Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz,

*Secretary.*

[FR Doc. 96–30564 Filed 11–29–96; 8:45 am]

**BILLING CODE 8010–01–M**

**[Release No. 35–26613]**

## Filings Under the Public Utility Holding Company Act of 1935, as Amended (''Act'')

November 22, 1996.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by December 16, 1996, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

### Maine Yankee Atomic Power Company (70–8313)

Maine Yankee Atomic Power Company (''Maine Yankee''), 329 Bath Road, Brunswick, Maine 04011, an indirect nuclear generating subsidiary of Northeast Utilities (''NU'') and of New England Electric System (''NEES''), both registered holding companies, has filed a declaration under Sections 6(a) and 7 of the Act.

By orders dated January 17, 1991 and January 12, 1994 (HCAR Nos. 25244 and 25973, respectively) Maine Yankee was authorized to issue and sell, no later than December 31, 1996, short-term notes (''Notes'') under bank lines of credit, and/or commercial paper (''Commercial Paper'') up to an aggregate amount at any one time outstanding of $21 million. As of September 30, 1996, Maine Yankee had no issued and outstanding amounts under these lines of credit nor did it have any Commercial Paper obligations.

Maine Yankee now proposes to extend its authority to issue and sell Notes and Commercial Paper in an aggregate outstanding amount of $21 million, through December 31, 2001.

Maine Yankee has existing bank lines of credit permitting the issuance of notes aggregating $21 million, including $8 million with The Bank of New York and $13 million with The First National Bank of Boston. The Notes will be demand or other short-term obligations under bank lines of credit. The Notes will mature in twelve months or less from the date of issuance. The effective interest cost of the Notes will not exceed the effective interest cost of borrowings at the prime rate, as in effect from time-to-time at such banks. Commitment fees will not exceed ½ of 1% of the lines of credit from such banks.

The Commercial Paper will mature in twelve months or less from the date of issuance and will be issued through dealers in commercial paper and sold to institutional investors. The Commercial Paper may be backed by Maine Yankee's available lines of credit or revolving credit agreements. Maine Yankee will pay a fee to the dealers in the Commercial Paper, estimated to be ⅛ of 1% per annum, on a discount basis, of the amounts borrowed, as compensation for their services with regard to the issuance of the Commercial Paper. The interest rate on the Commercial Paper will vary depending upon the interest rates prevailing in the relevant market at the time of issuance.

The Notes and Commercial Paper will provide interim financing for Maine Yankee's construction program, for working capital and for other general corporate purposes.

### PSI Energy, Inc. (70–8727)

PSI Energy, Inc. (''PSI''), 1000 Main Street, Plainfield, Indiana 46168, an electric utility subsidiary of Cinergy Corp., a registered holding company (''Cinergy''), has filed a post-effective amendment to its application under sections 9(a) and 10 of the Act and rule 54 thereunder.

By order dated November 21, 1995 (HCAR No. 26412) (''1995 Order''), the Commission authorized PSI to enter into a business venture with H.H. Gregg (''Gregg''), a retail vendor of household electronic appliances and related consumer goods, through December 31, 1996, involving an appliance sales program (''Pilot Program''). Pursuant to the 1995 Order, PSI was authorized to market Gregg's electronic goods and appliances at retail, on a best-efforts, consignment basis, to PSI's customers at a limited number of its local offices. PSI was also authorized to sell extended service warranties covering any items purchased. Further, the Pilot Program contemplated that PSI might arrange customer financing through a bank or other financial institution for a fee.

Pursuant to the 1995 Order, PSI has been conducting the Pilot Program through four of its local offices, in Bedford, Connersville, Greencastle, and Huntington, Indiana. PSI has also been marketing to customers Gregg's extended service warranties. In addition, as contemplated, PSI has arranged (i.e., brokered) customer financing with third-party financial institutions in exchange for a fee from the third-party financier.

