



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

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SSIC 3000
89-1016

October 20, 1989

Joseph Melchione, Esq.
Styskal, Wiese & Melchione
550 North Brand Boulevard
Suite 550
Glendale, California 91203

Re: Hughes Aircraft Employees Federal Credit Union
(Your October 18, 1989, Letter)

Dear Mr. Melchione:

You have asked us to address the status of Hughes Aircraft Employees Federal Credit Union ("FCU") as a nonprofit corporation.

As you know, Hughes Aircraft Employees Federal Credit Union is an FCU and as such is a unique type of cooperative financial institution. An FCU is a nonprofit organization, run by and for its members. A factor unique to credit unions is that persons must share a common bond in order to qualify for membership. In the case of Hughes Aircraft Employees Federal Credit Union, the common bond is occupational (other common bonds can be associational or community based). The directors and committee members who manage an FCU generally serve without compensation. An FCU, as a cooperative financial institution, returns profits to members in the form of higher dividends on savings, and personal loans at interest rates that are generally lower than prevailing market rates, regardless of the size of the loan. FCU's also encourage savings and provide assistance to members in managing their money.

Due to this nonprofit cooperative nature, Congress has exempted FCU's from Federal income tax through Section 501(c)(14) of the

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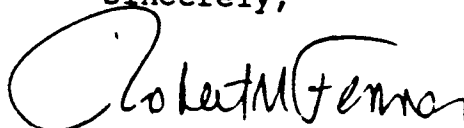
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Internal Revenue Code (26 U.S.C. §501(c)(14)). In addition, FCU's are exempt from many forms of taxation imposed by any jurisdiction by virtue of Section 122 of the Federal Credit Union Act (12 U.S.C. §1768). Case law has also supported this tax exemption (see United States v. Maine, 524 F. Supp. 1056 (D. Me. 1981)).

I hope this letter will be of assistance. If you have any additional questions or comments, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Robert M. Fenner". The signature is written in dark ink and is positioned above the typed name.

ROBERT M. FENNER
General Counsel