuant to paragraph (d) of this section;”

In the members notice of a meeting on the “proposal to merge” letter, signed by Defendant John Terrill, there is no such statement or website. Therefore, credit union members had no opportunity to voice opinions or share opinions with other members before voting.

- D. “(4) A summary of the merger plan, including but not necessarily limited to:
- (i) A statement that the merging credit union does or does not have a higher net worth percentage than the continuing credit union;
 - (ii) A statement as to whether the members of the merging credit union will receive a share adjustment or other distribution of reserves or undivided earnings, including a summary of reasons for the decision and, at the merging credit union's discretion, a short explanation about the capital level;
 - (iii) An explanation of any changes to ATM access or to services such as life

- savings protection insurance or loan protection insurance;
- (iv) If the continuing credit union is not federally insured, an explanation of any changes related to federal share insurance; and
- (v) A detailed description of all merger-related financial arrangements. This description must include the recipient's name and title as well as, at a minimum, the amount or value of the merger-related financial arrangement expressed, where possible, as a dollar figure;
- (5) A statement of the reasons for the proposed merger”

The member notice letter only stated: “the directors of the participating credit unions have concluded that the proposed merger is desirable for the following reasons”. All reasons given in the letter only had to do with multiple branch offices and an increased range of services by MyUSA. The notice said nothing about any of the true reasons members would be entitled to know about such as; pressure on the Board from NCUA due to declining net worth caused by the neglect of the Board of Directors to act on DORs from NCUA and the Board of Directors failure to act on at least three preliminary warning letters from NCUA to increase income by creating an earnings plan. The reasons given obscurely were to sell credit union members on voting yes, while avoiding full transparency to credit union members which could result in a no vote.

- E. “(6) A statement identifying the physical locations of the merging credit union by street address, stating whether each location is to be closed or retained, and a list of branches of the continuing credit union by street address that are located in reasonable proximity to the merging credit union's locations.
 - (c) Additional documents. The notice provided to members pursuant to paragraph (a) of this section shall be accompanied by the following separate documents:
 - (1) The current financial statements for each credit union and a consolidated financial statement for the continuing credit union;
 - (2) Any additional information or explanatory material that the merging credit union wishes to provide that does not detract from the required disclosures and gives further detail to members regarding information disclosed pursuant to paragraph (b) of this section; and
 - (3) A Ballot for Merger Proposal.
 - (d) Member information. Within 30 calendar days of receiving the notice provided to members pursuant to paragraph (a) of this section, members may jointly or individually submit a comment about the merger to the NCUA. The NCUA will post these comments on a website accessible to credit union members.
 - (e) Posting member comments. The NCUA reserves the right to not post comments that it reasonably believes:

- (1) Are false or misleading with respect to any material fact;
 - (2) Omit a material fact necessary to make the statement in the material not false or misleading;
 - (3) Relate to a personal claim or personal grievance, or solicit personal gain or business advantage by or on behalf of any party;
 - (4) Address any matter, including a general economic, political, racial, religious, social, or similar cause that is not related to the proposed merger;
 - (5) Directly or indirectly and without expressed factual foundation impugn a person's character, integrity, or reputation;
 - (6) Directly or indirectly and without expressed factual foundation make charges concerning improper, illegal, or immoral conduct; or
 - (7) Directly or indirectly and without expressed factual foundation make statements impugning the safety and soundness of the credit union.
- (f) Clear and conspicuous disclosures required. Any information required by paragraph (b) of this section to be disclosed on the notice provided to members pursuant to paragraph (a) of this section must be legible, written in plain language, and reasonably understandable by ordinary consumers.
- (g) Approval of a proposal to merge. Approval of a proposal to merge a federally insured credit union into a federally insured credit union requires the affirmative vote of a majority of the members of the merging credit union who vote on the proposal. Members must be members as of the record date to vote. If the continuing credit union is not federally insured, the requirements of subpart B of this part also apply, and the merging credit union must use the appropriate form ballot and notice in subpart C of this part unless the Regional Director approves the use of different forms. If the continuing credit union is federally insured, use of the sample form notice, ballot, and certification of vote forms in subpart C of this part will satisfy the requirements of this subpart.

This information was not given in the members notice to merge and clearly there was not time for it since the time given in the notice was not in compliance with the Regulations; and it certainly was not “clear and conspicuous”; and was misleading both by inaccurate or false information and also by omission of material facts.

FIRST CLAIM
DECLARATORY JUDGMENT – RIGHTS OF MEMBERS

38. Plaintiffs reiterate all prior allegations as if restated herein.

39. Plaintiffs, for themselves and for all other members, are entitled to a declaratory judgment by this Court as to the related rights of the BHFCU members and particularly as to notice and voting on any “merger,” and orders granting to them injunctive relief enforcing the

Charter and By-Laws and member rights and the applicable CFR; and irreparable harm and other damages will be caused if same if not declared and violations of same not restrained and enjoined.