The initial proposal estimated that the Pilot Program would:

(1) result in total sales revenues of approximately $2.6 million;

(2) utilize the full-time employee equivalent of three or four employees; and (3) involve approximately $320,000 of expenditures (consisting primarily of advertising and sales expenses, expenses associated with the use of local offices and related facilities, and expenses associated with employees' time).

The interim financial results of the Pilot Program have not met PSI's expectations, with revenues less than and expenses more than original estimates. PSI states that a principal reason why revenues to date have not matched expectations is because of local competition with other appliances and home electronics dealers. PSI states that advertising expenses were higher than anticipated partly due to the rush to open stores in time for the 1995 Christmas shopping season, but states that, since April of this year, the advertising strategy has been modified, and monthly advertising expenses have fallen back into line with original estimates. In addition, PSI entered into a settlement agreement with the Indiana Office of Utility Consumer Counselor providing, among other things, that 20% of the gross margins from all sales revenues to which PSI is entitled as a result of its participation in the Pilot Program will be allocated to PSI's retail electric customers through PSI's quarterly fuel adjustment clause.

Finally, initial non-recurring start-up costs also exceeded estimates.

PSI now requests authorization to continue the Pilot Program with certain minor modifications for an additional year in order to advance the program goals for which authorization for the Pilot Program was originally sought. Specifically, PSI states that it continues to believe that the energy industry is transforming into a competitive industry, and that marketing appliances and electronic goods (whether in collaboration with Gregg or some other third-party vendor or by PSI on its own) to PSI's retail customers, on the limited basis currently in effect, will provide incremental benefits to PSI in this emerging environment by among other things (1) promoting a company brand-name identity, thereby facilitating the eventual marketing to customers by PSI or its associate companies of other energy-related and demand-side management products; (2) more fully utilizing existing employees and offices to hold down costs; and (3) strengthening ties to customers.

PSI states that although interim costs of the Pilot Program have exceeded estimates, many of these costs are non-recurring start-up costs (e.g., local office redesign, employee training, acquisition of point-of-sale software). Therefore, the investments PSI has made and the hands-on experience it has gained will benefit it significantly in the extended Pilot Program. To further contain 1997 program costs, Gregg has proposed certain program modifications, including increased price discounts, advertising support, and increased Gregg staff support and training for store personnel, that will increase the potential profitability of the program.

The renewed Pilot Program would be subject to the same terms and conditions contained in the 1995 Order except that: PSI may continue to conduct the program in collaboration with Gregg; alternatively, PSI may conduct the program on its own or in collaboration with other appliances or home electronics vendors.[1] In any event, PSI, whether on its own or together with third-party vendors, would market household appliances and other consumer electronic goods (including marketing extended service warranties and arranging for customer financing from third-party financial institutions) from not more than five of PSI's local offices.

Furthermore, PSI requests authorization to market extended service warranties to its customers, covering the cost of repairs for their household appliances/electronic goods, whether or not purchased from PSI as part of the extended program. Based on its experience to date, PSI may wish to use the full-time equivalent of up to five employees (out of the approximately 2230) to carry out the program.

Consolidated Natural Gas Co., et al. (70–8883)

Consolidated Natural Gas Company (''CNG''), CNG Tower, Pittsburgh, Pennsylvania, 15222–3199, a registered holding company, and its wholly owned non-utility subsidiary, CNG Energy Services Corporation (''Energy Services'') (collectively, ''Applicants''), One Park Ridge Center, Pittsburgh, Pennsylvania, 15244–0746, have filed an application-declaration, as amended, under sections 6(a), 7, 9(a), 10, 12(b) and 13(b) of the Act and rules 43, 45, 54 and 90 thereunder.

Energy Services, which markets natural gas and engages in the power generation business, seeks Commission authorization to invest, through December 31, 2001, up to $250 million to expand its business to market electricity and other energy commodities and to engage in fuel management and other incidental related activities. CNG and Energy Services also seek Commission authorization to provide up to $250 million in guarantees or other credit support to subsidiaries that market energy commodities (''Subsidiaries'').

