

of the Adviser on a per Subadvised Series basis. The information will reflect the impact on profitability of the hiring or termination of any sub-adviser during the applicable quarter.

9. Whenever a sub-adviser is hired or terminated, the Adviser will provide the Board with information showing the expected impact on the profitability of the Adviser.

10. Whenever a sub-adviser change is proposed for a Subadvised Series with an Affiliated Sub-Adviser or a Wholly-Owned Sub-Adviser, the Board, including a majority of the Independent Board Members, will make a separate finding, reflected in the Board minutes, that such change is in the best interests of the Subadvised Series and its shareholders, and does not involve a conflict of interest from which the Adviser or the Affiliated Sub-Adviser or Wholly-Owned Sub-Adviser derives an inappropriate advantage.

11. No director, trustee or officer of a Subadvised Series, or partner, director, manager or officer of the Adviser, will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person), any interest in a Sub-Adviser, except for (a) ownership of interests in the Adviser or any entity, other than a Wholly-Owned Sub-Adviser, that controls, is controlled by, or is under common control with the Adviser, or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

12. Each Subadvised Series will disclose the Aggregate Fee Disclosure in its registration statement.

13. In the event the Commission adopts a rule under the Act providing substantially similar relief to that requested in the application, the requested order will expire on the effective date of that rule.

14. Any new Sub-Advisory Agreement or any amendment to a Subadvised Series' existing Investment Management Agreement or Sub-Advisory Agreement that directly or indirectly results in an increase in the aggregate advisory rate payable by the Subadvised Series will be submitted to the Subadvised Series' shareholders for approval.

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

**Brent J. Fields,**

*Secretary.*

[FR Doc. 2015-02745 Filed 2-10-15; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

**[Investment Company Act Release No. 31448; File No. 812-14407]**

### **NexPoint Credit Strategies Fund, et al.; Notice of Application**

February 5, 2015.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice of an application for an order under section 17(b) of the Investment Company Act of 1940 (the "Act") granting an exemption from section 17(a) of the Act, and under section 17(d) of the Act and rule 17d-1 thereunder permitting certain joint transactions.

**APPLICANTS:** NexPoint Credit Strategies Fund ("NHF"), NexPoint Residential Trust, Inc. ("NXRT REIT"), Freedom REIT, LLC ("Freedom REIT") (each, a "Fund," and together, the "Funds"), NexPoint Advisors, L.P. ("NHF Adviser"), and NexPoint Real Estate Advisors, L.P. ("NXRT Adviser") (each, an "Adviser," and together, the "Advisers"), NexPoint Residential Trust Operating Partnership, L.P. ("NXRT OP"), and NexPoint Residential Merger Company, LLC ("NXRT LLC") (collectively, the "Applicants").

**SUMMARY:** *Summary of Application:* Applicants seek an order to permit NHF to transfer certain real estate assets (the "Multifamily Properties") held by Freedom REIT, NHF's wholly-owned subsidiary, to NXRT REIT, a real estate investment trust ("REIT") and NHF's wholly-owned subsidiary, in exchange for NXRT REIT common stock; to permit NHF to distribute such common stock to NHF's shareholders; and to permit NXRT Adviser to enter into an investment advisory agreement with NXRT REIT.

**DATES:** *Filing Dates:* The application was filed on December 22, 2014 and amended on February 4, 2015.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests

should be received by the Commission by 5:30 p.m. on February 25, 2015 and should be accompanied by proof of service on the applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Pursuant to Rule 0-5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. The Applicants: c/o David J. Harris, Esq., and Thomas J. Friedmann, Esq., Dechert LLP, 1900 K Street NW., Washington, DC 20006-6808.

**FOR FURTHER INFORMATION CONTACT:** Anil K. Abraham, Senior Special Counsel, at (202) 551-2614, or James M. Curtis, Branch Chief, at (202) 551-6712 (Division of Investment Management, Chief Counsel's Office).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission's Web site by searching for the file number, or an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

### **Applicants' Representations**

1. NHF was organized as a Delaware statutory trust and is registered under the Act as a non-diversified, closed-end management investment company. NHF has elected to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NHF's investment objectives are to provide both current income and capital appreciation, which it seeks to achieve by investing primarily in bonds and other debt obligations, including below-investment grade debt obligations, and equity.