SECOND CLAIM
DECLARATORY JUDGMENT – VOIDING ANY PURPORTED MERGER

40. Plaintiffs reiterate all prior allegations as if restated herein.

41. Plaintiffs, for themselves and for all other members, are entitled to a declaratory judgment by this Court as to the validity or invalidity of any purported voting for or against the purported “merger,” and orders granting to them injunctive relief enforcing the Charter and By-Laws and member rights and the applicable CFR; and prohibiting any merger that is not in compliance with the governing rules and laws; and irreparable harm and other damages will be caused if same if not declared and violations of same not restrained and enjoined.

THIRD CLAIM
BREACH OF FIDUCIARY DUTY AND NEGLIGENCE

42. Plaintiffs reiterate all prior allegations as if restated herein.

43. defendants, and each of them, violated the rights of the Plaintiffs, and all other BHFCU members, by engaging in the conduct described herein, and others, including the mismanagement of the BHFCU, the termination and retaliation against and other circumstances of the two managers, the management of the BHFCU since, and the process toward and undertaking of the “merger”; and same is in violation of the By-Laws and/or other State or Federal law; and is in bad business judgment and not in the best interests of the Plaintiffs, member owners of the BHFCU.

44. Defendants, and each of them, and on an individual liability basis, owed and owe fiduciary duties to each Member, and to each Plaintiff, to act in their/his/her best interests, and

otherwise, and breached those duties as alleged herein; and by doing so have caused damage to each Plaintiff; and also breached their duty of care to the Plaintiffs and to the other members, and past members who have in fact left as a result of the mismanagement; and by decisions that no reasonable financial officer or director would have undertaken, and in addition was in bad faith and while knowingly making bad business judgments.

45. Defendants, and each of them, are therefore liable for and to compensate Plaintiffs and the members for damages incurred and proximately caused by the breach of fiduciary duties, including economic, non-economic, and punitive.

WHEREFORE, Plaintiffs would demand judgment against the Defendants, and each of them, individually, jointly, and severally, as follows:

A. For declaratory judgment against Defendants as to rights of the Members including to notice, voting, and approval of any merger and if any merger is applicable, a full disclosure as to why and adequate time for members' due diligence.

B. Injunctive relief compelling the enforcement of same and of the By-Laws, and prohibiting violation thereof, and declaring void any actions taken in violation of said By-Laws and judgment, past or future, including the purported pending "merger";

C. Injunctive relief to stop the pending proposed merger and its process and an order to disallow electronic votes of any kind because of potential fraud including taking down email links and propaganda to acquire votes unlawfully;

D. Damages in excess of \$25,000.00; An award to Plaintiffs for attorney's fees, the costs of this action, and any and all other appropriate orders.

THOMAS G. EAGLE CO., L.P.A

/s/ Thomas G. Eagle
Thomas G. Eagle (#0034492)

Counsel for Plaintiffs
3400 N. State Rt. 741
Lebanon, Ohio 45036
Phone: (937) 743-2545
Fax: (937) 704-9826
E-mail: eaglelawoffice@cs.com

REQUEST FOR SERVICE

TO THE CLERK: Please issue and serve a copy of the foregoing Complaint upon the Defendants and each of them at the addresses listed in the caption above and by PERSONAL/RESIDENCE SERVICE – PROCESS SERVER.

/s/ Thomas G. Eagle

Thomas G. Eagle (#0034492)

DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
SOCIAL SECURITY ADMINISTRATION
BUREAU OF FEDERAL CREDIT UNIONS

Middletown City Employees

FEDERAL CREDIT UNION

CHARTER NO. 11440

ORGANIZATION CERTIFICATE

Middletown City Employees

FEDERAL CREDIT UNION

Charter No. 11440

To BUREAU OF FEDERAL CREDIT UNIONS:

We, the undersigned, do hereby associate ourselves as a Federal credit union for the purposes indicated in and in accordance with the provisions of the Federal Credit Union Act, Public Law 467, 73d Congress, 1st Session, entitled, "An Act to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States"; we hereby request approval of this organization certificate; we agree to comply with the requirements of said Act, with the terms of this organization certificate and with all laws, rules, and regulations now or hereafter applicable to Federal credit unions; and we hereby certify that:

(1) The name of this credit union shall be

Middletown City Employees

Federal Credit Union

(2) This credit union will maintain its office at Middletown, Ohio

and will operate in the following territory Middletown, Ohio

(3) The names and addresses of the subscribers to this certificate and the number of shares subscribed by each are as follows:

NAME	ADDRESS	SHARES
① Louis A. Rossi	118 Sutphin Street Middletown, Ohio	1
<i>Ch. Waffra</i> - Janet Davis	2302 Woodburn Middletown, Ohio	1
Wilma L. Houser	513 Tytus Avenue Middletown, Ohio	1
② Howard Gall	1209 Ellen Drive Middletown, Ohio	1
<i>President</i> Timon A. Ellison	309 Shafor Street Middletown, Ohio	1
<i>City Manager</i> Charles W. Thompson	3015 Princeton Avenue Middletown, Ohio	1
③ Dalman Whitt	3112 Bexley Avenue Middletown, Ohio	1

(4) The par value of the shares of this credit union shall be \$5.00.

(5) The field of membership shall be limited to those having the following common bond of association, occupation, or residence: Employees of the City of Middletown, Ohio, who work therein; persons retired by the City of Middletown who retain their membership in this credit union; employees of this credit union; members of their immediate families; and organizations of such persons.

