OFFICE OF MANAGEMENT AND BUDGET

Audit Legal Letter Guidance

AGENCY: Office of Management and Budget.

ACTION: Notice of document availability.

SUMMARY: This Notice indicates the availability of the first Financial Accounting and Auditing Technical Release, ''Audit Legal Letter Guidance.'' The technical release was prepared by the Accounting and Auditing Policy Committee of the Federal Accounting Standards Advisory Board (FASAB) and cleared by the FASAB on March 1, 1998. This Notice is available on OMB's home page at http://www.whitehouse.gov/WH/EOP/omb, under the caption ''**Federal Register** Submissions.''

ADDRESSES: Copies of Technical Release No. 1 may be obtained for $1.00 each from the Superintendent of Documents, Government Printing Office, Washington, DC 20402–9325 (telephone 202–512–1800), Stock No. 041–001–00503–0.

FOR FURTHER INFORMATION CONTACT: James Short (telephone: 202–395–3124), Office of Federal Financial Management, Office of Management and Budget, 725 17th Street, N.W., Room 6025, Washington, DC 20503.

G. Edward DeSeve,

Controller.

[FR Doc. 98–10427 Filed 4–20–98; 8:45 am]

BILLING CODE 3110–01–P

SECURITIES AND EXCHANGE COMMISSION

[File No. 1–7159]

Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (Florida Rock Industries, Inc., Common Stock, $.10 Par Value)

April 14, 1998.

Florida Rock Industries, Inc. (''Company'') has filed an application with the Securities and Exchange Commission (''Commission''), pursuant to Section 12(d) of the Securities Exchange Act of 1934 (''Act'') and Rule 12d2–2(d) promulgated thereunder, to withdraw the above specified security (''Security'') from listing and registration on the American Stock Exchange, Inc. (''Amex'' or ''Exchange'').

The reasons cited in the application for withdrawing the Security from listing and registration include the following:

The Security has been listed for trading on the Exchange and, pursuant to a Registration Statement on Form 8–A which became effective on February 17, 1998, the New York Stock Exchange, Inc. (''NYSE''). Trading in the Security on the NYSE commenced on March 3, 1998, and concurrently therewith the Security was suspended from trading on the Amex.

The Company has complied with Rule 18 of the Amex by filing with the Amex a certified copy of the resolutions adopted by the Company's Board of Directors authorizing the withdrawal of its Security from listing on the Amex and by setting forth in detail to such Exchange the reasons for and facts supporting such proposed withdrawal.

The Exchange has informed the Company that it has no objection to the withdrawal of the Company's Security from listing on the Amex.

Any interested person may, on or before May 5, 1998, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the 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. 98–10424 Filed 4–20–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–23113; 813–178]

Lehman Brothers Capital Partners I, et al.; Notice of Application

April 14, 1998.

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

ACTION: Notice of application for an order under sections 6(b) and 6(e) of the Investment Company Act of 1940 (the ''Act'') granting an exemption from all provisions of the Act, except section 9, certain provisions of sections 17 and 30, sections 36 through 53, and the rules and regulations under those sections.

SUMMARY OF APPLICATION: Applicants request an order to exempt certain investment funds formed for the benefit of key employees of Lehman Brothers Holdings Inc. (''Lehman'') and its affiliates from certain provisions of the Act, and to permit the funds to engage in certain joint arrangements. Each fund will be an ''employees' securities company'' as defined in section 2(a)(13) of the Act.[1]

APPLICANTS: Lehman Brothers Capital Partners I (''Capital Partners I'' or the ''Initial Partnership''), Lehman Brothers Capital Partners II, L.P. (''Capital Partners II''), Lehman Brothers Capital Partners III, L.P. (''Capital Partners III''), LB I Group Inc., and Lehman.

FILING DATES: The application was filed on August 25, 1997 and amended on January 21, 1998. Applicants have agreed to file an additional amendment, the substance of which is incorporated in this notice, during the notice period.