The Applicants propose that Energy Services and the Subsidiaries engage in all forms of brokering and marketing transactions, including electricity, natural gas, coal, oil, other hydrocarbons, wood chips, wastes and other combustibles, at wholesale and retail. All proposed activities will be conducted by personnel of Energy Services.

The Subsidiaries might be corporations, partnerships, limited liability companies, joint ventures or other entities in which Energy Services might have a 100% interest, a majority equity or debt position, or a minority equity or debt position. The Applicants also propose that Energy Services and the Subsidiaries provide incidental related services, such as fuel management, storage and procurement.

The Applicants contemplate that Energy Services and the Subsidiaries engage in the proposed activities without regard to locations or identities of clients or sources of revenues. Energy Services and the Subsidiaries will not make retail sales of electricity or natural gas, however, in states in which such sales are not authorized or permitted under applicable state laws or regulations.

The Applicants request that the Commission reserve jurisdiction over any activities by Energy Services or the Subsidiaries outside the United States subject to completion of the record.

Finally, the applicants request that the Commission authorize Energy Services and the Subsidiaries to acquire or construct physical assets that are incidental and reasonably necessary in the day-to-day conduct of marketing operations, such as oil and gas storage facilities, gas, oil or coal reserves, or a pipeline spur needed for deliveries of fuel to an industrial client. The Applicants represent, however, that Energy Services and the Subsidiaries will not acquire assets or make retail sales of energy commodities that would result in a ''public utility company'' within the definition of the Act.

Energy Services and the Subsidiaries will take appropriate measures in the normal course of their business to mitigate the risks associated with electricity and fuel purchases or sales contracts. Such measures may include matches between long-term firm or variable price electricity sales contracts and long-term firm or variable price fuel purchase contracts. Purchases of fuel or fuel reserves or options on fuel reserves might also be used to hedge fuel price risks.

Energy Services and the Subsidiaries may purchase or sell commodity-based derivative instruments, such as electricity or gas futures contracts and options on electricity or gas futures, similar to those traded on the New York Mercantile Exchange, and gas and oil price swap agreements and other commodity-based derivative instruments.

Energy Services and the Subsidiaries will seek to manage a portfolio of energy contracts involving purchases, sales and trades of electricity and other energy commodities. Energy Services and the Subsidiaries will seek to hedge the risks associated with these contracts through a combination of physical assets, balanced physical purchases and sales, purchases and sales on futures markets, or other derivative risk management tools.

Energy Services intends to engage in transactions involving gas, electricity and other fuel capacity rights, rate swaps and other commodity-based derivative products that may be developed for use in the energy markets in which it will participate in the

[1] PSI will not acquire any ownership interest in Gregg or such other third-party vendors; nor would PSI establish any new subsidiaries to implement the extended program.

ordinary course of its business as an energy company.

Energy Services will not deal in such derivative products for purposes of speculation, but rather would use them only to reduce price-risk exposure through hedging.

Energy Services might also engage in energy commodities marketing activities with the gas utility companies or other affiliates in the CNG system on the same market terms that would be available to non-affiliate clients.

Energy Services proposes to raise funds for the activities through (i) sales of common stock, $1.00 par value, to CNG for up to $10,000 per share, (ii) open account advances, and (iii) long-term loans from CNG. The open account advances and long-term loans will have the same effective terms and interest rates as related funds borrowed by CNG.

In particular, open account advances would be made under letter agreement with Energy Services and pursuant to a note issued by it and would be repaid within one year with interest equal to the effective rate of interest of the weighted average effective rate for CNG commercial paper and/or revolving credit funds. In the absence of such funds, the interest rate would be based on the Federal Funds effective rate of interest quoted daily by the Federal Reserve Bank of New York.

Loans to Energy Services would be evidenced by long-term non-negotiable notes that mature within thirty years with the interest equal to the cost of comparable funds borrowed by CNG. In the absence of such funds, the interest will be tied to the Salomon Brothers indicative rate for comparable debt issuances published in Salomon Brothers Inc. Bond Market Roundup or similar publication on the date nearest to the time of takedown.

