

August 20, 1991

Mr. George E. Rohde  
Concora Federal Credit Union  
5000 Flat Rock Road  
Philadelphia, PA 19127-2098

Re: Reorganization Meeting (Your July 15, 1991, Letter)

Dear Mr. Rohde:

You have asked us for a legal opinion regarding Concora Federal Credit Union's (FCU) "reorganization meeting."

#### BACKGROUND

The FCU has a nine member board of directors. On April 26th, the FCU held an annual membership meeting at which time three board members were reelected and one appointed board member was elected. After the annual meeting, a meeting was held with five directors in attendance. There was no written notice of this directors meeting although the past practice had been to hold the reorganization meeting immediately after the annual meeting. The meeting was quite contentious and no official actions were taken and no minutes of the meeting were recorded. On May 8th a director's meeting was held. At this meeting the Chairman of the Board was asked if this was the reorganization meeting. The Chairman of the Board stated that since the reorganization was not accomplished within the seven day timeframe, the organization of the board would not change. At the June 10th board meeting, the board proceeded with a reorganization over the objection of the Chairman and another board member.

#### ANALYSIS

The FCU's bylaws state that:

Board officers elected at the meeting of the board next following the annual meeting of the members, which shall be held not later than 7 days after the annual meeting. . . .

It is clear that the FCU violated its own bylaws by not conducting a reorganization meeting within the required timeframe. However, the board's inaction at the April 26th meeting does not invalidate subsequent board decisions nor does it preclude the Board from rectifying the situation at a later date. Decisions and policies made by the board between the April 26th meeting and the June 10th meeting are therefore valid. Furthermore, there is no prohibition on an FCU from reorganizing itself after the seven day timeframe if that is the desire of the board of directors. Therefore, the June 10th meeting is a valid reorganization meeting. From June 10th forward the officers and committee members elected and appointed at the June 10th meeting validly hold their positions.

Some FCU members have expressed concern that the failure to hold the reorganization meeting within the seven day timeframe somehow affects the validity of the election. This is not true. The failure of the board of directors to hold the reorganization meeting within the required timeframe does not vitiate the board of directors elections. These are two separate issues.

Sincerely,

James J. Engel  
Deputy General Counsel

GC/MM:sg

91-0733