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 May 8, 1998, and should be accompanied by proof of service on the 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. Applicants, 3 World Financial Center, 200 Vesey Street, New York, NY 10285.

FOR FURTHER INFORMATION CONTACT: Mary T. Geffroy, Senior Counsel, at (202) 942–0553, or Christine Y. Greenless, 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, 450 Fifth Street, N.W., Washington, D.C. 20549 (tel. (202) 942–8090).

Applicants' Representations

1. Lehman and its affiliates, as defined in rule 12b–2 under the

[1] The requested order would supersede a prior order. *Shearson Lehman Brothers Capital Partners-85 and SLB Investment Inc.*, Investment Company Act Release Nos. 14663 (Aug. 7, 1985) (notice) and 14702 (Sept. 4, 1985) (order).

Securities Exchange Act of 1934 (the ''Exchange Act'') (collectively, the ''Lehman Group''), constitute a global investment banking organization. Lehman Brothers Inc., a Delaware corporation and wholly-owned subsidiary of Lehman, is the principal broker-dealer affiliate of the Lehman Group and is registered as a broker-dealer under the Exchange Act and as an investment adviser under the Investment Advisers Act of 1940 (the ''Advisers Act'').

2. Capital Partners I is a New York limited partnership, and Capital Partners II, L.P. and Capital Partners III, L.P. are Delaware limited partnerships (collectively, the ''Existing Partnerships''). LB I Group Inc. is the general partner of the Initial Partnership. The Existing Partnerships were established to enable certain key employees of the Lehman Group to receive the benefit of certain investment opportunities which come to the attention of the Lehman Group. Applicants propose to establish one or more partnerships or other investment vehicles for the same purpose (the ''Subsequent Partnerships'' and collectively with the Existing Partnerships, the ''Partnerships''). Each Partnership will be an ''employees' securities company'' within the meaning of section 2(a)(13) of the Act, and will operate as a closed-end, non-diversified, management investment company.

3. The goal of the Partnerships is to reward and retain certain key employees and to attract qualified employees to the Lehman Group. Lehman believes that the Partnerships are important in allowing Lehman to complete in attracting and retaining employees with other firms that provide similar investment opportunities to their employees. Participation in a Partnership will be voluntary.

4. Each Partnership will have a general partner or other investment manager (the ''General Partner'') that will be registered as an investment adviser under the Advisers Act or exempt from the registration requirements of the Advisers Act by virtue of section 203(b)(3) of the Act. The General Partner will be a member of the Lehman Group, and will manage, control, and make investment decisions for the Partnerships. The General Partner may hire one or more investment managers who are not affiliated with any member of the Lehman Group. These investment managers may be responsible for managing all or a portion of a Partnership's assets, or they may hire an investment adviser to do so.

5. Interests in the Partnerships (''Interests'') will be offered without registration in reliance on section 4(2) of the Securities Act of 1933 (the ''Securities Act''), and will be sold without a sales load or any similar fee. Interests will be offered and sold only to (i) current and former employees, officers, directors and consultants of the Lehman Group (''Eligible Employees''), (ii) immediate family members (as defined under Item 404(a) of Regulation S–K under the Securities Act) and grandchildren of Eligible Employees (''Qualified Family Members''), or (iii) trusts or other investment vehicles established for the benefit of Eligible Employees or Qualified Family Members (''Qualified Investment Vehicles'' and collectively with Qualified Family Members, ''Qualified Participants''). Prior to offering Interests to an Eligible Employee or Qualified Family Member, the General Partner must reasonably believe that the Eligible Employee or Qualified Family Member will be capable of understanding and evaluating the merits and risks of participation in the Partnership. Eligible Employees will be experienced professionals in the investment banking, securities, commodities or insurance businesses, or in related administrative, financial, accounting, legal or operational activities.

