

*Southern California Edison Company, et al., Docket Nos. 50-361 and 50-362, San Onofre Nuclear Generating Station, Units 2 and 3, San Diego County, California*

*Date of application for amendments:* February 23, 2000, as supplemented July 7, 2000.

*Brief description of amendments:* The amendments revise the licensing basis for San Onofre Nuclear Generating Station (SONGS) Units 2 and 3 regarding the methodology for measuring the reactivity worth of control element assembly (CEA) groups during low power physics testing following a refueling. The amendments allow measuring the worth of approximately three-fourths of the full-length CEA groups each refueling cycle rather than the present methodology, which measures the worth of all full-length CEA groups each refueling cycle.

*Date of issuance:* October 10, 2000.

*Effective date:* October 10, 2000.

Implementation includes incorporation of the changes into the Updated Final Safety Analysis Report (UFSAR) at the next update of the UFSAR in accordance with the schedule in 10 CFR 50.71(e).

*Amendment Nos.:* Unit 2-173; Unit 3-164.

*Facility Operating License Nos. NPF-10 and NPF-15:* The amendments authorized revision of the UFSAR Section 4.2.1.5.2, CEA Performance Testing.

*Date of initial notice in Federal Register:* March 22, 2000 (65 FR 15385).

The Commission's related evaluation of the amendments is contained in a Safety Evaluation dated October 10, 2000.

*No significant hazards consideration comments received:* No.

*Union Electric Company, Docket No. 50-483, Callaway Plant, Unit 1, Callaway County, Missouri*

*Date of application for amendment:* September 8, 2000.

*Brief description of amendment:* The amendment revises the Callaway Technical Specifications (TS) to annotate the frequency for Surveillance Requirement (SR) 3.5.2.5 that verification of the automatic closure function of the residual heat removal pump suction Valve BNHV8812A shall be performed prior to startup from the first shutdown to Mode 5 (cold shutdown) occurring after September 8, 2000, but no later than June 1, 2001. The next refueling outage is scheduled for April 2001. This amendment defers the test of the automatic closure function until the next plant shut down to cold shutdown.

*Date of issuance:* October 6, 2000.

*Effective date:* October 6, 2000, to be implemented within 30 days from the date of issuance.

*Amendment No.:* 140.

*Facility Operating License No. NPF-30:* The amendment revised the Technical Specifications.

Public comments requested as to proposed no significant hazards consideration: Yes (65 FR 56943 dated September 20, 2000). The notice provided an opportunity to submit comments on the Commission's proposed no significant hazards consideration determination. No comments have been received. The notice also provided for an opportunity to request a hearing by October 20, 2000, but indicated that if the Commission makes a final no significant hazards consideration determination any such hearing would take place after issuance of the amendment.

The Commission's related evaluation of the amendment, finding of exigent circumstances, and final determination of no significant hazards consideration are contained in a Safety Evaluation dated October 6, 2000.

*Attorney for licensee:* John O'Neill, Esq., Shaw, Pittman, Potts & Trowbridge, 2300 N Street, NW., Washington, DC 20037.

*NRC Section Chief:* Stephen Dembek.

Dated at Rockville, Maryland, this 25th day of October 2000.

For the Nuclear Regulatory Commission.

**John A. Zwolinski,**

*Director, Division of Licensing Project Management, Office of Nuclear Reactor Regulation.*

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## SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24697; 812-11786]

### PMC Capital, Inc., et al.; Notice of Application

October 25, 2000.

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

**ACTION:** Notice of application for an order under sections 6(c) and 57(c) of the Investment Company Act of 1940 (the "Act") for an exemption from sections 57(a)(1) and 57(a)(2) of the Act, and under section 57(i) of the Act and rule 17d-1 under the Act authorizing certain joint transactions otherwise prohibited by section 57(a)(4) of the Act.

**SUMMARY OF APPLICATION:** Applicants request an order that would permit (1)

a business development company ("BDC") to engage in a loan origination agreement with an affiliated real estate investment trust, (2) investment management agreements between subsidiaries of the BDC and the real estate investment trust, and (3) the establishment of special purpose entities owned by the BDC and the real estate investment trust to engage in joint loan securitizations. The requested order would supersede an existing order.

