Information Collection Abstract

Title: Authority to Use Peace Corps Name and Logo.

Need for and use of the Information: The information will be provided by organizations who intend to use the Peace Corps name. These organizations will normally be charitable or non-profit. The information requested from the respondents is necessary for determining whether these organizations are eligible to use the name and logo of the Peace Corps in their activities and are formed for the purposes of carrying out one or more of the goals of the Peace Corps Act. This information will be kept on file for reference purposes by the Office of General Counsel.

Respondents: Returned Peace Corps Volunteer organizations, other entities using or intending to use the Peace Corps name.

Respondents obligation to reply: Mandatory.

Burden on the Public:

a. Annual reporting burden: 12.5 hrs.

b. Annual recordkeeping burden: 0 hrs.

c. Estimated average burden per response: 5 min.

d. Frequency of response: one time.

e. Estimated number of likely respondents: 150.

f. Estimated cost to respondents: $1.01.

This notice is issued in Washington, DC on November 15, 1996.

Stanley D. Suyat,

Associate Director for Management.

[FR Doc. 96–29770 Filed 11–20–96; 8:45 am]

BILLING CODE 6051–01–M

PENSION BENEFIT GUARANTY CORPORATION

Request for a Collection of Information Under the Paperwork Reduction Act; Locating and Paying Participants

AGENCY: Pension Benefit Guaranty Corporation.

ACTION: Submission for OMB emergency review; comment request.

SUMMARY: The Pension Benefit Guaranty Corporation has requested that the Office of Management and Budget approve a collection of information under the Paperwork Reduction Act. The information collection is needed to locate and pay participants and beneficiaries who are entitled to pension benefits under terminated defined benefit pension plans.

DATES: The PBGC has requested that OMB approve this request by November 29, 1996.

ADDRESSES: All written comments should be addressed to: Office of Information and Regulatory Affairs, OMB, Attention: Desk Officer for the Pension Benefit Guaranty Corporation, 725 17th Street, NW., Room 10235, Washington, DC 20503. The request for approval will be available for public inspection at the PBGC Communications and Public Affairs Department, suite 240, 1200 K Street, NW., Washington, DC 20005, between the hours of 9 a.m. and 4 p.m.

FOR FURTHER INFORMATION CONTACT: Harold J. Ashner, Assistant General Counsel, Office of the General Counsel, Suite 340, 1200 K Street, NW., Washington, DC 20005, 202–326–4024 (202–326–4179 for TTY and TDD). (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION: The Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35) establishes policies and procedures for controlling the paperwork burdens imposed by Federal agencies on the public. The Act vests the OMB with regulatory responsibility over these burdens, and OMB has promulgated rules on the clearance of collections of information by Federal agencies.

The PBGC is requesting OMB approval of a collection of information needed to locate and pay participants and beneficiaries who may be entitled to pension benefits under a defined benefit plan that has terminated. The information consists of identifying information that the individual would provide as part of an initial contact with the PBGC and additional information he or she would provide in connection with any application for benefits.

The PBGC estimates that up to 8,000 individuals will provide the PBGC with identifying information as part of an initial contact and that the associated burden is 2,000 hours (15 minutes per individual). The PBGC further estimates that it will request that up to 1,600 of these individuals submit applications for benefits and that the associated burden is 950 hours (approximately 36 minutes per individual). Thus, the total estimated burden associated with this collection of information is 2,950 hours.

The PBGC solicits comments to:

(i) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;

(ii) Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;

(iii) Enhance the quality, utility, and clarity of the information to be collected; and

(iv) Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of responses.

The PBGC has requested that OMB approve this collection on an emergency basis by November 29, 1996, so that it can promptly initiate a search effort, with a view toward locating individuals entitled to benefits as soon as possible.

Issued at Washington, D.C., this 19th day of November, 1996.

Martin Slate,

Executive Director, Pension Benefit Guaranty Corporation.

[FR Doc. 96–29881 Filed 11–20–96; 8:45 am]

BILLING CODE 7708–01–P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Rel. No. 22336; 812–10182]

American AAdvantage Funds, et al.; Notice of Application

November 15, 1996.

AGENCY: Securities and Exchange Commission (''SEC'').

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (''Act'').