6. Interests will not be offered to entities within the Lehman Group, but to the extent that Interests are not fully subscribed for in connection with an offering, a member of the Lehman Group may purchase the remaining unsubscribed Interests. Interests also may be purchased by an entity within the Lehman Group upon the termination of employment of a Limited Partner with a member of the Lehman Group or upon a Limited Partner's default with respect to payment of his or her capital contribution.

7. Eligible Employees and Qualified Family Members who seek to invest in a Partnership (''Limited Partners'') must meet the standards for an ''accredited investor'' under rule 501(a)(5) or (6) or Regulation D under the Securities Act, except that a maximum of 35 Eligible Employees or Qualified Family Members who are sophisticated investors but who do not meet the definition of an accredited investor may become Limited Partners if approved by the General Partner after taking into consideration such factors as income level, investment experience, risk tolerance, professional background and length of employment with the Lehman Group. Eligible Employees who satisfy the net worth requirements of rule 501(a)(5) of Regulation D will typically be senior Lehman employees who have accumulated significant individual net worth. Generally, those Eligible Employees who satisfy the requirements of rule 501(a)(5) also would be expected to satisfy the requirements of rule 501(a)(6). However, there could be circumstances under which only rule 501(a)(5) is satisfied.

8. An Eligible Employee will be given a copy of the limited partnership agreement or other organizational documents (the ''Partnership Agreement'') at the time the Eligible Employee is offered the right to subscribe for Interests in the Partnership. The Partnership Agreement will set forth fully the terms applicable to the Limited Partners.

9. The General Partners of the Existing Partnerships do not receive any fees or other compensation for serving as General Partners. A General Partner of a Subsequent Partnership may be paid a management fee which is generally determined as a percentage of assets under management, invested capital or aggregate commitments. In addition, a General Partner may be entitled to a performance-based fee (''carried interest''), based on the Partnership's gains and losses.

10. The General Partner will be required to make capital contributions to the Partnership that generally will be equal to at least 1% of the Partnership's aggregate capital commitments. The General Partner may, but will not be required to, contribute capital to the Partnership in a multiple of the aggregate amount of capital contributed by the Limited Partners (the ''Preferred Capital Contribution''). In such circumstances, the General Partner may be entitled to receive a cumulative return on the unreturned portion of the Preferred Capital Contribution as compensation for its disproportionate capital contribution.

11. Distributions, and allocations of profits and losses, of the Existing Partnerships are made first to the General Partner, then to the Limited Partners, to return their respective capital contributions. The Limited Partners and General Partners then receive a specified percentage of the profits of the Partnership. Losses are allocated in a manner consistent with the allocation of profits, except that the General Partner remains liable for losses exceeding Partnership assets. Subsequent Partnerships will allocate and distribute profits and losses among the General Partners and the Limited Partners in a similar manner, provided that the priorities, amounts, and percentages may differ. The Limited Partners will share in the profits and

losses arising from each Partnership's investment activities in proportion to the size of their respective interests in the Partnership.

12. An entity in the Lehman Group may loan money to a Partnership (or to the General Partner, which, in turn, will lend the money to the Partnership) at an interest rate no less favorable than the rate obtainable on an arm's-length basis.

13. Partnerships may co-invest alongside members of the Lehman Group in investments made by those members in the course of their business. Co-investments by a Partnership will be on terms at least as favorable as the terms of the investment made by an entity of the Lehman Group. It also is possible that Lehman and a Partnership may co-invest, or a Partnership may invest by itself, in a company alongside an investment fund or account organized for the benefit of investors who are not affiliated with the Lehman Group, over which an entity within the Lehman Group exercises investment discretion (a ''Third Party Fund'').

14. Interests in a Partnership generally will be non-transferable except with the prior written consent of the General Partner is its sole discretion. No person or entity will be admitted into a Partnership unless the person or entity is (i) an Eligible Employee, (ii) a Qualified Participant, or (iii) an entity within the Lehman Group.