**APPLICANTS:** PMC Capital, Inc. ("PMC"), PMC Commercial Trust (the "REIT"), PMC Advisers, Ltd. ("Advisers"), and PMC Asset Management, Inc. ("Managers").

**FILING DATES:** The application was filed on September 9, 1999 and amended on March 29, 2000 and October 24, 2000.

**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 November 20, 2000, 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. Applicants, 18111 Preston Road, Suite 600, Dallas, Texas 75252.

**FOR FURTHER INFORMATION CONTACT:** Marilyn Mann, Senior Counsel, at (202) 942-0582, or Mary Kay Frech, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch, 450 5th Street, N.W., Washington D.C. 20549-0102 (telephone (202) 942-8090).

### Applicants' Representations

1. PMC, a Florida corporation, is a closed-end diversified management investment company. On June 7, 1994, PMC filed notification of its election to operate as a BDC. PMC provides early stage financing and makes available significant managerial assistance to small businesses and receives interest income, loan servicing and other fees

generated by loans that it originates. PMC makes loans to small businesses either directly or through three subsidiaries, each of which is licensed and regulated by the Small Business Administration ("SBA") and each of which is registered under the Act as a closed-end, diversified management investment company (the "SBA Subsidiaries"). PMC currently has a seven-member board of directors, four of whom are not interested persons of PMC ("Independent Directors"). The four Independent Directors of PMC have no financial interest in the REIT. PMC and its SBA Subsidiaries do not have external investment advisers.

2. The REIT, formed in June 1993, is a Texas real estate investment trust whose common shares of beneficial interest are traded on the American Stock Exchange. The REIT was formed to take advantage of certain loan origination opportunities that PMC was unable to pursue because, among other things, many of its customers grew to exceed the limitations applicable to the SBA program or potential new borrowers were interested in loans of a size or type that did not meet the SBA criteria, and leverage restrictions applicable to PMC precluded it from borrowing enough additional capital to satisfy loan demand.

3. To mitigate against potential conflicts of interest between PMC and the REIT, PMC and the REIT entered into a loan origination agreement to set forth specific objective criteria to be used to allocate loan origination opportunities between them. The agreement provides that PMC will continue to make loans through its investment company subsidiaries in accordance with the eligibility requirements of the SBA programs used by the subsidiaries. Pursuant to the loan origination agreement, the REIT makes loans primarily (a) to borrowers that exceed the eligibility requirements of the SBA programs used by PMC, (b) in excess of \$1,100,000, or (c) that do not conform to PMC's fundamental policies. In 1993, PMC obtained an order under the Act (the "1993 Order")<sup>1</sup> that permitted (a) PMC to own PMC Advisers, Inc., an investment adviser registered under the Investment Advisers Act of 1940 (the "Advisers Act"); (b) PMC Advisers, Inc. to enter

into an investment management agreement with the REIT; and (c) PMC and the REIT to enter into the loan origination agreement.

4. Advisers is the successor-in-interest by merger to PMC Advisers, Inc. Advisers is an indirect, wholly owned subsidiary of PMC, and Managers is a direct, wholly owned subsidiary of Advisers. Advisers presently provides services to the REIT with respect to the REIT's ownership of commercial real estate properties. Managers presently provides services to the REIT with respect to the REIT's loan origination activities. Advisers and Managers pay all of their net income to PMC in the form of dividends or partnership distributions. The executive management teams of the REIT, PMC, Advisers and Managers are comprised of the same individuals.

5. PMC and the REIT propose to enter into arrangements to generate working capital from time to time by jointly selling through securitization transactions portions of their respective loan portfolios. At such time as PMC and the REIT have originated a sufficient amount of loans to securitize on a cost-effective basis, PMC and the REIT propose to form a jointly owned special purpose entity ("SPE"). PMC and the REIT will each transfer ownership of the loans to the SPE in exchange for cash and an equity interest in the SPE based upon the relative outstanding principal balance of the loans that each contributes to the SPE. As the equity owners of the SPE, each of PMC and the REIT will retain the residual interest in the specific loans it transfers to the SPE to the extent any loans remain following repayment in full of the securities issued by the SPE.