2. Freedom REIT, a direct, wholly-owned subsidiary<sup>1</sup> of NHF, was organized on October 12, 2012 as a Delaware limited liability company and subsequently elected to be treated as a REIT under section 856 of the Code. Freedom REIT is considered a single investment for purposes of determining

<sup>1</sup> As defined in section 2(a)(43) of the Act, a "wholly-owned subsidiary" of a person means a company 95% or more of the outstanding voting securities of which are owned by such person, or by a company which, within the meaning of this paragraph, is a wholly-owned subsidiary of such person.

NHF's compliance with its RIC diversification requirements and in NHF's financial statements pursuant to rule 6-03 under the Securities Exchange Act of 1934 ("Exchange Act").

3. NXRT REIT was organized as a Maryland corporation and filed a registration statement on Form 10 on September 29, 2014 to register its shares under section 12(b) of the Exchange Act. NXRT REIT amended that registration statement on November 7, 2014 and January 9, 2015. On the effective date of the Spin-Off Transaction (defined below) ("Effective Date"), NHF Adviser intends to cause the shares of NXRT REIT to be listed on the New York Stock Exchange ("NYSE"). The business objectives of NXRT REIT are to: (a) Deliver stable, attractive yields and long-term capital appreciation to its shareholders; (b) acquire multifamily properties in markets with attractive job growth and household formation fundamentals primarily in the southeastern United States and Texas; (c) acquire assets significantly below replacement costs; (d) implement a value-add program to increase returns to shareholders; and (e) own assets that provide lifestyle amenities and upgraded living spaces to low and moderate income renters.

4. NXRT OP was organized as a Delaware limited partnership and is wholly-owned by NXRT REIT. NXRT OP was formed solely to implement the Spin-Off Transaction and the subsequent operation of NXRT REIT's business on a tax-efficient basis.

5. NXRT LLC was organized as a Delaware limited liability company and is wholly-owned by Freedom REIT. NXRT LLC was formed solely to implement the Spin-Off Transaction on a tax-efficient basis.

6. NHF Adviser was organized as a Delaware limited liability company and is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"). NHF Adviser is wholly-owned by an affiliate of Highland Capital Management, L.P. ("Highland"). Highland is also registered as an investment adviser under the Advisers Act. NHF Adviser currently acts as the investment adviser to NHF pursuant to an investment advisory agreement (the "NHF Advisory Agreement") between NHF and NHF Adviser. NHF Adviser employs portfolio management team members that currently manage Freedom REIT's portfolio.

7. NXRT Adviser was organized as a Delaware limited partnership and is registered as an investment adviser under the Advisers Act and is a wholly-owned subsidiary of NHF Adviser.

Following the Spin-Off Transaction, NXRT Adviser will serve as the investment adviser to NXRT REIT pursuant to an investment advisory agreement ("NXRT Advisory Agreement"). Following the Spin-Off Transaction, the portfolio management team members that currently manage Freedom REIT's portfolio will advise NXRT REIT as employees of NXRT Adviser.

8. NHF's current prospectus sets forth a non-fundamental policy of investing at least 80% of NHF's assets in loans, bonds, debt obligations, and structured products under normal market conditions. NHF may invest up to 20% of its assets in other types of investments (the "20% Limit"). Accordingly, NHF limits its investment in Freedom REIT to 20% of its total assets, or approximately \$252 million as of December 31, 2014. As of that date, the value of the Multifamily Properties held by Freedom REIT was approximately \$238 million, or approximately 19% of the total assets of NHF. Based on additional multifamily properties under contract and expected to close in the first quarter of 2015, Freedom REIT is expected to approach the 20% Limit in the first quarter of 2015, at which time NHF will be unable to make additional investments in Freedom REIT.