15. Interests in a Partnership generally will not be redeemable. The General Partner may be entitled or required to purchase a Limited Partner's Interests under certain circumstances involving (i) the Limited Partner's termination of employment with the Lehman Group with or without cause, including the death, disability or voluntary resignation of the Limited Partner, and/or (ii) a default by the Limited Partner with respect to the payments of capital contributions. In addition, the General Partner may purchase a Limited Partner's Interest upon mutual agreement of the parties, including circumstances involving the financial hardship of the Limited Partner. An entity within the Lehman Group also may have the right to purchase a Limited Partner's vested or unvested Interest upon the Limited Partner's termination of employment. If a Limited Partner's Interests are subject to vesting, the Interests initially will be unvested and will vest over time at specified percentages and at specified intervals, as set forth in the Partnership Agreement. For Subsequent Partnerships, the redemption or purchase price will not be less than the lower of (i) the amount invested by the Limited Partner, plus interest for the period since the investment, and (ii) the fair market value (as determined by the General Partner in good faith) of the Interest as of the next valuation date for Interests, less any amount forfeited by the Limited Partner for failure to make required capital contributions.

16. The term of each Partnership is expected to be fixed for a period of 25 years or less from the date of its creation, but may be subject to earlier termination by the General Partner. In addition, each Partnership may be dissolved upon (i) the registration, withdrawal, dissolution or bankruptcy of the General Partner, (ii) the insolvency or bankruptcy of the Partnership, (iii) the sale of all or substantially all of the Partnership's assets, (iv) the conversion of the Partnership to corporate form pursuant to the terms of the applicable Partnership Agreement, or (v) any other event requiring dissolutions of the Partnership under applicable law. In the event of dissolution, the Partnership's net assets will be distributed in accordance with the applicable Partnership Agreement.

17. A Partnership will not acquire any security issued by a registered investment company if, immediately after the acquisition, the Partnership will own more than 3% of the outstanding voting stock of the registered investment company.

18. As soon as practicable after the end of each fiscal year of each Partnership, the General Partner will mail or otherwise furnish a copy of a certified public accountant's report, which will include the Partnership's financial statements, to each Limited Partner of the Partnership. In addition, each Partnership will supply the Partners with all information reasonably necessary to enable the Limited Partners to prepare their federal and state income tax returns.

Applicants' Legal Analysis

1. Section 6(b) of the Act provides that the SEC will exempt employees' securities companies from the provisions of the Act to the extent that the exemption is consistent with the protection of investors. Section 6(b) provides that the SEC will consider, in determining the provisions of the Act from which the company should be exempt, the company's form of organization and capital structure, the persons owning and controlling its securities, the price of the company's securities and the amount of any sales load, how the company's funds are invested, and the relationship between the company and the issuers of the securities in which it invests. Section 2(a)(13) defines an employees' securities company, in relevant part, as any investment company all of whose securities are beneficially owned by (i) current or former employees, or persons on retainer, of one or more affiliated employers, (ii) immediate family members of those persons, or (iii) the employer or employers together with any of the persons in (i) or (ii).

2. Section 7 of the Act generally prohibits investment companies that are not registered under section 8 of the Act from selling or redeeming their securities. Section 6(e) provides that, in connection with any order exempting an investment company from any provision of section 7, certain provisions of the Act, as specified by the SEC, will be applicable to the company and other persons dealing with the company as though that company was registered under the Act.

3. Applicants request an order under sections 6(b) and 6(e) of the Act exempting the Partnerships from all provisions of the Act, except section 9, certain provisions of sections 17 and 30, sections 36 through 53, and the rules and regulations under those sections.

4. Section 17(a) generally prohibits any affiliated person of a registered investment company, or any affiliated person of that person, acting as principal, from knowingly selling or purchasing any security or other property to or from that company. Applicants request an exemption from section 17(a) to permit (i) an entity within the Lehman Group (including a Third Party Fund), acting as principal, to engage in any transaction with a Partnership, or a company controlled by the Partnership (''Controlled Company''), (ii) a Partnership to invest or engage in any transaction with any entity in which a Partnership, a Controlled Company, or entity within the Lehman Group (a) has invested or will invest, or (b) is or will become otherwise affiliated, and (iii) a Third Party Investor,[2] acting as principal, to engage in any transaction with a Partnership or Controlled Company.