6. Each SPE will be a limited partnership, limited liability company, trust or some other type of entity the form of which will be determined at the time of each transaction. Each SPE will be a passive, special purpose bankruptcy-remote entity and its organizational documents will expressly limit its activities to owning and holding the loans, issuing debt securities and other activities that are reasonably related thereto. Each SPE will rely on rule 3a-7 under the Act for an exemption from regulation under the Act. Each of PMC and the REIT will continue to service the loans that it transfers to the SPE pursuant to a servicing agreement that will govern the servicing of the loans and any other loan related property owned by the SPE. The SPE will pay PMC and the REIT a servicing fee for servicing the loans transferred to the SPE, which will be equal to the servicing fee that each

would receive in a transaction in which the other was not a participant.

7. PMC and the REIT do not anticipate that they will necessarily transfer the same amount of loans to the SPE in connection with any particular transaction. However, the rights and obligations (other than any rights or obligations based solely on each entity's percentage ownership interest in the SPE) of each of PMC and the REIT under the transaction documents will be identical. To ensure that neither PMC nor the REIT is disadvantaged relative to the other with respect to the purchase price it receives upon the transfer of the loans to the SPE, the relative ownership interests of PMC and the REIT in the SPE and the amount of net proceeds each receives for the loans it transfers to the SPE will be based on the aggregate outstanding principal balance of the loans each such party transfers to the SPE without regard to the interest rates on such loans. Thereafter, to ensure that PMC and the REIT each benefit from the value of the loans it transfers to the SPE, all subsequent distributions to be made to PMC and the REIT under the securitization documents will be allocated proportionately based upon the relationship that the amount of the funds available for distribution to PMC and the REIT that is attributable to the loans (including the interest earned thereon) that were transferred to the SPE by such party bears to the total amount of funds then available for distribution to PMC and the REIT. Accordingly, the distributions each of PMC and the REIT receives will be based upon the performance of the loans that it transfers to the SPE.

8. PMC and the REIT will be required to pay certain expenses (including accounting, legal, investment banking, rating agency, printing, filing, recording and other expenses) incurred in connection with the issuance of securities by the SPE. They will each pay their portion of such expenses in accordance with their respective ownership interests in the SPE.

9. The SPEs will issue debt securities (the "SPE Debt Securities") to investors in private placement transactions exempt from registration under section 4(2) of the Securities Act of 1933 (the "Securities Act"). The senior class of the SPE Debt Securities will be rated by a nationally recognized rating agency in one of its two highest rating categories. The indebtedness evidenced by the SPE Debt Securities will be secured by a security interest in the loans and will be over-collateralized as the aggregate outstanding principal balance of the loans securing the SPE Debt Securities will exceed the principal amount of the

<sup>1</sup> PMC Capital, Inc., Investment Company Act Release Nos. 19823 (Oct. 29, 1993) (notice) and 19895 (Nov. 23, 1993) (order). The other parties to the order were PMC Advisers, Inc., the REIT, Andrew S. Rosemore and Lance B. Rosemore. Lance B. Rosemore and Andrew S. Rosemore were applicants because at the time the 1993 Order was issued, they owned all of the issued and outstanding beneficial interests in the REIT. The REIT is now a publicly traded company.

SPE Debt Securities that will be issued by the SPE. The indebtedness evidenced by the SPE Debt Securities will also be secured by certain amounts that the SPE will be required to deposit in a reserve account maintained with the trustee under the indenture pursuant to which the SPE Debt Securities will be issued. The SPE will issue the SPE Debt Securities on a non-recourse basis and accordingly, neither PMC nor the REIT will have any liability or obligation for repayment of the SPE Debt Securities. The SPE will make payments of principal and interest on the SPE Debt Securities issued by the SPE from the payments of principal and interest received by the SPE on the loans securing the SPE Debt Securities. In the event that on any payment date the payments of principal and interest received by the SPE are insufficient to make the payments required to be paid to the holders of SPE Debt Securities on such date, amounts on deposit in the reserve account will be utilized to make the payments to the holders of SPE Debt Securities. To the extent amounts on deposit in the reserve account are insufficient to make the payments required to be paid to the holders of SPE Debt Securities on such date, the loans comprising the over-collateralization amount will provide excess collateral that will be available to the holders of SPE Debt Securities.

