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NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

October 25, 1988

Office of General Counsel

Mr. Carl L. Jenkins, Jr.  
General Manager  
Family Savings Federal Credit Union  
711 East Meighan Boulevard  
Gadsden, Alabama 35999

Re: Permissibility of Employing FCU Directors to  
Negotiate Labor Contract of FCU Employees  
(Your September 2, 1988, Letter)

Dear Mr. Jenkins:

You have asked whether a Federal credit union ("FCU") may compensate two individuals, who are also directors of the FCU, for their services in negotiating the FCU's employment contract with its employees' labor union. We are persuaded that in this instance the directors are not being compensated for services of an FCU director, which is generally prohibited by the FCU Act, but instead are being compensated for additional services outside the scope of those typically performed by FCU directors. The proposed compensation is therefore permissible.

Background

The FCU's contract with its employees will expire shortly. The FCU's Board of Directors has appointed the General Manager, Personnel Manager, and the President and Vice-President of the Board of Directors, to serve on a committee to negotiate the employees' labor contract with the employees' union. It is anticipated that the negotiations will take several weeks. The Vice-President will be required to take time off from work to participate in the negotiations. You would like to reimburse him for the lost pay he will incur. The President is retired. You would like to

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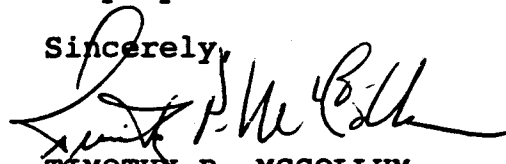
part of a formally constituted committee of the FCU, created to negotiate this contract.

Second, Article XIX, Section 4, of the Standard FCU Bylaws provides:

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 interest 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 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. 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.

The directors therefore should not participate in the FCU's determination on whether to hire them to negotiate the labor contract or the terms of their employment.

Sincerely,



TIMOTHY P. MCCOLLUM  
Assistant General Counsel

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