March 6, 2020

To: Washington State Chartered Credit Unions CEOs

Re: Virtual Annual Meeting Information

I wanted to provide the information below as several credit unions have reached out with questions regarding upcoming annual meeting and whether they can be conducted virtually.

- With the law change made in 2019, you have the option for a virtual meeting. The language that was in the statute previously about having your meeting at a “place” was removed. The intent of this change was to allow virtual meetings. The current statute is here. Your bylaws can allow virtual meetings. Your meeting must be conducted according to the rules of procedure approved by your Board.

- Interpretative Letter I-17-04 is no longer accurate. Please do not rely on it; it has been removed from our website.

- Fairleigh Wada Witt (a credit union law firm in the Pacific Northwest) put out an alert on Wednesday, March 4th about annual meetings. Included is an excerpt from that alert, as I thought it included a helpful list of considerations. The considerations may or may not apply to your specific credit union.

Please continue to reach out to the Division of Credit Unions through our main phone number (360) 902-8701 and inbox for the most immediate response or contact me directly.

Sincerely,

Amy B. Hunter

Director of Credit Unions
Washington State Department of Financial Institutions
Your credit union annual meeting is important, but not as important as the health and lives of your members. The current coronavirus pandemic is forcing everyone to consider the need and logistics of large public gatherings. Credit unions can conduct their annual meetings, but adjustments may need to be made. Each credit union will need to act based on its particular circumstances, including whether state or federally chartered, whether there is a contested election or other member voting, and what its bylaws require.

In this Alert, we have outlined the credit union annual meeting requirements and provided guidance on actions that can be taken to continue with this year's annual meeting with the health of your members as a top priority...

...Adjustments for This Year

Many credit unions have annual meetings already scheduled for the spring of this year with notices of meetings already issued or posted. In order to fulfill the annual meeting requirement while providing for the safety and health of your members we have outlined below a number of issues and considerations for conducting your credit union's annual meeting. Before adopting a course of action, the credit union should assess its specific circumstances, including:

- Will the meeting include voting on a contested election or other issue?
- What do the credit union's bylaws specify for meeting requirements and procedures?
- Has notice of the meeting already been provided to members?
- What capability (or desire) does the credit union have to permit electronic participation or communication?

1. Conducting Your Annual Meeting, While Avoiding Member Attendance. The credit union can and should conduct its annual meeting if possible. At the same time, the credit union can avoid or at least not encourage attendance (this year) by suspending plans for: door prizes, meals, drawings or similar attendance incentives. Notify the members of the special circumstances of the meeting for this year. Here are some of the typical meeting requirements or elements for your meeting, including those that can be adjusted:

- **Distribution of Meeting Materials.** Last year's meeting minutes, Supervisory Committee report and annual audit report can be distributed to members by posting to the credit union's website; mailed or distributed to members via email.

- **Quorum.** Do not overlook your member quorum requirements to conduct the meeting. Therefore some minimal number of members (i.e., Board and staff) must attend. This can usually be accomplished with a small in-person meeting even if communication with members is done electronically.

- **Communicating with Members.** The credit union can still conduct some interactive communication with members (i.e. live video stream; Facebook Live, etc.) to permit communication and live reports with members. However, such communication is NOT
required unless some member action is scheduled, such as an election. Such communications sound attractive, but once you factor in the cost, the technological logistics and actual participation, the cost of these options may outweigh any benefits. Also consider a public forum later in the year when it is safer and members want to attend.

2. Cancelling or Postponing the Meeting. First, cancelling the annual meeting is not a good option - the annual meeting is a required event. If it is not feasible to conduct a meeting with scaled-back physical attendance, consider a meeting postponement instead. The credit union can choose to postpone the meeting to a later date this summer or fall. Members need to be notified of the postponement and the new meeting date and time. Even if a contested election will occur, the meeting and election can still be postponed and held later.

3. Elections. If a contested election is planned for your annual meeting this year, absent a postponement, the election can still be conducted with full member participation. Electronic ballots should pose no issues for disruption or delay. Also providing absentee paper ballots that can be mailed, or picked up/dropped off at the branches is a great option to avoid attendance at the meeting. Use of absentee ballots with a postponed meeting or extended voting period will also give all members the opportunity to vote. Remember, an election where there are 3 nominees and only 3 positions to fill is not a real election. In such cases, no ballots or member action is required. Rather the Board Chair can declare the nominees elected by acclamation at the annual meeting.

4. Electronic or Virtual Meetings. Electronic meetings have been tried by large public companies with varied success and at a high cost. Even some high tech companies have bungled the logistics of their virtual meetings to the point of needing a new non-tech meeting. The credit union annual meeting, especially with a contested election or scheduled member action, is hardly time to experiment with the logistics of an electronic meeting. If member voting is required, do not consider it until you have a tested process for member identification and verification; secure means to distribute, collect and count ballots; a reliable communication platform and ability to establish records of each step and requirement. Don't make your annual meeting the Iowa caucus of credit union member meetings.

On the other hand, if there is no contested election, the bulk of the meeting may consist of presentations to the members (Supervisory Committee report, Board Chair report, CEO report, financials, etc.). In such cases, if permitted by the applicable rules (i.e., not for Idaho or FCUs) and if the credit union can adequately provide for verification of a quorum (in person or through verified member electronic attendance), an electronic form of presentation may be satisfactory. A credit union that chooses this route must be sure to satisfy the applicable notice requirements in its bylaws; if notice of a physical meeting has already been provided, new notice would be required. In addition, a credit union would need to provide an alternative for persons who may not have ready internet/electronic access; thus, for example, the credit union could make branch facilities available for members to electronically attend.

5. Communicate Now. Your credit union should make a plan and communicate with the members ASAP. Members will be grateful that their best interests (personal and credit union) are protected.