10. Applicants state that, historically, PMC's primary sources of capital and liquidity have been debentures issued through programs of the SBA, private and public issuances of common stock, the private issuance of senior unsecured medium term notes and the utilization of its short-term, unsecured revolving credit facility. Due to changes in certain SBA programs during the past three years that have increased the cost of SBA debentures, PMC has utilized other more cost-effective sources of funds to finance and expand its loan portfolio. PMC has been able to generate cost-effective growth in its investment portfolio through the sale from time to time of a portion of its loan portfolio through securitization transactions. These loan sales accomplished through securitization transactions have enabled PMC to generate working capital at rates generally better than available through the issuance of SBA debentures under the terms recently in existence. From time to time during the past four years the REIT has also raised working capital through the sale of portions of its loan portfolio through securitization transactions. Applicants contend that PMC and the REIT could each utilize

the securitization process more effectively on a combined basis.

11. Applicants state that the proposed transactions would enable PMC and the REIT to accumulate larger, more diversified loan portfolios and thereby achieve larger asset-backed securities offerings. Geographic and borrower diversity in the loan portfolio reduces the risk associated with the securities to be issued by the SPE and is therefore fundamental to and may benefit the rating process. Applicants state that more widely diversified loan portfolios will improve their ability to obtain a rating in one of the two highest ratings categories from a nationally recognized rating agency, which will result in a lower interest rate on the SPE Debt Securities. Applicants state that increasing the size of the securitization transaction should not increase substantially the associated transaction costs and should therefore significantly reduce the transaction costs that would otherwise be paid by each of PMC and the REIT in connection with a securitization transaction conducted on an individual basis.

#### Applicants' Legal Analysis

1. Applicants request an order under sections 6(c) and 57(c) of the Act granting an exemption from sections 57(a)(1) and 57(a)(2) of the Act, and under section 57(i) of the Act and rule 17d-1 under the Act authorizing certain joint transactions otherwise prohibited by section 57(a)(4) of the Act. The requested order will supercede the 1993 Order.

#### *Section 57(a)(1) and 57(a)(2)*

2. Section 57(a)(1) of the Act provides that it shall be unlawful for any person related to a BDC in the manner specified in section 57(b) of the Act, acting as principal, knowingly to sell any security or other property to the BDC or to any company controlled by the BDC, unless the sale involves solely (a) securities of which the buyer is the issuer, or (b) securities of which the seller is the issuer and which are part of a general offering to the holders of a class of its securities. Section 57(a)(2) provides that it shall be unlawful for any person related to a BDC in the manner specified in section 57(b), acting as principal, knowingly to purchase from the BDC or from any company controlled by the BDC, any security or other property (except securities of which the seller is the issuer).

3. Section 57(b) provides, among other things, that section 57(a) shall apply to any person directly or indirectly controlling, controlled by, or under common control with, a BDC.

Under section 2(a)(9) of the Act, a control relationship is presumed to exist if a person, either directly or through one or more controlled companies, is the beneficial owner of more than 25% of a company's outstanding voting securities. Section 57(c) of the Act provides that a person may file with the Commission an application for an order exempting a proposed transaction from sections 57(a)(1) or 57(a)(2). The Commission shall grant the application if (a) the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching of the BDC or its shareholders on the part of any person concerned, (b) the proposed transaction is consistent with the policy of the BDC as recited in the filings made by the company under the Securities Act, its registration statement and reports filed under the Securities Exchange Act of 1934 (the "Exchange Act"), and its reports to shareholders, and (c) the proposed transaction is consistent with the general purposes of the Act.

4. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction, or any class of persons, securities, or transactions, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

5. PMC will own more than 25% of the outstanding voting securities of an SPE and thus will be deemed to control the SPE. Section 57(a) thus applies to transactions between PMC and an SPE. The proposed securitization transactions contemplate that PMC and the REIT will each transfer loans to the SPE in exchange for cash and an equity interest in the SPE. The transfer of the equity interests by the SPE to PMC constitutes the sale of a security to a BDC and is therefore prohibited by section 57(a)(1). In addition, the acquisition of loans by an SPE from PMC will constitute the purchase of property from a BDC and is therefore prohibited by section 57(a)(2).

6. Applicants believe that the proposed transactions satisfy the standards for relief set forth in sections 57(c) and 6(c). Applicants state that conditions 8 and 9 to the requested relief would assure that the consideration to be paid or received is reasonable and fair and would not involved overreaching of the BDC or its shareholders on the part of any person concerned.

7. Applicants state that the proposed transactions are consistent with the policies of PMC as set forth in its public filings and reports to shareholders. Applicants therefore believe that the requested relief is appropriate in the public interest and consistent with the protection of investors and the policies and provisions of the Act.

*Section 57(a)(4)*

8. Section 57(a)(4) provides that it shall be unlawful for any person related to a BDC in the manner specified in section 57(b) of the Act, acting as principal, knowingly to effect any transaction in which the BDC or a company controlled by the BDC is a joint or a joint and several participant with such person in contravention of Commission rules adopted for the purpose of limiting or preventing participation by the BDC or controlled company on a basis less advantageous than that of such person.

9. Section 57(i) of the Act provides that, until the Commission prescribes rules under sections 57(a) and 57(d), the Commission's rules under sections 17(a) and 17(d) of the Act applicable to registered closed-end investment companies shall be deemed to apply to sections 57(a) and 57(d) of the Act. Because the Commission has not adopted any rules under section 57(a)(4), rule 17d-1 applies.

10. Rule 17d-1 under the Act generally prohibits affiliated persons of an investment company from entering into joint transactions with the company without prior Commission authorization. In passing upon applications under rule 17d-1, the Commission considers whether the participation by the BDC in the joint transaction is consistent with the provisions, policies, and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants.

11. The REIT is advised by Advisers and Managers and thus could be deemed to be controlled by Advisers and Managers. Advisers and Managers are wholly owned subsidiaries of PMC and thus are persons controlled by PMC. The REIT is thus indirectly controlled by PMC. The REIT is prohibited from entering into joint transactions with PMC absent an exemptive order.

12. The proposed joint securitizations will be joint transactions involving PMC and the REIT. Applicants believe that the proposed transactions are consistent with the provisions, policies and purposes of the Act and that participation of PMC in the proposed transactions will not be on a basis less

advantageous than that on the REIT. The directors of PMC, including a "required majority" of the directors as defined in section 57(o), will determine that the terms of the transactions, including the consideration to be paid, are reasonable and fair. The terms of each joint securitization will be the same for PMC and the REIT. Applicants contend that sufficient safeguards are in place through the underwriting and ratings processes to prevent the REIT or PMC from transferring disproportionately inferior credit quality loans to an SPE. In addition, the REIT will make certain representations relating to the credit quality of the loans it transfers as described in condition B.3.

13. A "required majority," as defined in section 57(o) of the Act, of the directors of PMC will be required to make a determination in connection with any proposed securitization transaction that the loans transferred to the SPE by PMC could not have obtained a higher credit rating in a transaction not involving the participation of the REIT. To assist the directors of PMC in making this determinations, the directors will be provided with the same extensive detailed loan and credit information that is provided to a rating agency, including information about the loan origination operations of PMC and REIT, the credit underwriting criteria utilized in originating the loans, historical delinquency and collection information, and loan loss and recovery histories. This information will provide a detailed analysis of the loan portfolio characteristics, including loan concentration by state, franchisor, and other pertinent characteristics of the loan portfolio. The board of directors will also be provided sample marketing information, delinquency and problem loan reports and such other due diligence reports and information as the rating agencies utilize in rating any such transaction. Information provided to PMC's board of directors will also include an analysis comparing the PMC loan pool to the loan pool to be transferred to the SPE by the REIT. Finally, PMC will provide its board of directors with an executive summary of each loan included in the PMC pool and each loan included in the REIT pool on an individual pool basis, which will contain detailed information about each loan, including the property type, date of loan origination, original loan principal amount, outstanding principal balance, current interest rate, maturity date, delinquency history, amortization period, original and current loan-to-

value ratios, debt-service-coverage ratio and property location.