9. Without the consummation of the Spin-Off Transaction, NHF would be unable to invest in additional multifamily real estate properties for the benefit of its shareholders, and NHF Adviser would likely have to liquidate Freedom REIT's Multifamily Properties over time in order to maximize shareholder value. NHF Adviser believes the terms that NHF would realize in connection with any such liquidation would be significantly less favorable to NHF shareholders than if the Multifamily Properties were spun-off in the Spin-Off Transaction.

10. To enable NHF's shareholders to determine whether and to what extent they will have exposure to multifamily real estate, the NHF Board ("NHF Board"), including a majority of the trustees who are not interested persons<sup>2</sup>

<sup>2</sup> An "interested person" is defined under section 2(a)(19) of the Act to include, among other things, "any affiliated person" of an investment company. Under section 2(a)(3) of the Act, an "affiliated person" of another person means (A) any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of whose outstanding voting securities of such other person; (B) any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote, by such other person; (C) any person directly or indirectly controlling, controlled by, or under common control with, such other person; (D) any

(as defined in section 2(a)(19) of the Act) (the "Independent Trustees") of NHF, has approved the Spin-Off Transaction, subject to the issuance of the requested order and the approval of a majority of the outstanding voting securities (as defined in section 2(a)(42) of the Act) of NHF of the NXRT Advisory Agreement. If the required approvals are obtained, NHF will cause: (a) Freedom REIT to contribute the Multifamily Properties to NXRT LLC; (b) Freedom REIT to distribute all of its membership interests in NXRT LLC to NHF; and (c) NXRT LLC to merge with NXRT OP, a wholly-owned subsidiary of NXRT REIT. NXRT REIT's acquisition of the Multifamily Properties will be consistent with its investment goals, policies, and restrictions. NHF will distribute all of the NXRT REIT shares on the Effective Date to NHF shareholders (with the Freedom REIT's contribution of the Multifamily Properties to NXRT LLC, the distribution of the membership interests of NXRT LLC to NHF, the merger of NXRT LLC with NXRT OP and the execution of the NXRT Advisory Agreement, collectively, the "Spin-Off Transaction").

11. Each NHF shareholder will receive a pro rata distribution of NXRT REIT shares based upon the number of NHF shares that each shareholder owns on the distribution record date. If such distribution had occurred on December 31, 2014, the aggregate fair value of the shares of NXRT REIT distributed to NHF shareholders would have been \$238 million.

12. The Advisers believe that the Spin-Off Transaction offers the most cost-effective and efficient means by which NHF shareholders can be given the opportunity to choose for themselves whether, and to what extent, they will continue NXRT REIT's multifamily property investment strategy by continuing to hold the NXRT REIT shares they receive in the Spin-Off Transaction. At the same time, the Spin-Off Transaction creates a cost-effective way for NHF shareholders who are not interested in having as much exposure to the multifamily real estate market to receive immediate liquidity for all or a portion of such assets.

13. The Spin-Off Transaction will not be consummated unless and until each of the following approvals is obtained: (a) The NHF Board and a majority of the

officer, director, partner, copartner, or employee of such other person; (E) if such other person is an investment company, any investment adviser thereof or any member of an advisory board thereof; and (F) if such other person is an unincorporated investment company not having a board of directors, the depositor thereof.

Independent Trustees will approve the NXRT Advisory Agreement at an in-person meeting of the NHF Board that complies with the procedural requirements of section 15 of the Act; (b) NHF shareholder approval of the NXRT Advisory Agreement will be sought at a special meeting of NHF shareholders anticipated to be held in March 2014; and (c) the board of directors of NXRT REIT ("NXRT Board"), including a majority of the directors who are not interested persons (as defined in section 2(a)(19) of the Act) (the "Independent Directors") of NXRT, will ratify and approve the NXRT Advisory Agreement in accordance with the requirements of section 15(c) of the Act, and NXRT Adviser and NXRT REIT will comply with section 15 of the Act, as provided in the Condition below.