APPLICANTS: American AAdvantage Funds (the ''AAdvantage Trust''), American AAdvantage Mileage Funds (the ''Mileage Trust''), AMR Investment Services Trust (The ''AMR Trust,'' collectively with the AAdvantage Trust and the Mileage Trust, the ''Trusts''), AMR Investments Strategic Cash Business Trust (the ''Strategic Cash Trust''), AMR Investments Enhanced Yield Business Trust (the ''Enhanced Yield Trust,'' collectively with the Strategic Cash Trust, the ''Investment Funds''), and AMR Investment Services, Inc. (''Adviser''), on behalf of themselves and all future investment companies that are advised by the Adviser or any entity controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with the Adviser.

RELEVANT ACT SECTIONS: Exemption requested under section 6(c) of the Act from section 12(d)(1), under sections 6(c) and 17(b) of the Act from section 17(a), and under section 17(d) of the Act

and rule 17d–1 thereunder for an exemption from section 17(d) and rule 17d–1.

SUMMARY OF APPLICATION: Applicants seek an order that would permit the Trusts to invest cash collateral received from the borrowers of their portfolio securities in shares of the Investment Funds, private investment companies that are affiliated persons of the Trusts.

FILING DATES: The application was filed on June 3, 1996, and amended on November 12, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on December 10, 1996, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155.

FOR FURTHER INFORMATION CONTACT: Courtney S. Thornton, Senior Counsel, at (202) 942–0583, or Mary Kay Frech, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. The AAdvantage Trust, which currently has eight series funds (the ''AAdvantage Funds''), and the Mileage Trust, which currently has seven series funds (the ''Mileage Funds,'' collectively with the AAdvantage Funds, the ''Funds''), are Massachusetts business trusts registered under the Act as open-end management investment companies. Each Fund is a separate investment series of the AAdvantage Trust or the Mileage Trust and has distinct investment objectives and policies.

2. The Funds implemented a ''master-feeder'' structure on November 1, 1995. Under this structure, each Fund (other than the American AAdvantage Short-Term Income Fund, which invests directly in investment securities) invests all of its investable assets in a corresponding series fund (''Portfolio'') of the AMR Trust, a New York common law trust that is registered under the Act as an open-end management investment company.[1] Each of the seven Portfolios has investment objectives identical to those of the corresponding investing Funds. As a result of this arrangement, all investment management for the Funds takes place at the Portfolio level, rather than at the Fund level.

3. The Adviser, a wholly-owned subsidiary of AMR Corporation, the parent corporation of American Airlines, Inc., is registered as an investment adviser under the Investment Advisers Act of 1940. The Adviser provides the AMR Trust with administrative and asset management services, and provides administrative services to the Funds.

4. The Strategic Cash Trust, a newly formed Massachusetts business trust of which the Adviser is the sole trustee, invests exclusively in high-quality, U.S. dollar-denominated obligations eligible for purchase pursuant to rule 2a–7 under the Act. The Strategic Cash Trust will seek to achieve a stable $1.00 net asset value per share. Shares of the Strategic cash Trust, together with any other outstanding securities (other than short-term paper) will not be beneficially owned by more than 100 persons. The Strategic Cash Trust is not making and presently does not propose to make a public offering of its shares or other securities.[2] The Enhanced Yield Trust, a Massachusetts business trust formed in 1994 of which the Adviser is the sole trustee, seeks to achieve higher current income and total returns than bank short-term investments and money market instruments while providing relative principal stability and liquidity. Shares of the Enhanced Yield Trust, together with any other outstanding securities (other than short-term paper) will not be beneficially owned by more than 100 persons. The Enhanced Yield Trust is not making and presently does not propose to make a public offering of its shares or other securities. Both the Strategic Cash Trust and the Enhanced Yield Trust offer daily redemption of their shares.

5. Each Investment Fund has entered into an advisory contract with the Adviser, under which the Adviser makes investment decisions with respect to the Investment Fund's assets and administers each Investment Fund in accordance with the declaration of trust and the policies of each Investment Fund. The Adviser will receive an annualized fee from each Investment Fund equal to .10% of the average daily net assets of each Investment Fund, accrued daily and paid monthly.

6. Each Fund, through its corresponding Portfolio, has the ability to increase its income by lending portfolio securities to registered broker-dealers or other institutional investors deemed by the Adviser to be of good standing (''Borrowers''). These loans may not exceed one third of a Portfolio's total assets taken at market value. The AMR Trust, the Adviser, and NationsBank of Texas, N.A. (''Agent'') have entered into a securities lending agreement (''Agreement'') to permit each Portfolio to participate in the securities lending program (''Program'') administered by the Agent. The Agent is the custodian for each Portfolio, and also acts as lending agent for each Portfolio. The Program has been approved by the independent trustees of each Trust, who will monitor the Program on an ongoing basis.