CNG will obtain the funds required for Energy Services through internal cash generation, issuance of long-term debt securities, funds borrowed under credit agreements or through other authorizations approved by the Commission.

New England Electric System, et al. (70–8921)

New England Electric System (''NEES''), a registered holding company, and its power marketing subsidiary company, NEES Energy, Inc. (''NEES Energy'') (together, ''Applicants''), both located at 25 Research Drive, Westborough, Massachusetts 01582, and NEES Energy's proposed power marketing subsidiary, AllEnergy Marketing Company, L.L.C. (''AllEnergy LLC''), 3 University Office Park, 95 Sawyer Road, Waltham, Massachusetts 02154, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b) and 13(b) of the Act and rules 22, 45, 54, 90, 91 and 104 thereunder.

By orders dated May 23, 1996 (HCAR No. 26520) and August 28, 1996 (HCAR No. 26563) (''Orders''), the Commission approved the formation of one or more marketing companies (''Marketing Companies'') by NEES in Massachusetts, New Hampshire, Rhode Island, Connecticut, Maine, Vermont, Maryland, Delaware, Pennsylvania, New Jersey, and New York to engage in wholesale marketing of electric power and related transactions. Additionally, the Orders authorized the Marketing Companies in New Hampshire and Massachusetts to participate in those states' pilot programs for retail electric power sales. Finally, the Orders authorized the formation of Marketing Companies in Connecticut, Maine and Vermont to engage in the business of wholesale and retail marketing of energy. The Commission reserved jurisdiction over retail electric sales by Marketing Companies in Rhode Island, New York, New Jersey, Pennsylvania, Maryland, Delaware, New Hampshire and Massachusetts, except to the extent that electric retail marketing is permitted under the New Hampshire and Massachusetts pilot programs. Pursuant to the Orders, NEES has formed NEES Energy, a Massachusetts corporation, and Granite State Energy, Inc., a New Hampshire corporation, to undertake marketing activities consistent with the Commission's Orders.

NEES Energy now proposes to enter into a joint venture with a subsidiary of Eastern Enterprises (''Eastern''), an exempt gas public utility holding company, to engage in the marketing of energy and related services and products. NEES Energy proposes to invest, from time-to-time, not exceeding $50 million in, and be a voting member of AllEnergy LLC, a limited liability corporation formed under the laws of Massachusetts on September 18, 1996 pursuant to a Limited Liability Company Agreement (''LLC Agreement''), subject to Commission authorization. NEES Energy proposes to own not exceeding a 50% voting interest in AllEnergy LLC. The remaining 50% voting interest in AllEnergy LLC will be owned initially by AllEnergy Marketing Company, Inc. (''Eastern Sub''), a wholly owned subsidiary of Eastern.

NEES proposes to provide initial financing, through December 31, 2001, for NEES Energy's investment in AllEnergy LLC by making capital contributions and/or loans to NEES Energy from time-to-time, provided that such NEES financing shall not be in excess of an aggregate of $50 million, including any short-term loans and any amounts provided by NEES and/or NEES Energy which are used by AllEnergy LLC to acquire the assets or securities of third parties, or to otherwise invest in a subsidiary, pursuant to the authority requested, below, but excluding any guarantees from NEES and/or NEES Energy. Any such loans will be in the form of non-interest bearing subordinated notes payable in twenty years or less from the date of issue. NEES Energy may prepay any or all of such outstanding notes, in whole or in part, at any time and from time-to-time without premium or penalty.

AllEnergy LLC will engage in the business of marketing and selling: (1) energy commodities, including electricity, natural gas, oil and other energy sources as well as options, futures contracts, forward contracts, collars, spot contracts or swap contracts related to the choice, purchase or consumption of any such energy commodity and any other related financial products; and (2) incidental and reasonably necessary products and services related to the choice, purchase or consumption of any such energy commodity, whether or not sold or provided on a bundled basis with natural gas, electricity, oil, or other energy source, such as, but not limited to, audits, power quality, fuel supply, repair, maintenance, construction, design, engineering and consulting.