14. The NHF Board, including its Independent Trustees, has considered that the Spin-Off Transaction should result in the following benefits to NHF shareholders: (a) NXRT REIT shares will be issued to investors at a lower transaction cost than is typically the case for a newly organized REIT because there will be no underwriting discounts or commissions incurred by NHF, NXRT REIT, or any shareholder thereof in connection with the Spin-Off Transaction; (b) NHF shareholders will not incur incremental investment advisory fees relating to the management of the Multifamily Properties as a result of the Spin-Off Transaction, neither of the Advisers is entitled to receive, either before or after the Spin-Off Transaction, a performance-based incentive fee, internalization fee, or any "break-up" or termination fees under their respective investment advisory contracts and the NXRT Advisory Agreement will contain the same terms for reimbursement of administrative costs and out-of-pocket expenses incurred by NXRT Adviser and its affiliates as are currently in place for NHF and NHF Adviser; (c) neither NHF Adviser nor NXRT Adviser will receive any compensation other than fees under the NHF Advisory Agreement or the NXRT Advisory Agreement in connection with the Spin-Off Transaction; (d) although NXRT REIT will not be an investment company regulated under the Act, NXRT REIT will commit in its articles of incorporation that it will not enter into an investment advisory agreement unless that agreement complies with section 15 of the Act and has been approved in compliance with section 15(c) of the Act and any applicable rules thereunder or published guidance of the

Commission or its staff; (e) the Independent Directors will not overlap with the Independent Trustees; (f) the Spin-Off Transaction is not expected to increase or decrease the aggregate net assets of NHF and NXRT REIT; and (g) NHF shareholders will be able to maintain, increase or decrease their exposure to the multifamily property market by holding, buying, or selling, respectively, shares of NXRT REIT.

15. The NXRT Advisory Agreement will be approved by a majority of the NXRT Board, as well as by a majority of the Independent Directors, at an in-person meeting called for such purpose. That agreement will have an initial term of up to two years, and will continue thereafter only if such continuance is approved in accordance with section 15(c) of the Act. Any material change in the terms of the NXRT Advisory Agreement will require the approval of a majority of the outstanding voting securities (as defined in section 2(a)(42) of the Act) of NXRT REIT, and the NXRT Advisory Agreement will terminate in the event of its assignment (as defined in section 2(a)(4) of the Act). The NXRT Advisory Agreement will be terminable by the board or shareholders of NXRT REIT at any time on 60 days' notice without penalty. NXRT REIT's articles of incorporation will also require that a majority of its directors be Independent Directors.

16. NHF Adviser believes that holding the Multifamily Properties in NXRT REIT instead of NHF may benefit shareholders by reducing a discount that may be attributable to such assets. NHF shares, like shares of many registered closed-end funds, have traded at a discount to net asset value ("NAV"). As of January 30, 2015, NHF shares were trading at a 14.3% discount to NAV, whereas REIT shares generally trade closer to their NAVs than registered closed-end funds such as NHF. Based upon historical and current relative trading values in the secondary market for REITs and closed-end funds, the Advisers anticipate that NXRT REIT common stock will trade at or near its implied NAV after the Spin-Off Transaction. If the common stock of NXRT REIT trades at its implied NAV following the Spin-Off Transaction, NHF shareholders would, in effect, have eliminated the discount on a portion of their NHF shares. In addition, the discount at which many closed-end fund shares trade limits a closed-end fund's ability to raise incremental capital for investment, including investments necessary to fund capital expenditures in multifamily properties. NXRT REIT may be better able to realize the value of the Multifamily Properties

than would NHF, absent the Spin-Off Transaction. The Applicants believe the Spin-Off Transaction is the most cost-effective and efficient way to maximize value to NHF shareholders from the Multifamily Properties.

17. Counsel has advised NXRT REIT that the distribution of shares of NXRT REIT to NHF shareholders likely will be a taxable event for NHF shareholders, but NHF Adviser estimates that the tax impact of the Spin-Off Transaction is likely to be modest. The realization of certain taxable gains at NHF are expected to be substantially offset by existing capital loss carry-forwards, scheduled to expire starting in 2015, to the extent that the Multifamily Properties have been held for more than one year. Any gain not offset by such capital loss carry-forwards will be recognizable by NHF shareholders to the extent it exceeds undistributed net income. Distributing such gains may permit NHF to avoid paying or to reduce federal excise tax on undistributed income. The NHF Board, including the Independent Trustees, has considered the potential tax consequences of the Spin-Off Transaction and has determined that the significant benefits of the Spin-Off Transaction outweigh the adverse tax consequences to NHF and its shareholders, particularly because such tax consequences are expected to be minimal.