7. Under the Program, the Agent enters into agreements with Borrowers to lend them the Portfolios' securities (''Loan Agreements''). Pursuant to the Loan Agreements, the Agent delivers the Portfolios' securities to Borrowers, who agree to return such securities on demand. the Agent may enter into Loan Agreements only with Borrowers from a list approved by the Portfolios' Board of Trustees (''Board'').

8. Borrowers are required to post collateral having a market value at least equal to 100% of the market value of loaned securities plus accrued interest. The Agent may accept as collateral only cash, securities issued or backed by the U.S. Government or its agencies or instrumentalities, or letters of credit from certain banks. Cash collateral may be invested in shares of registered or unregistered investment companies, including the Investment Funds, acceptable to the Adviser that are consistent with the investment restrictions and guidelines of the participating Portfolios without limitation (except as investment in any such company or companies may be limited by section 12(d)(1) of the Act). Because one or more of the Funds and Portfolios participating in the Program

[1] Interests in the AMR Trust are offered to the AAdvantage Trust and the Mileage Trust pursuant to an exemption from registration under the private offering exemption contained in section 4(2) of the Securities Act of 1933 (the ''Securities Act'').

[2] Shares in the Investment Funds will be offered to institutional investors in reliance on the private offering exemption contained in section 4(2) of the Securities Act.

are money market funds that comply with rule 2a–7, cash collateral from transactions in which such Funds or Portfolios participate will be used only to acquire shares of the Strategic Cash Trust. In all cases, the investment of cash collateral will comply with all present and future applicable SEC staff positions regarding securities lending arrangements. Cash collateral, however, will be excluded from the Portfolio's determination of the maximum and/or minimum percentage of the Portfolio's other assets that will be invested in specific types of securities.[3]

9. The Trusts will submit a supplement to their respective investment advisory agreements with the Adviser to their shareholders and the Board of each Trust. If the supplement is approved by a majority of the outstanding voting securities and the Board of each Trust, the Adviser will provide certain services to the Portfolios that participate in the Program, including ensuring compliance with all applicable regulatory and investment guidelines, determining which securities are available for loan, and having the discretion and power to prevent any loan from being made or to terminate any loan. The Adviser also will monitor the Agent to ensure that the securities loans are effected in accordance with its instructions and the procedures adopted by the Board of the AMR Trust, and will prepare periodic reports for, and seek approval from, the Board of the AMR Trust.

10. Under each Loan Agreement, the Borrower receives a specified cash collateral fee, computed daily based on the amount of cash held as collateral at such rates as the Borrower and Agent may agree. The cash collateral fee is not based on the investment return of the cash collateral. Net annual interest income earned by a Portfolio from participation in the Program will be divided between the Portfolio, the Agent, and, if the proposed supplement is approved as described above, the Adviser.[4]

Applicants' Legal Analysis

1. Applicants seek an order to permit the Portfolios to purchase shares of the Investment Funds (''Shares'') with the cash collateral received from Borrowers. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company representing more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or, together with the securities of other investment companies, more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Applicants believe that the Investment Funds will be excluded from the definition of an investment company under section 3(c)(1) of the Act because they will issue only non-voting securities.[5] Applicants request relief from section 12(d)(1), however, because they are concerned that the Investment Funds' non-voting securities could be deemed to be ''voting securities'' for purposes of section 3(c)(1). Applicants believe that if interests in the Investment Funds were deemed to be voting securities, applicants then must rely on the second 10% test of section 3(c)(1) in order to avoid a look through to the shareholders of the Portfolios for purposes of determining the number of persons owning shares of the Investment Funds. Reliance on the second 10% test would cause the Investment Funds to be deemed investment companies for purposes of section 12(d)(1) of the Act pursuant to the last sentence of section 3(c)(1)(A).