14. Applicants state that, in the unlikely event that the credit quality of the loans conveyed by the REIT or PMC is significantly disproportionately lower than the credit quality of the loans conveyed by the other party, the residual interest of the party contributing the higher quality loans could be disproportionately impacted. To protect the party transferring a higher quality loan portfolio against this possibility, each transaction will be structured so that all distributions to PMC and the REIT under the documents will be based on the performance of the loans transferred by PMC or the REIT, as the case may be. Either the organizational documents of the SPE and/or a separate agreement between PMC and the REIT will provide that any and all amounts distributable to PMC and the REIT in respect of each party's residual interest in its loans will be determined pursuant to a percentage allocation, the numerator of which is the amount of funds available for distribution that is attributable to the loans transferred by such party to the SPE and the denominator of which is the total funds then available for distribution to PMC and/or the REIT. Each party will also agree to reimburse the other in the unlikely event such other party's residual interest in the loans it transferred to the SPE is disproportionately impacted as a result of the non-performance of the loans transferred to the SPE by such party.

15. Applicants state that a particular securitization transaction could also potentially be less advantageous to PMC or the REIT if one of the parties commits an act or omission that subjects that other to liability. PMC and the REIT will each execute a cross-indemnity agreement to protect the other party against the risk.

16. Applicants also seek an order under section 57(i) and rule 17d-1 superseding the 1993 Order which permits the loan origination agreement between PMC and the REIT and investment management agreements between Advisers and the REIT and Managers and the REIT.

**Applicants' Conditions**

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

*A. Investment Advisory and Management Arrangements*

1. PMC's board of directors, including a "required majority" or the directors as defined in section 57(o) of the Act, will review at least annually the relationship

among (a) Advisers, the REIT and their affiliated persons and (b) Managers, the REIT and their affiliated persons, to determine whether the benefits derived by PMC and its shareholders warrant the continuation of the advisory relationships, including, but not limited to, the advisory agreement between Managers and the REIT and the management agreement between Advisers and the REIT and, if appropriate, will approve (by a vote of a majority of the directors of PMC, including the "required majority") at least annually such continuation.

2. A loan origination agreement has been entered into between PMC and the REIT to set forth specific objective criteria, as described in the application, which is utilized by Managers to allocate loan origination opportunities. Any amendments or modifications to the loan origination agreement will be approved by PMC's board of directors, including the "required majority."

3. The minutes of the meetings of PMC's board regarding the relationships among Managers, the REIT and their affiliated persons, including consideration of the advisory agreement between Managers and the REIT, and among Advisers, the REIT and their affiliated persons, including consideration of the management agreement between Advisers and the REIT, and the loan origination agreement or any amendments or modifications thereto, will reflect in detail a description of the board's deliberations, its findings, the information or materials upon which its findings were based, and the reasons for the directors' determination (a) that the relationships among Managers, the REIT and their affiliated persons, including the investment advisory agreement between Managers and the REIT, (b) that the relationship among Advisers, the REIT and their affiliated persons, including the management agreement between Advisers and the REIT, or (c) the loan origination agreement and any amendments or modifications thereto, as the case may be, is in the best interests of both PMC and its shareholders.

4. PMC will, without prejudice to the rights of its board of directors to dispose of PMC's interests in Advisers or Managers in their respective entitlements, at all times own directly or indirectly beneficially and of record all of the issued and outstanding shares of capital stock or partnership interests of Advisers and Managers, as the case may be, and will cause Advisers and Managers not to issue any authorized but unissued shares of its capital stock or partnership interests to any person

other than PMC or a wholly-owned subsidiary of PMC.

5. A majority of the directors of PMC, Advisers and Managers will not have any financial interest in or be "interested persons" of the REIT, as if the REIT were an investment company under section 2(a)(19)(A).