18. The costs of organizing NXRT REIT and effecting the distribution of NXRT REIT shares to NHF shareholders, including the fees and expenses of counsel and accountants and printing, listing and registration fees, the costs of soliciting NHF's shareholders' approval of the Transaction, and the costs incurred in connection with this Application, are estimated to be approximately \$3 million. These expenses will be borne ratably by NHF and NXRT REIT, with such expense allocations subject to the approval of the Independent Trustees and Independent Directors. A portion of this amount represents costs that would have been incurred directly or indirectly in the ordinary course of operations by NHF. NXRT REIT will incur operating expenses on an ongoing basis, including investment advisory fees and legal, auditing, transfer agency, and custody expenses that, when aggregated with the fees payable by NHF for similar services after the Spin-Off Transaction, should be approximately the same as, or slightly higher (due to marginal duplication) than, the fees currently payable by NHF for such services. Under the terms of the NXRT Advisory Agreement, NXRT Adviser will not receive any fees for investment advisory

services prior to the Effective Date. If the Spin-Off Transaction is not completed by March 31, 2015, NHF will be obligated to pay approximately \$5 million in additional fees and expenses to the Federal Home Loan Mortgage Corporation when the mortgages on the Multifamily Properties are assigned.

#### Applicants' Legal Analysis

1. Applicants request an order under section 17(b) of the Act granting an exemption from section 17(a) of the Act and under section 17(d) of the Act and rule 17d-1 thereunder permitting certain joint transactions.

2. Section 17(a) of the Act generally prohibits sales or purchases of securities between a registered investment company and an affiliated person of that investment company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (a) any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person, (b) any person 5% or more of whose voting securities are directly or indirectly owned controlled or held with the power to vote by the other person, and (c) any person directly or indirectly controlling, controlled by, or under common control with, the other person. Each of Freedom REIT and NXRT REIT may be viewed as an affiliated person of NHF under section 2(a)(3) because NHF will own, directly or indirectly, 100% of the outstanding voting securities of each prior to the consummation of the Spin-Off Transaction. Each of Freedom REIT and NXRT REIT may also be viewed as an affiliated person of NHF to the extent that they may be deemed to be under common control by virtue of having investment advisers that are under common control. As a result of the affiliation between NHF and each of Freedom REIT and NXRT REIT, section 17(a)(1) could be deemed to prohibit (a) Freedom REIT's contribution of the Multifamily Properties to NXRT REIT for shares issued by NXRT REIT and (b) Freedom REIT's distribution to NHF of the NXRT REIT shares, and section 17(a)(2) could be deemed to prohibit NXRT REIT from purchasing the Multifamily Properties in consideration for shares issued by NXRT REIT.

3. Applicants request an exemption pursuant to section 17(b) of the Act from the provisions of section 17(a) to permit the Applicants to effect the Spin-Off Transaction. Section 17(b) authorizes the Commission to issue such an exemptive order if the Commission finds that the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part

of any persons concerned, and the proposed transaction is consistent with the policy of each registered investment company and the general purposes of the Act.

4. Applicants assert that the terms of the Spin-Off Transaction, including the consideration to be paid or received, are fair and reasonable and do not involve overreaching by any person concerned. Applicants state that the proposed contribution by Freedom REIT of the Multifamily Properties to NXRT REIT in exchange for shares of NXRT REIT common stock will not change the fair value of such assets as determined by NHF Adviser in accordance with the valuation policies established by, and subject to the supervision of, the NHF Board. Such valuations will be passed upon by the NHF Board and NXRT REIT Board (including the Independent Trustees and Independent Directors, respectively, thereon) on a business day to be selected by the NHF Board (the "Valuation Date"). As noted above, it is anticipated that such assets will consist largely of the Multifamily Properties, which have been held by Freedom REIT, on average, for several fiscal quarters and the valuation of which is well understood by NHF Adviser and the NHF Board. The shares of NXRT REIT that will be distributed to the NHF shareholders pro rata in the Spin-Off Transaction will be valued based on the value of NXRT REIT's assets.