AllEnergy LLC will employ various risk-reduction measures to limit potential losses that could be incurred through AllEnergy LLC activities. These measures may include energy commodity hedging transactions. AllEnergy LLC will not engage in speculative trading in the energy market.

While AllEnergy LLC's initial efforts will focus on the Northeast region, it may expand its business to all 50 states, and, subject to Commission approval, to Canada. AllEnergy LLC will engage in brokering and retail marketing of electric power and natural gas within a state or other jurisdiction only to the extent permitted or authorized under such state's or other jurisdiction's laws or programs.

AllEnergy LLC also proposes to form one or more subsidiaries in order, among other things, to pursue its business in a particular target state. It will make an initial equity contribution in an amount not to exceed $100,000 in any one subsidiary. The form of the

initial investment, together with the formalities of the subsidiary's formation, may vary depending on the type of entity organized. It may involve the acquisition of common stock, a partnership interest, membership interest or an interest pursuant to an organizational agreement.

AllEnergy LLC may have opportunities to acquire businesses to complement its business, such as, but not limited to, engineering services and the propane gas business. AllEnergy LLC will not acquire any utility assets or gas distribution facilities, as those terms are defined under the Act, regulations and orders issued thereunder, and will, therefore, not be either an electric or gas utility under the Act.

AllEnergy LLC proposes to acquire a propane gas marketing business operating in the Eastern United States for a price not exceeding $3.5 million. The terms of the acquisition will likely require, without limitation: (1) the payment or cancellation of the acquired entities debt prior to the acquisition; (2) execution of agreements by key employees of the acquired entity to continue employment; (3) the assignment of material contracts, contract rights and other rights and commitments of the acquired entity to AllEnergy LLC; and (4) the making of customary representations and warranties by the acquired entity and AllEnergy LLC, respectively.

The LLC Agreement provides that in the event an AllEnergy LLC member defaults in making a required capital contribution to AllEnergy LLC, the non-defaulting member may, at its discretion, advance to AllEnergy LLC on behalf of the defaulting member all or a portion of such required capital contribution (''Member Default Loan''). The defaulting member is responsible for repaying the Member Default Loan to the member making such loan in accordance with the LLC Agreement. In the event that: (1) the non-defaulting member elects not to make such a Member Default Loan; or (2) the Member Default Loan is not repaid, then the member's percentage interests in AllEnergy LLC shall, at the election of the non-defaulting member, be adjusted to reflect the failure of the defaulting member to either make the required capital contribution, or repay the Member Default Loan, as the case may be, in accordance with a formula set forth in the LLC Agreement.

Members of AllEnergy LLC may effect a transfer of all or a portion of their interest in accordance with terms of the LLC Agreement. Such transfers may include required regulatory transfers, transfers to affiliates, transfers to another member of AllEnergy LLC, and transfers to third parties. The LLC Agreement provides that, in the event an AllEnergy LLC member receives an offer to purchase its interest and intends to transfer its interest pursuant to such offer, or must make a required regulatory transfer of all or a portion of its interest, the other member shall have a right to purchase such interest at the offer price, or at the fair market value of the transferred portion of such interest, in the case of a required regulatory transfer.

The LLC Agreement provides a mechanism whereby either NEES Energy or Eastern Sub may trigger a withdrawal of either party from AllEnergy LLC by means of a buy/sell transaction (''Buy/Sell Provision''). The Buy/Sell Provision permits either party to withdraw by giving the other party a notice of intention to withdraw indicating a cash price at which the withdrawing party would be willing to either buy or sell its interest in AllEnergy LLC. The party receiving such notice may then either buy the other party's AllEnergy LLC interest, or sell its own AllEnergy LLC interest to such other party, at such price. The Buy/Sell Provision is intended as a means of addressing disputes between NEES Energy and Eastern Sub in connection with AllEnergy LLC which the parties are unable to resolve.