3. Section 12(d)(1) is intended, among other things, to protect an investment company's shareholders against: (a) undue influence over portfolio management through the threat of large-scale redemptions, and the disruption of orderly management of the investment company through the maintenance of large cash balances to meet potential redemptions, and (b) the layering of sales charges, advisory fees, and administrative costs. Applicants state that the Investment Funds will be managed specifically to maintain a highly liquid portfolio. Access to the Investment Funds will enhance each Portfolio's ability to manage and invest cash collateral received from Borrowers. In addition, the Investment Funds will not charge any sales charges, underwriting, or distribution fees. Applicants therefore believe that the proposed transactions create none of the abuses intended to be addressed by section 12(d)(1).

4. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the policies and purposes fairly intended by the policies and provisions of the Act. Applicants believe that the requested relief meets this standard.

5. Sections 17(a)(1) and (2) of the Act make it unlawful for any affiliated person of a registered investment company, or any affiliated person of such affiliated person, acting as principal, to sell or purchase any security to or from such investment company. As the investment adviser of the Funds, the Portfolios, and the Investment Funds, the Adviser is an affiliated person of each of these entities under section 2(a)(3) of the Act. The Funds, the Portfolios, and the Investment Funds therefore may be considered affiliated persons of each other under section 2(a)(3) by virtue of being deemed to be under common control of the Adviser. Accordingly, if the cash collateral posted by the Borrowers is considered the property of the Portfolios, the sale of Shares to the Portfolios, and the redemption of such Shares, would be prohibited under section 17(a).

6. Section 17(b) of the Act authorizes the SEC to exempt a transaction from section 17(a) if the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, the proposed transaction is consistent with the policy of each registered investment company

[3] Applicants acknowledge that they are not seeking relief from the Commission with respect to this issue.

[4] Net annual interest income for this purpose means the gross interest income earned by the investment of cash collateral, less the amount paid to the Borrower and related expenses such as investment management, custody and accounting or audit fees, or other costs typically incurred when investments are made.

[5] Section 3(c)(1) provides, in pertinent part, that the term ''investment company'' shall not include:

Any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons and which is not making and does not presently propose to make a public offering of its securities. For purposes of this paragraph:

(A) Beneficial ownership by a company shall be deemed to be beneficial ownership by one person, except that, if such company owns 10 per centum or more of the outstanding voting securities of the issuer, the beneficial ownership shall be deemed to be that of the holders of such company's outstanding securities (other than short-term paper) unless, as of the date of the most recent acquisition by such company of securities of that issuer, the value of all securities owned by such company of all issuers which are or would, but for the exception set forth in this subparagraph, be excluded from the definition of investment company solely by this paragraph, does not exceed 10 per centum of the value of the company's total assets. Such issuer nonetheless is deemed to be an investment company for purposes of section 12(d)(1).

concerned, and the proposed transaction is consistent with the general policy of the Act. Section 17(b) could be interpreted to exempt only a single transaction. However, the SEC, under section 6(c), may exempt a series of transactions that otherwise would be prohibited by section 17(a).

7. Applicants believe that the terms of the proposed transactions are reasonable and fair and consistent with the general purposes of the Act as well as with the policy of each Fund and Portfolio as recited in each Fund's and Portfolio's registration statement. The Portfolios will be treated like any other investors in the Investment Funds. The Portfolios will purchase and sell Shares on the same terms and on the same basis as Shares are purchased and sold by all other shareholders of the Investment Funds. Permitting the Portfolios to invest cash collateral in the Investment Funds enables the Portfolios to invest in vehicles that applicants expect will offer the Portfolios a higher return on their investment at a lower cost than the cost typically incurred when investing in a registered investment company. Specifically, applicants anticipate that the investment of cash collateral in Shares will enable the Portfolios to benefit from economies of scale that maximize investment opportunities, minimize investment risk, facilitate the management of liquidity, and minimize administrative costs. Accordingly, applicants believe that the proposed transactions are in the best interests of the Funds, the Portfolios, and their shareholders.

8. Section 17(d) of the Act and rule 17d–1 thereunder prohibit an affiliated person of an investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates. The Portfolios (by purchasing Shares), the Adviser (by managing the portfolio securities of the Portfolios and the Investment Funds at the same time that the Portfolios' cash collateral is invested in Shares), and the Investment Funds (by selling Shares to and redeeming them from the Portfolios) could be deemed to be participants in a joint enterprise or other joint arrangement within the meaning of section 17(d) and rule 17d–1.

9. Rule 17d–1 permits the SEC to exempt by order a joint transaction under section 17(d). In determining whether to approve a transaction, the SEC is to consider whether the proposed transaction is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participation of the investment companies is on a basis different from or less advantageous than that of the other participants.

