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September 22, 1986

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FEDERAL EXPRESS

Steven R. Bisker, Esq.
Assistant General Counsel
National Credit Union
Administration
1776 G Street, N.W.
Washington, D.C. 20456

Re: Permissibility of Federal Credit Union
Investment in Shares of the Criterion
Limited Term Institutional Trust
Portfolio of Criterion Bond Fund

Dear Mr. Bisker:

On behalf of our client Criterion Funds, Inc. ("Criterion"), we respectfully request the opinion of the staff of the National Credit Union Administration (the "NCUA") concurring in our view that shares of the Criterion Limited Term Institutional Trust portfolio (the "Portfolio") of Criterion Bond Fund ("the "Fund") would be a permissible investment for Federal credit unions ("FCUs").

1. Background

The Fund is registered under the Investment Company Act of 1940, as amended, as an open-end, diversified management investment company, and shares of the Portfolio are registered under the Securities Act of 1933, as amended.

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Steven R. Bisker, Esq.
September 22, 1986
Page Two

The Portfolio is one of four separate portfolios of investments of the Fund. As stated in the Portfolio's preliminary prospectus (the "Prospectus"), a copy of which together with the Portfolio's preliminary Statement of Additional Information (the "Statement of Additional Information") is annexed hereto as Exhibit 1, the investment objective of the Portfolio is to earn a high level of current income consistent with the preservation of capital and the maintenance of liquidity. The Portfolio's investments in pursuit of this investment objective are described below. Criterion serves as the investment adviser of the Portfolio pursuant to an investment advisory contract with the Portfolio. A wholly-owned subsidiary of Criterion, Criterion Distributors, Inc., serves as the distributor of the Portfolio's shares. Descriptions of the investment objective and policies and investment practices and restrictions of the Portfolio are set forth under the heading "Investment Objective and Policies" and "Investment Practices and Restrictions" at pages 3 and 8 of the Prospectus and under the heading "Investment Practices and Restrictions" at page B-10 of the Statement of Additional Information.

2. The Federal Credit Union Act and the Rules and Regulations of the NCUA

Sections 107(7) and 107(8) of the Federal Credit Union Act [U.S.C. §§ 1757(7) and (8)] (the "Act") and Part 703 of the NCUA Rules and Regulations (12 C.F.R. Part 703) (the "NCUA Rules") are the pertinent provisions of federal law regulating FCU investments and deposits, setting forth those securities, deposits and other obligations in which FCUs may invest.

We understand that, although not expressly stated in the foregoing provisions, the NCUA takes the position that an investment in shares of a mutual fund registered under the Investment Company Act is considered to be permissible for a FCU if, and only if, all of the investments and investment practices of the fund would be permissible if made or engaged in directly by the FCU. We also understand that the NCUA takes the position that a fund's prospectus or statement of additional information must clearly establish that the investment limitations of the Act and the NCUA Rules are satisfied.

3. The Portfolio's Investments

As noted above, the types of securities in which the Portfolio may invest are set forth under the heading "Investment Objective and Policies" at page 3 of the Prospectus. These are limited, as a matter of fundamental policy which may not be changed without approval of a majority of the Portfolio's shareholders, to (1) obligations issued or fully guaranteed as to principal and interest by the United States government; (2) obligations issued by or fully guaranteed as to principal and interest by certain enumerated agencies of the United States; (3) certificates of deposit, time deposits and savings accounts of domestic banks which are insured by the Federal Deposit Insurance Corporation ("FDIC") or the Federal Savings and Loan Insurance Corporation ("FSLIC"); and (4) bankers' acceptances of FDIC insured banks. In addition, the Portfolio's investment restrictions and policies as set forth on page 8 of the Prospectus under the heading "Investment Practices and Restrictions", permit the Portfolio to enter into repurchase agreements and reverse repurchase agreements, to lend its portfolio securities and to purchase securities subject to delayed settlement.

Direct investment by FCUs in securities issued or guaranteed as to principal and interest by the United States government is expressly permitted under §1757(7)(B) of the Act. Similarly, §1757(7)(E) of the Act permits the direct investment by FCUs in securities issued or guaranteed as to principal and interest by the agencies of the United States

* The Prospectus permits investments in obligations issued by or fully guaranteed as to principal and interest by specified agencies and instrumentalities of the United States, and in fact includes such obligations of The Federal Financing Bank, an instrumentality of the United States, as a permissible investment. However, The Federal Financing Bank has not issued any obligations since the early 1970s, and those that were issued have matured. Accordingly, while the Portfolio does not anticipate that it will ever invest in such obligations, it hereby represents that it will not invest in such obligations and will delete them from the Prospectus as a permissible investment at the time the Fund's registration statement goes effective.

Steven R. Bisker, Esq.
September 22, 1986
Page Four

enumerated in the Prospectus.* Accordingly, these two classes of the Portfolio's investments would appear to be permissible direct investments by FCUs.

The Portfolio also intends to invest in certificates of deposit, time deposits and savings accounts of FDIC or FSLIC insured banks. Under §1757(8) of the Act, FCUs are permitted to make deposits directly in FDIC or FSLIC insured banks.