(6) The term of this credit union's existence shall be perpetual; *Provided, however,* That upon the finding that this credit union is bankrupt or insolvent or has violated any provision of this organization certificate, of the bylaws, of the Federal Credit Union Act including any amendments thereto or thereof, or of any regulations issued thereunder, this organization certificate may be suspended or revoked under the provisions of Section 16(b) of the Federal Credit Union Act.

(7) This certificate is made to enable the undersigned to avail themselves of the advantages of said Act.

(8) The management of this credit union, the conduct of its affairs, and the powers, duties, and privileges of its directors, officers, committees and membership shall be set forth in the approved bylaws and any approved amendments thereto or thereof.

IN WITNESS WHEREOF we have hereunto subscribed our names this 29th

day of November, 1956

- (s) 1. Louis A. Rossi
- (s) 2. Janet Davis
- (s) 3. Wilma L. Houser
- (s) 4. Howard Gall
- (s) 5. Salmon A. Ellison
- (s) 6. Charles W. Thompson
- (s) 7. Delmar Whit

Subscribed before me, an officer competent to administer oaths, at Middletown, Butler County, Ohio this 29th day of November, 1956

Notary Public - My Commission Expires Feb. 19, 1957
George H. Jones
 At least seven, signed, and shall administer the oath.

APPROVAL OF ORGANIZATION CERTIFICATE

Pursuant to the provisions of Section 4 and/or Section 16(c) of the
 Federal Credit Union Act, as amended, and Section 2 of Public Law 813, 80th
 Congress, 2d Session, the foregoing organization certificate of _____
 _____ Middletown City Employees _____ Federal Credit Union
 is approved this 11th day of December, 1956

J. J. Gannon
 _____ Director
 Bureau of Federal Credit Unions
 Social Security Administration
 DEPARTMENT OF
 HEALTH, EDUCATION, AND WELFARE

BYLAWS

Middletown City Employees

FEDERAL CREDIT UNION

ARTICLE I

NAME—PURPOSES

- Section 1.** The name of this credit union shall be ".....
Middletown City Employees..... Federal Credit Union."
- Section 2.** The purpose of this credit union is to promote thrift among its members, by affording them an opportunity for accumulating their savings; and to create for them a source of credit for provident or productive purposes.

ARTICLE II

QUALIFICATIONS FOR MEMBERSHIP

- Section 1.** The field of membership shall be limited to those having the following common bond of association, occupation, or residence: Employees of the City of Middletown, Ohio, who work therein; persons retired by the City of Middletown who retain their membership in this credit union; employees of this credit union; members of their immediate families; and organizations of such persons.
- Section 2.** Each application for membership must be in writing and must be presented to the board of directors for action at a regular or special meeting thereof.
- Section 3.** An applicant shall not be admitted to membership except by the affirmative vote of a majority of the directors present at the meeting at which the application is acted upon; and shall not become a member or entitled to any of the rights or privileges of a member until he shall have qualified by paying an entrance fee of 25 cents and shall have subscribed for at least one share of this credit union and paid at least the first installment thereon, as required in section 1 of article III of these bylaws.
- Section 4.** A member who withdraws all his shareholdings thereby ceases to be a member.
- Section 5.** Subject to the conditions herein contained, a member who leaves the field of membership of this credit union may retain his membership therein but may not borrow therefrom in excess of his shareholdings.

ARTICLE III

CAPITAL AND LIABILITY

- Section 1.** The par value of each share shall be \$5. Subscriptions to shares are payable at the time of subscription, or in equal installments at the rate of 25 cents per month on each share so subscribed; but on any day when installments are due and payable any number of installments may be paid in advance.

- Section 2.** The maximum amount of shares which may be held by any one member shall be established from time to time by resolution of the board of directors.
- Section 3.** A member failing to pay any installment on shares when due may be required by the board of directors to pay a fine amounting to 1 cent per full week on each \$2 or fraction thereof of the installment or installments in arrears; *provided, however, that in no case shall such fine be less than 5 cents.*
- Section 4.** Shares may be transferred only from one member to another, by written instrument in such form as the board of directors may prescribe and upon the payment to this credit union of a fee of 25 cents for each such transfer.
- Section 5.** Money paid in on shares, or installments of shares, may be withdrawn as in these bylaws provided on any day when payment for shares may be made; but the board of directors shall have the right, at any time, to require members to give 60 days' notice of intention to withdraw the whole or any part of the amounts so paid in by them; *provided, that no member may withdraw any shareholdings below the amount of his total liability to the credit union as borrower, endorser, comaker, or guarantor without the written approval of the credit committee.*

ARTICLE IV

RECEIPTING FOR MONEY—PASSBOOKS

- Section 1.** Money paid in or paid out on account of shares, loans, interest, fees, or fines shall be evidenced by entries in the member's passbook. Every entry in the passbook shall identify the person receiving or paying out, on behalf of this credit union, the money represented thereby. No money shall be received from or paid to a member unless the passbook is presented and the proper entry made therein, except money received from members under a payroll-deduction plan or under a machine-bookkeeping system approved by the Bureau of Federal Credit Unions.
- Section 2.** If a passbook is lost or stolen, immediate notice of such fact must be given to the treasurer, and written application must be made for the payment of the amount due the member as represented by said passbook or for the issuance of a duplicate passbook. The board of directors may require the filing of an adequate bond to indemnify this credit union against any loss or losses resulting from the issuance of such duplicate passbook.