AllEnergy LLC staffing is expected to begin with a small group of employees. It is intended that four employees of New England Power Service Company (''NEPSCO'') will be assigned to AllEnergy LLC on a full-time basis. To the extent any more NEPSCO personnel are assigned to AllEnergy LLC, they will become employees of AllEnergy LLC. Other than such four NEPSCO employees, AllEnergy LLC will have its own employees and only rely on NEPSCO or an Eastern subsidiary for administrative services such as accounting, tax, legal, information services, insurance, and personnel management. All costs associated with these NEPSCO services, and with services of the above four NEPSCO employees assigned to AllEnergy LLC on a full-time basis, would be fully reimbursed on a cost basis by AllEnergy LLC in accordance with Rules 90 and 91 of the Act. Reimbursements for these costs will be on a thirty-day cycle basis.

AllEnergy LLC intends to engage in short-term borrowing from third parties under rule 52(b) of the Act. The borrowing will be solely for the purpose of financing AllEnergy LLC's existing business. The interest rates and maturity dates of any debt security issued to an associate company of AllEnergy LLC will be designed to parallel the effective cost of capital of that associate company. The Applicants may also be required to supply guarantees or other credit support agreements for AllEnergy LLC in the ordinary course of its business including, without limitation, in connection with its execution of office leases, or of long term gas or electrical supply contracts. The Applicants request authorization to provide such guarantees or credit support in amounts not to exceed $20 million in the aggregate and inclusive of guarantees or credit support provided in connection with short-term borrowing, above.

Columbia Gas System, Inc., et al. (70–8965)

Columbia Gas System, Inc. (''Columbia''), 12355 Sunrise Valley Drive, Suite 300, Reston, Virginia 20191–3420, a registered holding company, and Columbia Gas of Maryland, Inc. (''Columbia Maryland''), 200 Civic Center Drive, Columbus, Ohio, 43215, a natural gas subsidiary company of Columbia, have filed an application-declaration under sections 6(a), 7, 9(a) and 10 of the Act and rule 43 thereunder.

The application-declaration seeks Commission authorization for Columbia Maryland to refinance long-term debt.

By order dated December 22, 1994 (HCAR No. 26201), Columbia Maryland was authorized through 1996 to sell to Columbia securities (''Old Notes'') in an aggregate amount of up to $5.5 million. By order dated January 25, 1996 (HCAR No. 26462) (''Order''), Columbia and Columbia Maryland were authorized to change the type of securities Columbia Maryland would sell to Columbia (''New Notes'') and, in order to refinance all previously issued Old Notes, to increase the amount of New Notes to be sold to $19.5 million.

The Order authorized the exchange of Old Notes by Columbia Maryland for New Notes on or around December 31, 1995 as well as the future issuance of New Notes to meet the capital needs of Columbia Maryland in 1996. However, due to various administrative delays, the exchange of Old Notes never occurred.

The application-declaration now seeks Commission authorization for Columbia Maryland, on or around December 31, 1996, to exchange Old Notes sold to Columbia, which total approximately $18.0 million, for New Notes.

The New Notes will have a weighted average interest rate below that of the Old Notes. The maturities and interest

rates of the New Notes will mirror the seven series of debentures that were issued by Columbia upon emergence from bankruptcy (HCAR No. 26361). The New Notes will be governed by the terms of a loan agreement in certificated form and will be secured or unsecured.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96–30531 Filed 11–29–96; 8:45 am]

BILLING CODE 8010–01–M

**[Investment Company Act Release No. 22350; 812–10352]**

## Medallion Financial Corp.; Notice of Application

November 25, 1996.

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

**ACTION:** Notice of Application for an Order under the Investment Company Act of 1940 (the ''Act'').

**APPLICANT:** Medallion Financial Corp.

**RELEVANT ACT SECTIONS:** Order of exemption requested pursuant to section 61(a)(3)(B) of the Act.

**SUMMARY OF APPLICATION:** Applicant requests an order approving applicant's 1996 Eligible Director stock option plan (the ''Director Plan'') and the grant of certain stock options thereunder.

**FILING DATE:** The application was filed on September 13, 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 20, 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 may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 205 East 42nd Street, Suite 2020, New York, New York 10017.