5. Applicants submit that an exemption from section 17(a) is consistent with the policy of each Partnership and the protection of investors. Applicants believe that an exemption is necessary to enable the Partnerships to participate in attractive investments that may be offered by the Lehman Group. Applicants assert that the Limited Partners will have been

[2] A Third Party Investor is a partner or other investor of a Third Party Fund that is not an entity within the Lehman Group, or any affiliate of that partner or investor,

fully informed of the possible extent of the Partnership's dealings with affiliates and will be able to understand and evaluate the risks associated with those dealings.

6. Section 17(d) and rule 17d–1 prohibit any affiliated person or principal underwriter of a registered investment company, or any affiliated person of that person or underwriter, acting as principal, from participating in any joint arrangement with the company unless authorized by the SEC. Applicants request exemptive relief to permit affiliated persons of each Partnership, or affiliated persons of any of these persons, to participate in any joint arrangement in which the Partnership or a company controlled by the Partnership is a participant.

7. Applicants assert that the flexibility to structure co-investments and joint investments in the manner described in the application will not involve abuses of the type that section 17(d) and rule 17d–1 were designed to prevent. Applicants state that the concern that permitting co-investments by Lehman and a Partnership might lead to less advantageous treatment of the Partnership should be mitigated by the community of interest among the Lehman Group and the personnel who invest in the Partnership, and the fact that officers and directors of entities within the Lehman Group will be investing in the Partnership. In addition, applicants assert that strict compliance with section 17(d) would prevent the Partnerships from participating in attractive investments solely because an affiliate of the Partnership also may participate in the investment. Finally, applicants contend that the ''lock-step'' procedures, described in condition 3 below, align the interests of the Eligible Employees with those of the Lehman Group and, therefore, minimize the possibility that a Partnership may be disadvantaged by an affiliate's participation in a transaction.

8. Co-investments with Third Party Funds will not be subject to condition 3. Applicants believe it is important that the Third Party Fund not be burdened or otherwise affected by a Partnership's participation in an investment opportunity. In addition, applicants believe that the relationship of a Partnership to a Third Party Fund is fundamentally different from a Partnership's relationship to the Lehman Group. Applicants contend that the focus of, and the rationale for, the protections contained in the requested relief are to protest the Partnerships from any overreaching by the Lehman Group in the employer/employee context, whereas the same concerns are not present with respect to the Partnerships vis-a-vis the investors of a Third Party Fund.

9. Section 17(f) of the Act designates the entities that may act as investment company custodians, and rule 17f–1 imposes certain requirements when the custodian is a member of a national securities exchange. Applicants request an exemption from section 17(f) and rule 17f–1 to the extent necessary to permit an entity within the Lehman Group to act as custodian of Partnership assets without a written contract, as would be required by rule 17f–1(a). Applicants also request an exemption from the rule 17f–1(b)(4) requirement that independent accountants periodically verify the assets held by the custodian. Applicants believe that, because of the community of interest of all the parties involved and existing requirement for an independent annual audit, compliance with these requirements would be unnecessarily burdensome and expensive. Each Partnership will comply with all other requirements of rule 17f–1.

10. Section 17(g) and rule 17g–1 generally require the bonding of officers and employees of a registered investment company who have access to its securities or funds. Rule 17g–1 requires that a majority of directors who are not interested persons take certain actions and give certain approvals relating to fidelity bonding. Applicants request exemptive relief to permit the members of the related board of directors of the General Partner or any committee serving similar functions (the ''Board''), who may be deemed interested persons, to take actions and make determinations set forth in the rule. Applicants state that, because all of the members of a related Board will be affiliated persons, a Partnership could not comply with rule 17g–1 without the requested relief. Specifically, each Partnership will comply with rule 17g–1 by having a majority of the members of the related Board take actions and make determinations as are set forth in rule 17g–1. Applicants also state that each Partnership will comply with all other requirements of rule 17g–1.