ARTICLE V

MEETINGS OF MEMBERS

- Section 1.** The annual meeting of the members shall be held during January of each year in the county in which the office of this credit union is situated, at such time and place as the board of directors shall designate.
- Section 2.** At least 7 days before the date of any annual or special meeting of the members, the clerk shall cause written notice thereof to be handed to each member in person, or mailed to each member at his address as the same appears on the records of this credit union; *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 the members entitled to vote thereat who are not present at such meeting shall in writing waive notice thereof, before, during, or after the meeting.*
- Section 3.** Special meetings of the members may be called by the president (or by the supervisory committee as in these bylaws provided); and shall be called by the president on the written request of not fewer than 10 members.

- Section 4.** The order of business at annual meetings of members shall be:
- (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 treasurer
 - (e) Report of the credit committee
 - (f) Report of the supervisory committee
 - (g) Unfinished business
 - (h) New business other than elections
 - (i) Elections
 - (j) Adjournment.

The members assembled at any annual meeting may suspend the above order of business upon a two-thirds vote of the members present at the meeting.

- Section 5.** Except as hereinafter provided, at annual or special meetings 15 members shall constitute a quorum. If no quorum is present, an adjournment may be taken to a date not fewer than 7 nor more than 15 days thereafter; and the members present at any such adjournment meeting shall constitute a quorum, regardless of the number of members present. The same notice shall be given for the adjourned meeting as is prescribed in section 2 of this article for the original meeting, and such notice shall be given not fewer than 5 days previous to the date of the meeting as fixed in the adjournment.

ARTICLE VI ELECTIONS

- Section 1.** At least 30 days prior to each annual meeting, the president shall appoint a nominating committee of 3 members. It shall be the duty of the nominating committee to nominate at the annual meeting one member for each vacancy for which elections are being held.
- Section 2.** 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 president, ballots shall be distributed, the vote shall be taken and tallied by the tellers, and the results announced. All elections shall be determined by plurality vote, and shall be by ballot except where there is only one nominee for the office.
- Section 3.** Nominations shall be in the following order:
- (a) Nominations for directors
 - (b) Nominations for credit committee members
 - (c) Nominations for supervisory committee members.
- Elections may be by separate ballots following the same order as the above nominations or, if preferred, may be by one ballot for all offices.
- Section 4.** 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 the purpose. A trustee, or other person acting in a representative capacity, shall not, as such, be entitled to vote.
- Section 5.** Irrespective of the number of shares held by him, no member shall have more than one vote.
- Section 6.** Within 10 days after their election, the names and the addresses of all persons elected to office shall be forwarded to the Bureau of Federal Credit Unions, in such manner as may be required by said Bureau.

4

ARTICLE VII
BOARD OF DIRECTORS

- Section 1.** The board of directors shall consist of SEVEN members, all of whom shall be members of this credit union.
- Section 2.** At the first annual meeting, or at any annual meeting following a change in the number of members constituting the board of directors, a bare majority of the directors shall be elected for a term of 1 year, and the others for a term of 2 years. Whenever the number of members on the board of directors is increased by amendment to the bylaws, one-half of such additional members shall be elected at the first annual meeting following the approval of the amendment for 1 year, and one-half for 2 years. Thereafter the term of office for directors shall be for 2 years and until the election and qualification of their respective successors.
- Section 3.** Any vacancy on the board of directors or credit committee shall be filled by vote of a majority of the remaining directors; but the member so elected shall hold office only until the qualification of a director or committee member who shall be elected at the next annual meeting of the members of this credit union to complete the unexpired term.
- Section 4.** Regular meetings of the board of directors shall be held during the third week of each month. The president, or in his absence the vice president, may call a special meeting of the board of directors at any time; and shall do so upon the written request of any three directors. The time and place of regular meetings of the board of directors shall be fixed by the board. The president, or in his absence the vice president, shall fix the time and place of special meetings, unless the board, by resolution, prescribes otherwise. Notice of all meetings of the board of directors shall be given in such manner as the board of directors may from time to time, by resolution, prescribe.
- Section 5.** The board of directors shall have the general direction and control of the affairs of this credit union. In addition to the duties customarily performed by boards of directors, the board of directors shall:
- (a) Act upon all applications for membership
 - (b) From time to time fix the amount and character of, and approve, surety bonds required of any persons handling or having custody of funds, and may authorize the payment of the premium or premiums therefor, by this credit union
 - (c) Recommend the declaration of dividends
 - (d) Fill vacancies in the board of directors and in the credit committee, as provided in section 3 of article VII of these bylaws
 - (e) Employ, fix the compensation, and prescribe the duties of such employees as may, in the discretion of the board of directors, be necessary
 - (f) Determine from time to time the maximum number of shares that may be held by any member
 - (g) Determine from time to time the interest rates on loans and the maximum amount that may be loaned, with or without security, to any member within the limitations prescribed by law. When, by action of the board of directors, the interest rates on future loans are reduced, similar action may be taken with regard to interest rates on unpaid balances of existing loans
 - (h) Authorize and supervise investments of this credit union other than loans to members
 - (i) Designate the depository or depositories for the funds of this credit union