#### *B. Joint Securitization Transactions*

1. (a) The directors of PMC will receive written information concerning all joint securitization opportunities. The directors may request such additional information as they deem necessary to the exercise of their reasonable business judgment, and they will also employ such experts, including lawyers and accountants, as they deem appropriate to the reasonable exercise of this oversight function. PMC will engage in a joint securitization with the REIT only if a "required majority" of the directors of PMC conclude, prior to the transaction, that:

(i) The terms of the transaction, including the consideration to be paid, are reasonable and fair to the shareholders of PMC and do not involve overreaching of PMC on the part of any person concerned;

(ii) The transaction is consistent with the interests of the shareholders of PMC and is consistent with PMC's investment objectives and policies as recited in filings made by PMC under the Securities Act, as amended, its registration statement and reports filed under the Exchange Act and its reports to shareholders; and

(iii) Participation in the transaction by the REIT would not disadvantage PMC, and that participation by PMC would not be on a basis different from or less advantageous than that of the REIT.

(b) PMC has the right to decline to participate in any joint securitization opportunity.

2. The directors of PMC will be provided with a detailed credit rating analysis of each pool of loans to be contributed by PMC and the REIT in connection with any proposed joint securitization transaction and the investment bankers of PMC will provide a detailed presentation to PMC's directors analyzing each pool of loans on an individual pool basis. If the "required majority" of directors of PMC determine that the loans contributed by the REIT are of an inferior credit quality and would cause the transaction to receive a credit rating lower than the credit rating PMC's loans could otherwise obtain in a transaction not involving the REIT, PMC will not participate in the joint transaction.

3. The loans transferred by the REIT to the SPE will satisfy the following

conditions: (a) Such loans will have a weighted average loan-to-value ratio at the time of loan origination that is less than the weighted average loan-to-value ratio at the time of loan origination of the loans that PMC transfers to the SPE; (b) such loans will have a weighted average loan-to-value ratio at the time of transfer that is less than the weighted average loan-to-value ratio of the loans that PMC transfers to the SPE; (c) no loan transferred by the REIT will be 30 days delinquent at the time of transfer; and (d) an environmental site assessment shall have been performed in connection with the origination of each such loan and to the REIT's knowledge, at the time of origination, the property securing each such loan was in material compliance with all applicable federal, state and local environmental laws and regulations.

4. Records required by section 57(f)(3) of the Act will be maintained as if each of the transactions permitted under these conditions were approved by the "required majority" of PMC's directors under section 57(f).

5. The senior class of each asset-backed securities offering issued by an SPE jointly owned by PMC and the REIT will be rated in one of the two highest ratings categories by a NRSRO, as defined in rule 2a-7 under the Act.

6. Loans originated by the REIT will not be eligible to participate in any joint transaction unless they were underwritten by the REIT utilizing the same credit quality and underwriting criteria as that utilized by PMC with respect to any loans it originates and transfers to an SPE.

7. Neither PMC nor the REIT will utilize any selection criteria with respect to the loans it selects to transfer to any SPE that would result in such loans being of a quality generally inferior to that of all of its loans taken as a whole.

8. On the date of the transfer, each of PMC and the REIT will receive net proceeds in respect of the loans it transfers to the SPE in an amount equal to the aggregate outstanding principal balance of the loans it transferred to the SPE less its pro rata portion (based on the ratio of the aggregate principal balance of the loans its transfers to the total aggregate principal balance of all loans transferred by PMC and the REIT to the SPE) of any trustee fees, rating agency fees, other transaction costs and any initial reserve account deposits and required over-collateralization amounts.

9. Following the initial distribution of net proceeds to PMC and the REIT, all subsequent distributions to PMC and/or the REIT made in respect of their respective residual interests in the loans

will be made pro rata to PMC and/or the REIT based on the percentage of the total amount available for distribution to PMC and/or the REIT that is attributable to the loans each such party transferred to the SPE.

10. PMC and the REIT will agree pursuant to the organizational documents of the SPE or a separate agreement to reimburse the other party to the extent that such other party's residual interest in the loans it transferred to the SPE is disproportionately impacted as a result of the non-performance of the loans transferred to the SPE by PMC or the REIT, as the case may be.