11. Section 17(j) and paragraph (a) of rule 17j–1 prohibit certain enumerated persons from engaging in fraudulent or deceptive practices in connection with the purchase or sale of a security held or to be acquired by a registered investment company. Rule 17j–1 also requires that every registered investment company adopt a written code of ethics and that every access person of a registered investment company report personal securities transactions. Applicants request an exemption from the provisions of rule 17j–1 (except rule 17j–1(a)) because they are unnecessarily burdensome as applied to the Partnerships.

12. Applicants request an exemption from the requirements in sections 30(a), 30(b) and 30(e), and the rules under those sections, that registered investment companies prepare and file with the SEC and mail to their shareholders certain periodic reports and financial statements. Applicants believe that the forms prescribed by the SEC for periodic reports have little relevance to a Partnership and would entail administrative and legal costs that outweigh any benefit to the Limited Partners in a Partnership. Applicants request exemptive relief to the extent necessary to permit each Partnership to report annually to its Limited Partners. Applicants also request an exemption from section 30 (h) to the extent necessary to exempt the General Partner of each Partnership and any others who may be deemed to be members of an advisory board of a Partnership from filing Forms 3, 4 and 5 under section 16(a) of the Exchange Act with respect to their ownership of Interests in the Partnership. Applicants assert that, because there will be no trading market and the transfers of Interests will be severely restricted, these filings are unnecessary for the protection of investors and burdensome to those required to make them.

Applicants' Conditions

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

1. Each proposed transaction otherwise prohibited by section 17(a) or section 17(d) and rule 17d–1 to which a Partnership is a party (the ''Section 17 Transactions'') will be effected only if the Board determines that: (i) The terms of the transaction, including the consideration to be paid or received, are fair and reasonable to the Limited Partners and do not involve overreaching of the Partnership or its Limited Partners on the part of any person concerned; and (ii) the transaction is consistent with the interests of the Limited Partners, the Partnership's organizational documents, and the Partnership's reports to its Limited Partners. In addition, the General Partner will record and preserve a description of the affiliated transactions, the Board's findings, the information or materials upon which the Board's findings are based, and the basis for the findings. All records relating to a proposed co-investment transaction will be maintained until the

termination of the Partnership engaging in the transaction and at least two years thereafter, and will be subject to examination by the SEC and its staff.[3]

2. In connection with the Section 17 Transactions, the Board, through the General Partner, will adopt, and periodically review and update, procedures designed to ensure that reasonable inquiry is made, prior to the consummation of any transaction, with respect to the possible involvement in the transaction of any affiliated person, promoter of, or principal underwriter for the Partnerships, or any affiliated person of that person, promoter, or principal underwriter.

