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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

April 5, 1988

Office of General Counsel

Ashok Roy
Assistant to the President
Procedures Analyst
Chattanooga TVA Employees Federal Credit Union
P.O. Box 11146
Chattanooga, Tennessee 37401-2146

Re: FCU Offering Mutual Fund to Members (Your
January 22, 1988, Letter) (Our March 17,
1988, Response)

Dear Mr. Roy:

For additional guidance in your planning, enclosed is a copy of an opinion rendered in a related situation. The CUSO there was also not itself to be the mutual fund; it was to assist in structuring and establishing the fund, and in its marketing.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy P. McCollum".

TIMOTHY P. McCOLLUM
Assistant General Counsel

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Vol. II (H)



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

June 9, 1987

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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) 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

Wendell Sebastian, Esq.
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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. My opinion should not be taken as an endorsement, recommendation, or approval of this CUSO. Rather, it is simply my 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,

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STEVEN R. BISKER
Assistant General Counsel

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