11. Each of PMC and the REIT will continue to service the loans it transfers to the SPE and shall receive the servicing fee payable in respect thereof for so long as PMC and the REIT service the loans in accordance with the terms of the securitization documents.

12. PMC and the REIT will provide quarterly servicing reports to the board of directors of PMC and the trust managers of the REIT. Such reports shall show in reasonable detail all collections received from the loans transferred by each of PMC and the REIT as well as all deposits, payments and distributions made from the collection amounts and the reserve account. Such servicing reports shall also provide information on the status of any delinquent loans and any loan that becomes a charged-off loan.

13. PMC and the REIT will provide to the board of directors of PMC and the trust managers of the REIT notice of the occurrence of any event, non-payment or loan loss with respect to any loan transferred to the SPE by one party that reduces the reserve account or increases the minimum amount required to be on deposit in the reserve account or causes the other party not to receive the distribution amount that it would have otherwise been entitled to receive if such event or loss had not occurred (each a "Reimbursement Trigger Event").

14. PMC and the REIT will provide the board of directors of PMC and the trust managers of the REIT with notice when all amounts owing to PMC or the REIT, as the case may be, in respect of a Reimbursement Trigger Event have been paid in full by the other party.

15. The expenses associated with each joint securitization transaction will be shared by PMC and the REIT in proportion to their ownership interests in the SPE.

16. The terms and conditions of each joint securitization will be the same for PMC and the REIT.

17. The Independent Directors will review quarterly all relevant information concerning joint securitization transactions created during the preceding quarter to determine whether the conditions set forth in the application were compiled with.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27261]

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

October 25, 2000.

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 under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statement of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch 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 November 20, 2000, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, 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 the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts 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 November 20, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### Appalachian Power Company

[70-5503]

Appalachian Power Company ("Appalachian"), 40 Franklin Road, SW, Roanoke, Virginia 24011, an electric

public-utility subsidiary company of American Electric Power Company, Inc., a registered holding company, has filed a post-effective amendment to its application-declaration under sections 9(a), 10 and 12(d) of the Act and rules 44 and 54 under the Act.

By order dated December 10, 1974 (HCAR No. 18703), the Commission authorized Appalachian, among other things, to enter into an agreement of sale ("Agreement") with the Industrial Development Authority of Russell County, Virginia ("Authority"), concerning the financing of pollution control facilities ("Facilities") at Appalachian's Glen Lyn and Clinch River plants. Under the Agreement, the Authority may issue and sell its pollution control revenue bonds ("Revenue Bonds") or pollution control refunding bonds ("Refunding Bonds" and, together with Revenue Bonds, "Bonds"), in one or more series, and deposit the proceeds with the trustee ("Trustee") under an indenture ("Indenture") entered into between the Authority and the Trustee. The Trustee applies the proceeds to the payment of the costs of construction of the Facilities or, in the case of proceeds from the sale of the Refunding Bonds, to the payment of principal, premium (if any) and/or interest on Bonds to be refunded.

The same order also authorized Appalachian to convey an undivided interest in a portion of the Facilities to the Authority, and to reacquire that interest under an installment sales arrangement ("Sales Agreement") requiring Appalachian to pay as the purchase price semi-annual installments in an amount that, together with other funds held by the Trustee under the Indenture for that purpose, will enable the Authority to pay, when due, the interest and principal on the Bonds. The Authority has issued and sold eight series of Bonds in an aggregate principal amount of \$116.24 million of which \$37.0 million presently are outstanding.

The Authority now intends to issue and sell an additional series of bonds in the aggregate principal amount of up to \$17.5 million ("Series I Refunding Bonds") the proceeds of which will be used to provide for the redemption on or prior to maturity of \$17.5 million principal amount of the Series G Bonds of the Authority. It is contemplated that the Series I Refunding Bonds will be issued and secured under a supplemental indenture between the Authority and the Trustee. Appalachian proposes to enter into an amended Sales Agreement in connection with the Series I Refunding Bonds under essentially the same terms and