- (j) Authorize borrowings and discounting operations on behalf of this credit union within the limitations prescribed by the Federal Credit Union Act, as amended, and any regulations issued thereunder by the Bureau of Federal Credit Unions.
- (k) Supervise the collection of loans to members and authorize, when necessary, the charge-off of uncollectible loans.
- (l) If deemed necessary or advisable, adopt a common seal and alter the same.
- Section 6.** A majority of the number of directors specified by the bylaws 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. Written notice of an adjourned meeting need not be given the directors.
- Section 7.** If a director or a credit committee member fails to attend regular meetings of the board of directors or credit committee for 3 consecutive months, or otherwise fails to perform any of the duties devolving upon him as a director or a credit committee member, his office may be declared vacant by the board of directors and the vacancy filled as herein provided.

ARTICLE VIII OFFICERS AND THEIR DUTIES

- Section 1.** The officers of this credit union shall be a president, a vice president, a treasurer, and a clerk, all of whom shall be elected by the board of directors and from their number. The offices of treasurer and clerk only may be held by the same person. Unless sooner removed as herein provided, the officers elected at the first meeting of the board of directors 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.
- Section 2.** Officers elected at the first meeting of the board of directors following the annual meeting of the members shall hold office for a term of 1 year and until the election and qualification of their respective successors; *provided, however*, that any person elected to fill a vacancy caused by the death, resignation, or removal of an officer shall be elected by the board of directors to serve only during the unexpired portion of the term of such officer and until his successor is duly elected and qualified.
- Section 3.** The president shall preside at all meetings of the members and at all meetings of the board of directors; shall countersign all notes of this credit union and all checks, drafts, and other orders for the disbursement of its funds; and shall perform such other duties as customarily appertain to the office of president or as he may be directed to perform by resolution of the board of directors not inconsistent with the provisions of law or these bylaws.
- Section 4.** The vice president shall have and exercise all the powers, authority, and duties of the president during the absence of the latter or his inability to act.
- Section 5.** The treasurer shall be the general manager of this credit union under the control and direction of the board of directors. Before entering upon his duties, he shall give a proper bond with good and sufficient surety, in amount to be determined by the board of directors as herein provided, conditioned upon the faithful performance of his duties. Subject to such limitations and control as may be imposed by the board of directors, the treasurer shall have custody of all funds, securities, valuable papers, and other assets of this credit union. He shall sign all checks, drafts, notes, and other obligations of this credit union. He shall provide and maintain full and complete records of all the assets and liabilities of this credit union. Within 7 days after the close of each month, he shall prepare and

submit to the board of directors a financial statement showing the condition of this credit union as of the close of business on the last business day of such month, and shall promptly post a copy of such monthly financial statement in a conspicuous place in the office of this credit union, where it shall remain posted until replaced by the financial statement for the next succeeding month. He shall prepare and forward to the Bureau of Federal Credit Unions such financial reports as said Bureau may require. The treasurer may be compensated for his services to such an extent as may be determined by the members at any annual or special meeting thereof.

- Section 6.** The board of directors may appoint an assistant treasurer and authorize him, under the direction of the treasurer, to perform any of the duties devolving on the treasurer, including the signing of checks. He may also act as treasurer during the absence of the treasurer or in the event of his inability to act. Where this authorization is made, the assistant treasurer shall give a proper bond with good and sufficient surety, in amount to be determined by the board of directors, conditioned upon the faithful performance of his duties.
- Section 7.** The clerk shall prepare and maintain full and correct records of all meetings of the members and of the board of directors. He 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 may be directed to perform by resolution of the board of directors not inconsistent with the provisions of law or of these bylaws.

ARTICLE IX

CREDIT COMMITTEE

- Section 1.** The credit committee shall consist of three members, all of whom shall be members of this credit union.
- Section 2.** At the first annual meeting, or at any annual meeting following a change in the number of members constituting the credit committee, a bare majority of the committee shall be elected for a term of 1 year, and the others for a term of 2 years. Whenever the number of members on the credit committee is increased by amendment to the bylaws, one-half of such additional members shall be elected at the first annual meeting following the approval of the amendment for 1 year, and one-half for 2 years. Thereafter the term of office for committee members shall be for 2 years and until the election and qualification of their respective successors.
- Section 3.** The credit committee members shall choose from their number a chairman and a secretary. The secretary of the credit committee shall prepare and maintain full and correct records of all action taken by it. The offices of chairman and secretary may be held by the same person.
- Section 4.** The credit committee 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 members may from time to time, by resolution, prescribe.
- Section 5.** The credit committee shall inquire carefully into the character and financial condition of each applicant for a loan and his surties, if any, to ascertain their ability to repay fully and promptly the obligations incurred by them and to determine whether the loan sought is for a provident or productive purpose and will be of probable benefit to the borrower. The credit committee shall endeavor diligently to assist applicants in solving their financial problems.

Section 6. No loan shall be made unless approved by a majority of the entire committee and by all the members of the committee who are present at the meeting at which the application is considered.