10. Applicants believe that the proposal satisfies these standards. The Portfolios will invest in Shares on the same basis as any other shareholder. All investors in Shares will be subject to the same eligibility requirements imposed by the Investment Funds. In addition, all Shares will be priced in the same manner and will be redeemable under the same terms. Finally, applicants believe that participation in the Program will offer the Portfolios and Funds greater flexibility and higher returns than they could obtain by investing the cash collateral separately while still offering the benefits of investing in a pooled investment vehicle in terms of diversity and lower costs.

Applicants' Condition

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Before a Portfolio may participate in the Program, a majority of the Board (including a majority of the independent trustees) will approve the Portfolio's participation in a securities lending program. Such trustees also will evaluate the securities lending arrangement and its results no less frequently than annually and determine that any investment of cash collateral in the Investment Funds is in the best interest of the shareholders of the funds and their corresponding Portfolios.

2. Investment in Shares will be in accordance with each Portfolio's respective investment restrictions regarding the types of securities in which it may invest and will be consistent with its corresponding Fund's policies as recited in such Fund's registration statement.

3. Cash collateral from loans by Portfolios that are money market funds will not be used to acquire Shares of any Investment Fund that does not comply with the requirements of rule 2a–7 under the Act.

4. The Adviser will adopt procedures that are designed, taking into account current market conditions and the Strategic Cash Trust investment objectives, to stabilize the Strategic Cash Trust's net asset value per share, as computed for the purpose of distribution, redemption, and repurchase, at a single value. These procedures will be reviewed annually by the Board of each Portfolio that enters into a securities lending program (''Lending Portfolio'').

5. The Investment Funds will comply with the requirements of sections 17 (a), (d), and (e), and 18 of the Act as if the Investment Funds were registered open-end investment companies. With respect to all redemption requests made by a Lending Portfolio, the Investment Funds will comply with section 22(e) of the Act. The Adviser, as sole trustee of the Investment Funds, will adopt procedures designed to ensure that the Investment Funds comply with sections 17 (a), (d), and (e), 18, and 22(e) of the Act. The Adviser will periodically review and update as appropriate such procedures and will maintain books and records describing such procedures, and maintain the records required by rules 31a–1(b)(1), 31a–1(b)(2)(ii), and 31a–1(b)(9) under the Act. All books and records required to be made pursuant to this condition will be maintained and preserved for a period of not less than six years from the end of the fiscal year in which any transaction occurred, the first two years in an easily accessible place, and will be subject to examination by the SEC and its staff.

6. The Strategic Cash Trust will value its shares at the close of business each business day using the ''amortized cost method'' as defined in rule 2a–7 to determine the net asset value per share of the Strategic Cash Trust. In this regard, the Strategic Cash Trust will comply with rule 2a–7(c)(6), except that the Adviser, subject to approval by the sole trustee of the Strategic Cash Trust, shall adopt the procedures described in that provision, and the Adviser shall monitor such procedures and take such other actions as are required to be taken by a board of directors pursuant to that provision.

7. The Shares will not be subject to a sales load, redemption fee, asset-based charge or service fee (as defined in rule 2830(b)(9) of the Rules of Conduct of the National Association of Securities Dealers).

8. Each Lending Portfolio will purchase and redeem Shares as of the same time and at the same price, and will receive dividends and bear its proportionate share of expenses on the same basis, as other shareholders of the Investment Funds. A separate account will be established in the shareholder records of each Investment Fund for the account of each Lending Portfolio.

9. Except as set forth herein, the Program will comply with all present and future applicable SEC staff positions regarding securities lending arrangements, *i.e.*, with respect to the type and amount of collateral, voting of loaned securities, limitations on the percentage of portfolio securities on loan, prospectus disclosure, termination of loans, receipt of dividends or other

distributions, and compliance with fundamental policies.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–29714 Filed 11–20–96; 8:45 am]

BILLING CODE 8010–01–M

[Investment Advisers Act Release No. 1597; 803–100]

BlackRock Financial Management, Inc.; Notice of Application

November 15, 1996.

AGENCY: Securities and Exchange Commission (''SEC'').

ACTION: Notice of Application for Exemption under the Investment Advisers Act of 1940 (the ''Act'').

APPLICANT: BlackRock Financial Management, Inc.

RELEVANT ACT SECTIONS: Order requested under section 206A for an exemption from section 205(a)(1).