5. The Spin-Off Transaction will be consistent with the investment policies of NHF and NXRT REIT, as will be fully disclosed to shareholders of NHF in the proxy statement seeking NHF shareholder approval of the NXRT Advisory Agreement ("Proxy Statement") and as disclosed by NXRT REIT in its registration statement on Form 10. The Proxy Statement that will be used to solicit the approval of NHF's shareholders for the NXRT Advisory Agreement will describe the investment objectives and policies of NHF and NXRT REIT, the management of NXRT REIT, and the terms of the Spin-Off Transaction. The Proxy Statement will be used to solicit the approval of NHF's shareholders of the Spin-Off Transaction at shareholder meeting to take place following the issuance of the requested order. NHF's shareholders will have the opportunity to vote after having received all material disclosure concerning the NXRT Advisory Agreement. The Spin-Off Transaction will not change the underlying assets owned by current NHF shareholders. However, following the Spin-Off Transaction certain of such assets, the Multifamily Properties, will be held through a REIT not regulated under the

Act. The remaining assets will continue to be held through NHF, a closed-end management investment company regulated under the Act.

6. The Applicants assert that the proposed Spin-Off Transaction is being proposed to benefit NHF and its shareholders. The NHF Board and the NXRT Board, including a majority of each's Independent Trustees and Independent Directors, respectively, have each determined that participation in the Spin-Off Transaction is in the best interests of NHF and NXRT REIT, as applicable, and that the interests of the existing stockholders of NHF will not be diluted as a result of effecting the Spin-Off Transaction. Such findings, and the basis upon which the findings were made, will be recorded fully in the minute books of NHF and NXRT REIT.

7. Applicants also seek an order under section 17(d) of the Act and rule 17d-1 thereunder. Section 17(d) of the Act and rule 17d-1 thereunder generally prohibit, among other things, transactions in which a registered investment company and any affiliated person of such a company may be deemed to be acting jointly and as principal. In passing on applications for these orders, rule 17d-1 provides that the Commission will consider whether the participation of the investment company is consistent with the provisions, policies and purposes of the Act, and the extent to which the participation is on a basis different from or less advantageous than that of the other participants. Applicants request an order pursuant to rule 17d-1 to the extent that the participation of the Applicants in the Spin-Off Transaction may be deemed to constitute a prohibited joint transaction.

8. Applicants state that the Spin-Off Transaction will not place any of NHF, NXRT REIT or existing NHF shareholders in a position less advantageous than that of any other participant in the Spin-Off Transaction. The value of NHF's assets transferred to NXRT REIT (and the shares of NXRT REIT stock received in return) will be based on their fair values as determined by the Advisers and the Boards of the Funds on the Valuation Date in accordance with the requirements of the Act and pursuant to valuation policies and procedures adopted by the Boards of NHF and NXRT REIT. The NXRT REIT shares will be distributed to NHF's shareholders, leaving such shareholders in the same investment posture immediately following the Spin-Off Transaction as before, subject only to the allocation of transaction costs and expenses and changes in the market

prices of the underlying assets subsequent to the Spin-Off Transaction.

9. Applicants assert that the Spin-Off Transaction is being proposed to benefit NHF shareholders. The advisory fees for NXRT REIT will be substantially similar to those paid by NHF prior to the Spin-Off Transaction, and neither Adviser nor any affiliated person of NHF or NXRT REIT will receive additional fees on a consolidated basis solely as a result of the Spin-Off Transaction. The Board of NHF has determined that the prospective benefits to the Advisers would be marginal compared to the prospective benefits to NHF shareholders. In addition, by consummating the Spin-Off Transaction, NHF would enable its shareholders to receive securities without the costs associated with a public offering.