Section 7. Subject to the limits imposed by law and these bylaws and the instructions of the board of directors, the credit committee shall determine the security, if any, which shall be required for each loan and the terms upon which it shall be repaid. When there are pending more loan applications than can be granted with the funds available, preference shall be given, in all cases, to the applications for smaller loans if the need and credit factors are nearly equal.

ARTICLE X

SUPERVISORY COMMITTEE

Section 1. The supervisory committee shall consist of three members, none of whom shall be directors, and all of whom shall be members of this credit union. At the first annual meeting, one member shall be elected for a term of 1 year, and two members for terms of 2 years. Thereafter, all committee members shall be elected for terms of 2 years. Any vacancy in the membership of the supervisory committee of this credit union shall be filled by a vote of the remaining members, but the member so elected shall hold office only until the qualification of the member who shall be elected at the next annual meeting of the members of this credit union to complete the unexpired term.

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

Section 3. The supervisory committee shall make, at least quarterly, an examination of the affairs of this credit union (including an audit of its books), and shall make a written report thereof to the board of directors; and shall make an annual audit and a written report on the condition and affairs of this credit union to be submitted to the members at each annual meeting. It shall prepare and forward to the Bureau of Federal Credit Unions such reports as said Bureau may require.

Section 4. The supervisory committee shall cause the passbooks and accounts of all members to be verified with the records of the treasurer from time to time and not less frequently than once every 2 years.

Section 5. By unanimous vote the supervisory committee may suspend until the next meeting of the members any director, officer, or member of the credit committee. In the event of any such suspension, the supervisory committee shall call a special meeting of the members to act on said suspension within 7 days thereof. The notice of any such special meeting shall state the purpose for which it is to be held.

Section 6. By the affirmative vote of a majority of its members, the supervisory committee may call a special meeting of the members to consider any violation of the provisions of the Federal Credit Union Act (including any amendments thereto), or of the charter or the bylaws of this credit union, or to consider any practice of this credit union which the committee deems to be unsafe or unauthorized. Notice of any such special meeting shall be given in the manner elsewhere herein provided for the giving of notice of special meetings of the members.

ARTICLE XI
ORGANIZATION MEETING

- Section 1.** On receipt of the approved organization certificate, the subscribers thereto shall convene for the purpose of nominating and electing a board of directors, a credit committee, and a supervisory committee.
- Section 2.** The subscribers shall elect a chairman and a secretary for the meeting. The subscribers shall then elect from their number, or from those eligible to become members of this credit union, a board of directors, a credit committee, and a supervisory committee, all to hold office until the first annual meeting of the members and until the election and qualification of their respective successors. If not already a member, every person elected under this section must qualify within 30 days by becoming a member. If any person elected as a director or committee member does not qualify as a member within 30 days of such an election, his office shall automatically become vacant and shall be filled in accordance with the provisions of these bylaws pertaining to the filling of vacancies.
- Section 3.** Following the elections held under the provisions of the preceding section, the directors shall retire from the meeting and elect the officers, who shall hold office until the first annual meeting and until the election and qualification of their respective successors.

ARTICLE XII
LOANS TO MEMBERS

- Section 1.** Except as otherwise provided in article XV, section 5 of these bylaws, loans shall be restricted to members, and shall be made for provident or productive purposes only.
- Section 2.** Rates of interest shall be fixed from time to time by the board of directors, and shall in no case exceed 1 percent per month on unpaid balances, inclusive of all charges incidental to making the loan.
- Section 3.** No loan shall be made to a director, an officer, a committee member, or to a member who has left the field of membership, in excess of the amount of his shareholdings in this credit union. No director, officer, or committee member shall act as endorser or guarantor for borrowers from this credit union.
- Section 4.** A borrower may repay his loan prior to maturity, in whole or in part, on any business day.
- Section 5.** Applications for loans shall be on forms prepared and furnished by the credit committee 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.
- Section 6.** No loan shall be made to members in excess of the limitations imposed in section 11 (d) of the Federal Credit Union Act, as amended.
- Section 7.** All applications for loans and the reports of the credit committee thereon shall be filed as records of this credit union.
- Section 8.** Any member whose loan is delinquent for a period of 1 week or more shall, unless excused for cause by the board of directors, pay a fine at a rate not to exceed 1 cent per month on each \$5 or fraction thereof computed on the remaining unpaid balance of the delinquent loan from the date of the last principal payment, or from the date of disbursement if no principal payments have been made; provided, however, that in no case shall such fine be less than 5 cents. The board of directors may take such steps toward making collection of delinquent loans, interest, or fines, as may, in its judgment, be advisable.

9

**ARTICLE XIII
RESERVES**

- Section 1.** All entrance fees, transfer fees, and fines and 20 percent of the net earnings of each year (before the declaration of any dividend) shall be set aside as a regular reserve; provided, however, that when the regular reserve thus established shall equal 10 percent of the total amount of members' shareholdings, no further transfer of net earnings to such regular reserve shall be required except that such amounts not in excess of 20 percent of the net earnings as may be needed to maintain this 10 percent ratio shall be transferred. Net earnings in excess of the above requirements may be transferred to the regular reserve by authorization of the board of directors subject to approval of the members at the annual meeting. The regular reserve shall be used only for losses on loans to members and to other credit unions (including unrecovered collection costs) and such other losses as are specified in the regulations of the Bureau of Federal Credit Unions. The regular reserve shall not be distributed except in the case of final liquidation.
- Section 2.** In addition to the regular reserve, special reserves to protect the interests of members shall be established in accordance with section 12 of the Federal Credit Union Act, as amended.

