



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

June 9, 1987

CC/HMU:58  
4693

Office of General Counsel

Wendell Sebastian, Esq.  
General Counsel  
Callahan & Associates, Inc.  
1001 Connecticut Avenue, N.W.  
Suite 208  
Washington, D.C. 20036

Dear Mr. Sebastian:

This is in response to your recent letter concerning the organization of a limited partnership credit union service organization ("CUSO").

As you know, Section 701.27 of the NCUA Rules and Regulations (12 C.F.R. 701.27) governs Federal credit union ("FCU") investment in and loans to those entities that the rule refers to as credit union service organizations. The entity in this case will be organized as a limited partnership with Callahan and Associates serving as the general partner and credit unions participating as limited partners. Section 701.27(d)(2)(ii) of the regulation allows for this type of CUSO structure.

As stated in your letter, the limited partnership will provide securities brokerage services, investment counseling, trust services, and act in other fiduciary capacities.

More specifically, the limited partnership intends to participate and assist in the formation of, and render management and administrative services to, a series of mutual funds developed primarily for credit unions and related service organizations. The mutual funds will enter into those types of investments permissible for credit unions under the Federal Credit Union Act and the NCUA Rules and Regulations. During our telephone conversation on May 4, 1987, you clarified that the principal function of the limited partnership will be its broker/dealer activities in connection with its role as distributor for the mutual funds to be created. The limited partnership will direct its distribution activities solely to credit unions and credit union organizations. Investment in the mutual funds will be limited to credit unions and credit union organizations. It is our opinion that these activities constitute investment counseling and securities brokerage services as listed in

*This is not a recommendation of NCUA*

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Section 701.27(d)(5)(ii) of the Rules and Regulations.

Provided that all of the other requirements and restrictions contained in Section 701.27 are followed, investments in and loans to the limited partnership as provided in the rule would be permissible for FCU's. Our opinion should not be taken as an endorsement, recommendation, or approval of this CUSO. Rather, it is simply our opinion that, as described above, it is legal for FCU's to invest in and make loans to the limited partnership. Any communication with credit unions should reflect this distinction.

Sincerely,



STEVEN R. BISKER  
Assistant General Counsel

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