**FOR FURTHER INFORMATION CONTACT:** Elaine M. Boggs, Staff Attorney, at (202) 942–0572, or Alison E. Baur, 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.

Applicant's Representations

1. Applicant is a business development company (''BDC'') within the meaning of section 2(a)(48) of the Act.[1] Applicant requests an order pursuant to section 61(a)(3)(B) of the Act approving the Director Plan and pursuant to the Director Plan, the automatic grant of options to purchase shares of applicant's common stock to each director who is not an employee, officer, or interested person (as defined in section 2(a)(19) of the Act) of applicant (''Eligible Director'') and to each new Eligible Director of applicant who may be elected or appointed in the future to applicant's board of directors. The Director Plan and a stock option plan for applicant's officers and employees, including employee directors, (the ''Employee Plan'') were approved by applicant's shareholders and board of directors at meetings held on May 22, 1996. Applicant will implement the Director Plan subsequent to receiving an order of the SEC (''Approval Date'').

2. Applicant's principal focus is the origination and servicing of loans financing the purchase of taxicab medallions and related assets. Applicant also originates and services commercial installment loans secured by retail dry cleaning and coin operated laundromat equipment and other targeted industries. Further, applicant also operates a taxicab rooftop advertising business. Applicant operates its businesses through four subsidiaries, Medallion Funding Corp., Edwards Capital Corp., Transportation Capital Corp., and Medallion Taxi Media, Inc. The first three companies are registered investment companies and licensed as small business investment companies by the Small Business Administration. Applicant is managed by its executive officers under the supervision of its board of directors and has retained FMC Advisers, Inc. (the ''Sub-Adviser'') as an investment adviser.

3. Each Eligible Director of applicant receives $10,000 a year for each year he serves, $2,000 for each board meeting attended, $1,000 for each committee meeting attended, $250 for each telephonic meeting in which he participates and reimbursement for related expenses. The Eligible Directors receive no other compensation for their services to applicant.

4. Under the two Plans, an aggregate of 850,000 shares of applicant's common stock have been reserved for issuance to applicant's directors, officers, and employees (750,000 shares are reserved under the Employee Plan and 100,000 under the Director Plan). The shares reserved for issuance under the two Plans constitute 10.3% of the 8,250,000 shares of applicant's common stock outstanding as of August 31, 1996 with the shares reserved for issuance under the Employee Plan constituting 9.09% and the shares reserved for issuance under the Director Plan constituting 1.21%. Eligible Directors are not eligible to receive stock options under the Employee Plan. Applicant has no warrants, options, or rights to purchase its voting securities outstanding, other than those granted pursuant to the Employee Plan.

5. The Director Plan provides for ''Initial Grants'' and ''Automatic Grants.'' With respect to the Initial Grants, on the Approval Date the Eligible Directors serving at such time will be granted options to purchase the number of shares of common stock determined by dividing $100,000 by the current market value of the common stock, multiplied by the fraction that represents the portion of a full three-year term that the director has initially been elected to serve. After the Initial Grants have been made, all subsequent grants of options to Eligible Directors upon their election, reelection, or appointment to the board will be Automatic Grants. With respect to the Automatic Grants, at each annual meeting of applicant's shareholders after the Approval Date, each eligible director elected or re-elected to a three-year term will automatically be granted an option to purchase the number of shares of common stock determined by dividing $100,000 by the current market value of the common stock on the date of such election. Upon the election or appointment of an Eligible Director other than at an annual shareholder meeting, each such Eligible Director will automatically be granted an option to purchase that number of shares determined by (a) dividing $100,000 by the current market value of the common stock on the date of election and (b) multiplying the resulting quotient by a fraction, the numerator of which is equal to the number of whole months remaining in the new director's term and the denominator of which is 36.

[1] Section 2(a)(48) defines a BDC to be any closed-end investment company that operates for the purpose of making investments in securities described in sections 55(a)(1) through 55(a)(3) of the Act and makes available significant managerial assistance with respect to the issuers of such securities.