**ARTICLE XIV
DIVIDENDS**

- Section 1.** At the annual meeting only, on recommendation of the board of directors, a dividend may be declared from the net earnings remaining after providing for reserves as specified in article XIII of these bylaws. Any such dividend shall be paid only on shares fully paid up before December 1, and outstanding on December 31, of the preceding year. In the case of any share which became fully paid up during such year and prior to December 1 thereof, the holder shall be entitled to receive a proportional part of said dividend calculated from the first day of the month following such payment in full.
- Section 2.** No dividend shall be authorized or paid at a rate in excess of 6 percent per annum.
- Section 3.** A member shall be deemed to have one fully paid share for each \$5 paid in, regardless of the number of shares for which he has subscribed.

**ARTICLE XV
DEPOSIT AND DISBURSEMENT OF FUNDS—INVESTMENTS**

- Section 1.** The funds of this credit union shall be deposited only in national banks, or in State banks, trust companies, or mutual savings companies operating in accordance with the laws of the state or states in which this credit union does business; and except with the specific written permission of the Bureau of Federal Credit Unions, shall not be deposited in, or permitted to remain in, any institution the deposits of which are not insured by the Federal Deposit Insurance Corporation.
- Section 2.** All funds of this credit union, except those mentioned in sections 3 and 4 of this article, shall be deposited in such qualified depository or depositories as the board of directors may from time to time by resolution designate; and shall be so deposited within 48 hours of their receipt; provided, however, that receipts in the aggregate of \$100 or less need not be deposited more often than once each week.

- Section 3.** All disbursements of funds of this credit union shall be made by checks signed by the treasurer, or a duly authorized assistant treasurer, and countersigned by the president, or, in his absence or inability to serve, by the vice president; provided, however, that the board of directors may by resolution provide for the establishment and replenishment, at least annually, of a petty cash fund of not exceeding \$10 for postage, and for defraying other expense items of this credit union in amounts of less than \$1.
- Section 4.** A cash fund for the purpose of making change may be established by the board of directors by resolution, in an amount not to exceed \$100. On all cash funds in excess of \$100, however, the board of directors shall obtain the written permission of the Bureau of Federal Credit Unions.
- Section 5.** The funds of this credit union shall be invested only in:
- (a) Loans exclusively to members
 - (b) Obligations of the United States of America, or in securities fully guaranteed thereby as to both principal and interest
 - (c) Loans to other credit unions in the total amount not exceeding 25 percent of this credit union's paid-in and unimpaired capital and surplus, in accordance with rules and regulations prescribed by the Bureau of Federal Credit Unions
 - (d) Shares or accounts of Federal savings and loan associations, and in shares or accounts of any other institution, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation
 - (e) Any other manner authorized by the Federal Credit Union Act, as amended.

ARTICLE XVI EXPULSION AND WITHDRAWAL

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

ARTICLE XVII MINORS

- Section 1.** Shares may be issued in the name of a minor, or in trust therefor. When shares are so issued in trust, the trustee must be a member of this credit union in his own right, and the name of the beneficiary must be stated.

ARTICLE XVIII DEFINITION OF TERMS

- Section 1.** When used in these bylaws the terms:
- (a) "Net earnings," for a given period, shall mean the balance remaining after deducting from the gross income of this credit union actually received during such period all expenses paid or payable during such period, and

any losses sustained therein (as determined by the board of directors) for which no specific reserve has been set aside. Amounts set aside during such period as a reserve shall not be deemed items of expense.

(b) "Paid-in and unimpaired capital," as of a given date, shall mean the balance of the paid-in shares account as of such date, less any losses that may have been incurred for which there is no reserve or which have not been charged against undivided profits or surplus.

(c) "Surplus," as of a given date, shall mean the credit balance of the undivided profits 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.

ARTICLE XIX

GENERAL

Section 1. 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 charter and the bylaws of this credit union.

Section 2. 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 respecting their personal affairs.

Section 3. 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 the purpose, but only after an opportunity has been given him to be heard.

Section 4. When any officer is absent, disqualified, or otherwise unable to perform the duties of his office, the board of directors may by resolution designate another member of this credit union to act temporarily in his place. The board of directors may also, by resolution, designate another member or members of this credit union to act on the credit committee when necessary in order to obtain a quorum.

Section 5. No director, committee member, officer, agent, or employee of this credit union shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his pecuniary interest or the pecuniary interests of any corporation, partnership, or association (other than this credit union) in which he is directly or indirectly interested. In the event of the disqualification of any director respecting any matter presented to the board of directors for deliberation or determination, such director shall withdraw from such deliberation or determination; and in such event the remaining qualified directors present at the meeting, if constituting a quorum with the disqualified director or directors, may exercise with respect to this matter, by majority vote, all the powers of the board of directors. In the event of the disqualification of any member of the credit committee or the supervisory committee, such committee member shall withdraw from such deliberation or determination.