3. The General Partner will not invest the funds of any Partnership in any investment in which a ''Co-Investor'' (as defined below) has acquired, or proposes to acquire, the same class of securities of the same issuer, where the investment involves a joint enterprises or other joint arrangement within the meaning of rule 17d–1 in which the Partnership and the Co-Investor are participants, unless the Co-Investor, prior to disposing of all or part of its investment (i) gives the General Partner sufficient, but not less than one day's notice of its intent to dispose of its investment, and (ii) refrains from disposing of its investment unless the Partnership has the opportunity to dispose of the Partnership's investment prior to, or concurrently with, on the same terms as, and pro rata with, the Co-Investor. The term ''Co-Investor'' means any person who is (i) an ''affiliated person'' (as that term is defined in the Act) of the Partnership (other than a Third Party Fund); (ii) an entity within the Lehman Group; (iii) an officer or director of an entity within the Lehman Group; or (iv) a company in which the General Partner of the Partnership has the capacity to control the sale or other disposition of the company's securities. The restrictions contained in this condition, however, will not be deemed to limit or prevent the disposition of an investment by a Co-Investor (i) to its direct or indirect wholly-owned subsidiary, to any company (a ''parent'') of which the Co-Investor is a direct or indirect wholly-owned subsidiary, or to a direct or indirect wholly-owned subsidiary of its parent; (ii) to Qualified Family Members of the Co-Investor or a trust or other investment vehicle established for a Qualified Family Member; (iii) when the investment is comprised of securities that are listed on any exchange registered as a national securities exchange under section 6 of the Exchange Act; (iv) when the investment is comprised of securities that are national market system securities pursuant to section 11A(a)(2) of the Exchange Act and rule 11A2–1 under that Act, or (v) when the investment is comprised of securities that are listed on or traded on any foreign securities exchange or board of trade that satisfies regulatory requirements under the law of the jurisdiction in which the foreign securities exchange or board of trade is organized similar to those that apply to a national securities exchange or a national market system for securities.

4. Each Partnership and its General Partner of the Partnership will maintain and preserve, for the life of the Partnership and at least two years thereafter, those accounts, books, and other documents that constitute the record forming the basis for the audited financial statements that are to be provided to the Limited Partners, and each annual report of the Partnership required to be sent to those Limited Partners, and agree that the records will be subject to examination by the SEC and its staff.[4]

5. The General Partner will send to each Limited Partner who had an interest in any capital account of the Partnership, at any time during the fiscal year then ended, Partnership financial statements audited by the Partnerships's independent accountants. At the end of each fiscal year, the General Partner will make a valuation or have a valuation made of all of the assets of the Partnership as of that fiscal year end in a manner consistent with customary practice with respect to the valuation of assets of the kind held by the Partnership. In addition, as soon as practicable after the end of each fiscal year of each Partnership, the General Partner will send a report to each person who was a Limited Partner at any time during the fiscal year then ended, setting forth tax information as will be necessary for the preparation by the Limited Partner of federal and state income tax returns, and a report of the investment activities of the Partnership during that year.

6. In any case where purchases or sales are made by a Partnership from or to an entity affiliated with a Partnership by reason of a 5% or more investment in that entity by a Lehman Group director, officer or employee, that individual will not participate in the Partnership's determination of whether or not to effect the purchase or sale.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–10499 Filed 4–20–98; 8:45 am]

BILLING CODE 8010–01–M

[3] Each Partnership will preserve the accounts, books and other documents required to be maintained in an easily accessible place for the first two years.

[4] Each Partnership will preserve the accounts, books and other documents required to be maintained in an easily accessible place for the first two years.

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–23114; 812–10602]

NationsBanc Montgomery Securities LLC; Notice of Application

April 14, 1998.

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

ACTION: Notice of application for an order under section 12(d)(1)(J) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 12(d)(1) of the Act, under section 6(c) of the Act for an exemption from section 14(a) of the Act, and under section 17(b) of the Act for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: NationsBanc Montgomery Securities LLC (''NationsBanc'') requests an order with respect to the Hybrid Income Trust Securities (''HITS'') trusts and future trusts that are substantially similar to the HITS trusts and for which NationsBanc will serve as a principal underwriter (collectively, the ''Trusts'') that would (i) permit other registered investment companies, and companies excepted from the definition of investment company under sections 3(c)(1) and (c)(7) of the Act, to own a greater percentage of the total outstanding voting stock (the ''Securities'') of any Trust than that permitted by section 12(d)(1), (ii) exempt the Trusts from the initial net worth requirements of section 14(a), and (iii) permit the Trusts to purchase U.S. government securities from NationsBanc at the time of a Trust's initial issuance of Securities.

FILING DATES: The application was filed on April 4, 1997. Applicant has agreed to file an amendment, the substance of which is incorporated in this notice, during the notice period.

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 NationsBanc with a copy of the request, personally or by