Finally, §703.3(i) of the NCUA Rules permits FCUs to invest directly in bankers' acceptances issued by banks whose deposits are permissible investments for FCUs under §1757(8) of the Act. Because the Fund will limit its bankers' acceptances to those issued by FDIC insured banks, we believe such investments would be permissible direct investments for FCUs under the Act and the NCUA Rules.

It is our belief that in addition to permitting the foregoing investments of the Portfolio, the Act and the NCUA Rules authorize FCUs to engage directly in the investment practices which the Portfolio intends to pursue. The repurchase agreements in which the Portfolio would enter into would involve the purchase by the Portfolio of United States government securities with an agreement to sell those securities at a future time to the original seller. The Portfolio's practice in such transactions, as disclosed in the Prospectus, would be to purchase such securities at or below the market price. Under the Portfolio's investment policies

* Among the obligations identified in the Prospectus are obligations issued by or fully guaranteed as to principal and interest by the NCUA. The Act identifies the NCUA as an agency of the United States. 12 U.S.C. §1752a(a). Although obligations issued by or fully guaranteed as to principal and interest by the NCUA are not specifically identified in §1757(7)(E) of the Act as permissible direct investments for FCUs, we believe such obligations are permissible investments under the language of the §1757(7)(E) which permits investments in obligations "fully guaranteed as to principal and interest by any other agency of the United States...."

Steven R. Bisker, Esq.
September 22, 1986
Page Five

and practices, all repurchase agreements entered into by the Portfolio constitute either investment-type repurchase transactions within the meaning of §703.2(1)(1) or financial institution-type repurchase transactions within the meaning of §703.2(1)(2) of the NCUA Rules. For these reasons, we are of the view that all repurchase agreements entered into by the Portfolio would be permissible direct investments for FCUs pursuant to §703.3(d) of the NCUA Rules.

Similarly, the Portfolio's reverse repurchase agreements would be permissible direct investments for FCUs pursuant to §703.3(e) of the NCUA Rules. As disclosed in the Prospectus, the securities purchased with the proceeds of the Portfolio's reverse repurchase agreements will have a maturity date not later than the settlement date for the reverse repurchase transaction.

Although not specifically provided for under the Act or the NCUA Rules, the Portfolio intends to engage in the lending of its portfolio securities. The Portfolio's policy, as disclosed in the Prospectus, is that all loans of securities must be secured at all times by cash or securities issued or guaranteed by the United States government or its agencies equal to not less than 100% of the market value, determined daily, of the securities loaned. Thus, the collateral for all loans of the Portfolio's securities will consist of cash or securities which are permissible direct investments for FCUs. We believe that in the absence of a statutory or regulatory prohibition, the lending by the Portfolio of a security which is a permissible direct investment for a FCU in a transaction which is akin to a reverse repurchase transaction (in itself a permissible investment activity for a FCU) and which is collateralized by securities which are themselves permissible direct investments for FCUs does not make the shares of the Portfolio an impermissible investment for FCUs.

Finally, the Portfolio may engage in the practice of purchasing securities in transactions subject to delayed settlement. The settlement date for these transactions, as disclosed in the Prospectus, will not occur later than the 29th day after the trade date. FCUs are permitted under

Steven R. Bisker, Esq.
September 22, 1986
Page Six

\$703.3(a) of the NCUA Rules to directly contract for the purchase of a security provided that delivery occurs within thirty days from the trade date and the price of the security at the time of purchase is the market price. Because the Portfolio's policy is to purchase all securities subject to delayed settlement at the market price at the time of purchase, we believe that such transactions would be permissible direct investments for FCUs.

4. Conclusion


In view of the foregoing, we are of the view that all of the investments and investment practices of the Portfolio would be permissible for an FCU pursuant to the Act and the NCUA Rules if made or performed directly by the FCU. In light of the NCUA's position, summarized in the second paragraph of item 2 above, investment by FCUs in shares of the Portfolio should therefore be permissible.

On the basis of the facts contained in this letter, we respectfully request the opinion of the staff of the NCUA concurring in our view that shares of the Portfolio are a permitted investment for FCUs under the Act and the NCUA Rules. The Fund's registration statement registering shares of the Portfolio will become effective in mid-October. In order that sales of the Portfolio's shares to FCUs may commence at the time of effectiveness, your expedited consideration of this matter would, therefore, be greatly appreciated. If you should have any questions concerning this request or require further information, please contact the undersigned John W. Belash of this office at (212) 557-8000.

Very truly yours,

The following investment,
Criterion Limited Term Institutional Trust Portfolio - prelim prospectus
is a LEGAL investment for FCU's. *dated Aug 28, 1986*

NOT LEGAL -- not in compliance with:
_____ \$ _____
_____ \$ _____
Other _____

 *Steven R. Bisker 11/13/86*
STEVEN R. BISKER
Assistant General Counsel

SDF/jd

THIS IS NOW A RECOMMENDATION BY NCUA