### Applicants' Condition

NXRT REIT will commit in its articles of incorporation that it will comply with section 15 of the Act as if it were an investment company registered under the Act, and that it will not enter into an investment advisory agreement unless that agreement complies with section 15 of the Act and any applicable rules thereunder or published guidance of the Commission or its staff.

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

**Brent J. Fields,**

*Secretary.*

[FR Doc. 2015-02796 Filed 2-10-15; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74223; File No. 4-668]

**Joint Industry Plan; Notice of Amendment to the National Market System Plan Governing the Process of Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail by BATS Exchange, Inc., BATS-Y Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., International Securities Exchange, LLC, ISE Gemini, LLC, Miami International Securities Exchange LLC, NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The NASDAQ Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, and NYSE MKT LLC, NYSE Arca, Inc.**

February 6, 2015.

### I. Introduction

Pursuant to Section 11A of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 608 thereunder,<sup>2</sup> notice is hereby given that, on December 12, 2014, BATS Exchange, Inc., BATS-Y Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., International Securities Exchange, LLC, ISE Gemini, LLC, Miami International Securities Exchange LLC, NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The NASDAQ Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc. (collectively, "SROs" or "Participants"), filed with the Securities and Exchange Commission (the "Commission") a proposal to amend the Plan Governing the Process of Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail (the "Selection Plan").

### II. Background

On July 11, 2012, the Commission adopted Rule 613 to require the SROs to jointly submit a national market system ("NMS") plan to create, implement, and maintain a consolidated audit trail

("CAT NMS Plan").<sup>3</sup> To facilitate the development of the consolidated audit trail, following the adoption of Rule 613, the SROs created a working group consisting of representatives from each SRO. The SROs also decided to engage in a request for proposal ("RFP") process to help them develop the CAT NMS Plan and to solicit bids ("Bids") for the role of Plan Processor to build, operate, administer, and maintain the consolidated audit trail.<sup>4</sup> In addition, on September 3, 2013, the SROs filed, for approval, the Selection Plan to govern how the SROs would proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how the SROs would review, evaluate, and narrow down the Bids submitted in response to the RFP—and ultimately selecting the Plan Processor.<sup>5</sup> The Selection Plan was approved on February 21, 2014.<sup>6</sup>

The SROs propose to amend the Selection Plan in two ways. First, the SROs propose to provide opportunities to accept revised Bids prior to approval of the CAT NMS Plan, and second, to allow the list of Shortlisted Bids to be narrowed prior to Commission approval of the CAT NMS Plan. A copy of the proposed amendment to the Selection Plan is attached as *Exhibit A* hereto. The Commission is publishing this notice to solicit comments from interested persons on the proposed amendment to the Selection Plan.

### III. Description of the Plan

Set forth in this Section II is the statement of the purpose of the Selection Plan, along with the information required by Rule 608(a)(4) and (5) under the Exchange Act,<sup>8</sup> prepared and submitted by the SROs to the Commission.<sup>9</sup>

#### A. Background

The Selection Plan governs the process for Participant review of Bids for the role of Plan Processor for the CAT NMS Plan, the procedures for evaluating the Bids, and ultimately, until approval of the CAT NMS Plan,

<sup>3</sup> Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (August 1, 2012).

<sup>4</sup> Pursuant to Section I(C) of the Selection NMS Plan, a "Bid" is a proposal submitted by a Bidder in response to the RFP.

<sup>5</sup> See Securities Exchange Act Release No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013) (Notice of Selection NMS Plan).

<sup>6</sup> *Id.*

<sup>7</sup> See Securities Exchange Act Release No. 71596 (Feb. 21, 2014), 79 FR 11152 (Feb. 27, 2014) (Approval Order).

<sup>8</sup> See 17 CFR 242.608(a)(4) and (a)(5).

<sup>9</sup> See Letter from the Participants to Brent J. Fields, Secretary, Commission, dated December 12, 2014.

<sup>1</sup> 15 U.S.C. 78k-1.

<sup>2</sup> 17 CFR 242.608.