Section 6. Copies of the organization papers of this credit union, its bylaws, and any amendments thereto, shall be preserved in a place of safekeeping. Returns of nominations and elections and proceedings of all regular and special meetings of the members and directors 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 7. All books of account and other records of this credit union shall at all times be available to the directors and committee members of this credit union, and to any duly authorized representative of the United States Government, upon presentation of the proper credentials.

ARTICLE XX

AMENDMENTS TO BYLAWS AND CHARTER

Section 1. Amendments to these bylaws may be adopted and amendments to the charter requested by the affirmative vote of two-thirds of the members of the board of directors at any duly held meeting thereof if the members of the board of directors have been given 7 days' notice of said meeting and the notice has contained a copy of the proposed amendment or amendments. No amendment to these bylaws or to the charter shall become effective, however, until approved in writing by the Director, Bureau of Federal Credit Unions.

**CERTIFICATION OF RESOLUTION OF BOARD OF DIRECTORS
ADOPTING AMENDMENT OF CHARTER/BYLAWS**

WHEREAS, the attached amendment of the credit union's charter is in the best interests of the members and is consistent with Law, all necessary authorizations having been obtained,

NOW, THEREFORE, pursuant to the provisions of the Federal Credit Union Act, the attached amendment of the charter/bylaws of the Middletown City Employees Federal Credit Union No. 11440 is hereby adopted by the board of directors in accordance with the above Federal Credit Union's Bylaws.

We, the undersigned President and Secretary of the above Federal Credit Union, hereby certify that on January 28, 2008 the above resolution amending to the charter/bylaws was adopted by the board of directors in accordance with the above Federal Credit Union's Bylaws.

James Howard
President

J. Michael Davis
Secretary

**CERTIFICATION OF RESOLUTION OF BOARD OF DIRECTORS
ADOPTING AMENDMENT OF CHARTER/BYLAWS**

Middletown City Employees Federal Credit Union, Charter No. 11440

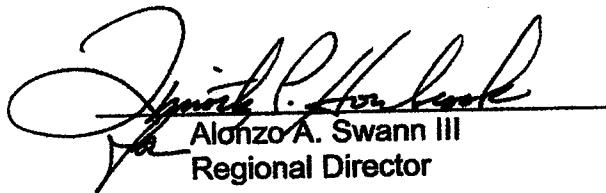
WHEREAS, formal request has been submitted by the officials of this federal credit union that the following amendment of its charter be approved:

Section 1 of the Charter shall be amended to read as follows:

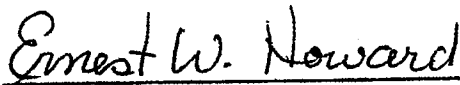
"The name of this credit union shall be Butler Heritage Federal Credit Union."

AND WHEREAS, the amendment is in the best interests of the members and is not inconsistent with Law,

NOW, THEREFORE, pursuant to the provisions of the Federal Credit Union Act, the foregoing submitted amendment of the charter/bylaws of the federal credit union no. 11440 is hereby approved, July 2, 2008, subject to adoption by the board of directors in accordance with the above Federal Credit Union's Bylaws.


Alonzo A. Swann III
Regional Director

We, the undersigned President and Secretary of the above Federal Credit Union, hereby certify that on July 15, 2008, the above amendment to the charter/bylaws was adopted by the board of directors in accordance with the above Federal Credit Union's Bylaws.

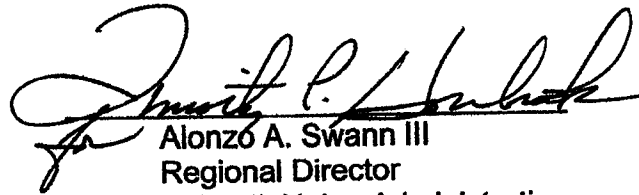

Ernest W. Howard
President


Michael Davis
Secretary

Charter No. 11440

CERTIFICATE OF NAME CHANGE

I, the undersigned, certify that in accordance with the prescribed procedures of the National Credit Union Administration, the name of the Middletown City Employees Federal Credit Union was changed to Butler Heritage Federal Credit Union. The amendment of the charter changing the name of the credit union was approved on July 30, 2008, subject to adoption by the board of directors in accordance with the above Federal Credit Union's Bylaws within **ninety days** from the stated approval date.

A handwritten signature in black ink, appearing to read "Alonzo A. Swann III", is written over a horizontal line. The signature is fluid and cursive.

Alonzo A. Swann III
Regional Director
National Credit Union Administration

(Note: This certificate may be used to support the changing of the name of the credit union with the bank, the surety company, or investment certificates owned by the credit union, etc.)

NCUA 4106 (Rev. 7/90)



National Credit Union Administration

Hereby Certifies that
each member's shares in

BUTLER HERITAGE FEDERAL CREDIT UNION

are insured to at least \$100,000
and backed by the full faith and
credit of the United States
Government, as provided in the
Federal Credit Union Act

John Johnson

Chairman
National Credit Union Administration

January 4, 1971

Issue Date

11440

Insurance Certificate #

AVIA