SUMMARY OF APPLICATION: Applicant requests an order to permit it to charge a performance fee to BlackRock Assets Investors (the ''Trust''), a closed-end investment company. Applicant requests the order because a limited number of its senior employees or senior employees of a Trust subsidiary who do not meet the minimum financial standards prescribed by rule 205–3(b)(1) under the Act may become shareholders of one of the Trust's feeder funds.

FILING DATES: The application was filed on November 28, 1995, and amended and fully restated applications were filed on April 26 and October 3, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on December 10, 1996, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reasons for the request, and the issues contested. Persons who wish to be notified of a hearing may request such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 345 Park Avenue, New York, N.Y. 10154.

FOR FURTHER INFORMATION CONTACT: H.R. Hallock, Jr., Special Counsel, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is an investment adviser registered under the Act. The Trust and BlackRock Fund Investors I, II and III (the ''Funds'') are each closed-end, non-diversified management investment companies formed as Delaware business trusts and registered under the Investment Company Act of 1940. The Trust and the Funds are organized in a master-feeder structure. Each Fund invests all of its assets in the Trust, which conducts all investment operations.

2. The Funds have conducted an offering of interests exempt from registration under the Securities Act of 1933 pursuant to the exemption provided by section 4(2) thereof. At the conclusion of this private offering in the spring of 1995, the Funds had obtained capital commitments for approximately $560 million from institutional and higher net worth investors and in turn entered into back-to-back commitments with the Trust.[1] The Funds have drawn approximately $130 million in committed capital and have invested that amount in the Trust.

3. Applicant formed the Trust and the Funds to provide institutional investors with a way to participate in real estate debt markets. The primary investment objective of the Trust is to earn a high total rate of return through investment in a portfolio consisting primarily of subordinate commercial mortgage-backed securities (''CMBS'') and from its equity investments in mortgage affiliates engaged in acquiring, working out, pooling and repackaging real estate debt and issuing CMBS. The Trust and the Funds are scheduled to terminate on January 17, 2002.

4. The Trust owns BlackRock Capital Finance L.P. (''BCF''), which was formed to acquire performing and distressed commercial and residential loans and work out its distressed investments and pool and repackage its performing mortgage loans as mortgage-backed securities or otherwise dispose of loans and related properties. Most of the Trust's approximately $130 million in capital has been invested in BCF.

5. Under an investment advisory agreement between the Trust and applicant, the Trust will pay to applicant both a semi-annual management fee equal to .75% per year of the capital commitments (during the three-year commitment period ending in 1998) or average capital invested (after the commitment period) and a performance fee (the ''Performance Fee''). The Performance Fee is payable as of the first anniversary of the commencement of the Trust's operations, as of each October 31 thereafter and as of the Trust's termination date.

6. The Performance Fee was extensively negotiated between applicant and three ''lead investors,'' large institutional investors in Funds II and III whose commitment represents almost 48% of the capital commitments of all the Funds. The Performance Fee was designed both to require that the Trust achieve at least a 10% annualized total return before applicant is entitled to any Performance Fee and then to further delay its entitlement to such fees until the investors have received distributions at least equal to the amount of capital invested in the Trust.

7. The maximum Performance Fee is 20% of realized total return net of any unrealized losses plus an interest factor related to the delayed payment feature discussed above. In order to ''catch up'' after the 10% minimum annualized return is achieved, the stated rate of the Performance Fee is 40% on the total return between 10% and 20% per year and then reverts to the 20% rate for all incremental returns once the average annual performance has reached 20%.

Applicant's Legal Analysis

1. Section 205(a)(1) of the Act prohibits an investment adviser from performing under an investment advisory contract that provides for compensation to the adviser based on a share of capital gains upon or capital appreciation of a client's funds. Section 206A authorizes the SEC to exempt any person from any provision of the Act to the extent necessary or appropriate in the public interest and consistent with the protection of investors and the purposes of the Act.

2. Rule 205–3 under the Act allows a registered adviser to charge a fee based upon a share of capital gains or capital appreciation of a client's account under certain conditions. Paragraph (b)(1) of the rule requires that the client must

[1] Investors in the Funds signed subscription agreements restricting the transferability of their shares of investors who do not meet the objective financial standards set forth in rule 205–3 (b)(1) under the Act. Moreover, consent by the applicable Fund is required for any transfer other than among affiliates.