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April 17 1985

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| Act | ICA-40 |
| Section | 3(c)(5)(C) |
| Rule | |
| Public | |
| Availability | 6/17/85 |

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Securities and Exchange Commission
 Judiciary Plaza
 450 Fifth Street, N.W.
 Washington, D.C. 20549

Attention: Thomas S. Lemke
 Chief Counsel,
 Division of Investment Management

Re: Salomon Brothers Inc

Dear Sirs:

Salomon Brothers Inc ("Salomon") proposes to provide financial services in connection with the establishment of a trust (the "Trust") for the purpose of issuing participation certificates (the "Certificates") evidencing fractional undivided interests in real estate mortgages the interest on which is exempt from Federal income tax. Salomon believes that such real estate interests exist in the form of industrial development bonds and other obligations (the "Mortgage Bonds") secured at the time of their issuance by purchase money mortgages or deeds of trust on real estate.

The Mortgage Bonds will be purchased from one or more institutional lenders (collectively, the "Institutional Lender") which acquired the Mortgage Bonds under circumstances that, according to legal opinions rendered at the time of such transactions, did not require registration

under the Securities Act of 1933, as amended. The Mortgage Bonds will be purchased from the Institutional Lender by Salomon or a special purpose corporation wholly-owned by Salomon or its parent (the "Grantor"), in any case acting as principal, which will in turn serve as sponsor of the Trust and assign the Mortgage Bonds contemporaneously to the Trust.

The Trust will enter into an agreement (the "Backup Purchase Agreement") with a special purpose corporation (the "Backup Purchaser") which is an affiliate of the Institutional Lender pursuant to which the Backup Purchaser will irrevocably agree to purchase from the Trust any Mortgage Bonds as to which there occurs a default in the payment when due of principal or interest which is not cured through payment in full within 90 days after the payment was due. The purchase price would be calculated, pursuant to the Backup Purchase Agreement, to be that price which would provide a yield to the holders of the Certificates equal to the yield at which the Certificates were originally offered to the public.

Timely payment of amounts due from the Backup Purchaser under the Backup Purchase Agreement will be guaranteed by a surety bond (the "Surety Bond") to be purchased by the Backup Purchaser from an insurance company (the "Surety"), which may be the Institutional Lender or an affiliated corporation. The Surety Bond will be issued to the independent trustee (the "Trustee") of the Trust for the benefit of the holders from time to time of the Certificates.

On behalf of Salomon, we respectfully request that the staff of the Division of Investment Management advise us that it will not recommend that the Commission take enforcement action if the Trust issues the Certificates without registering under the Investment Company Act of 1940, as amended (the "1940 Act").

Description of the Proposed Transaction

Proceeds from the sale of the Certificates will be used by the Trust to purchase the Mortgage Bonds from the Grantor contemporaneously with the delivery of the Certificates and to pay various costs of issuance (including legal fees and costs of distribution). The Mortgage Bonds will bear interest at a fixed rate. Interest on the Mortgage Bonds will be paid either monthly or semiannually. In all

cases, interest on the Mortgage Bonds will, at the time of the issuance of the Certificates, be exempt from Federal income tax according to legal opinions rendered at the time the Mortgage Bonds were issued.

Each Certificate will entitle its holder to a cash distribution, payable either monthly or semiannually, of the pro rata share of all payments of principal of and interest on the Mortgage Bonds held by the Trust and the pro rata share of all amounts received by the Trust from the Backup Purchaser (or under the Surety Bond) upon the purchase of defaulted Mortgage Bonds pursuant to the Backup Purchase Agreement (less fees and expenses of the Trustee and fees of the servicer of the Mortgage Bonds (which will be the Institutional Lender or its affiliate), all as described below). Such distributions will be exempt from Federal income tax to the same extent as interest on the respective Mortgage Bonds held by the Trust. The Certificates will be sold to investors at a price equal to a specified percentage of the unpaid principal amount of the Mortgage Bonds to be determined by Salomon based on market conditions at the time of sale, plus accrued interest on the Mortgage Bonds.

Under the Backup Purchase Agreement between the Trust and the Backup Purchaser, the Backup Purchaser will irrevocably agree to purchase from the Trust any Mortgage Bonds as to which there occurs a default in the payment when due of principal or interest which is not cured through payment in full within 90 days after the payment was due. The purchase price would be calculated, pursuant to the Backup Purchase Agreement, to be that price which would provide a yield to the holders of the Certificates equal to the yield at which the Certificates were originally offered to the public. In addition, the Surety Bond to be purchased by the Backup Purchaser from the Surety will be in an amount sufficient to provide for the payment of the Backup Purchaser's obligations in connection with the purchase of defaulted Mortgage Bonds pursuant to the Backup Purchase Agreement. The Backup Purchase Agreement and the Surety Bond will eliminate the need for prospective investors to investigate in detail the adequacy of the assets securing the Mortgage Bonds or the financial condition of the individual companies which use the facilities financed with the proceeds of the Mortgage Bonds.

The Trust will be a passive trust created by the Grantor solely to hold the Mortgage Bonds on behalf of the holders of the Certificates. The Trustee will not invest

any Trust assets other than the short-term investment, pending distribution to holders of Certificates, of payments received on the Mortgage Bonds. No Mortgage Bonds will be sold from, added to or withdrawn from the Trust after the Certificates are issued (except for Mortgage Bonds purchased by the Backup Purchaser on default as described above and certain Mortgage Bonds which the Trustee of the Trust will be instructed to tender for purchase as described below).

The Certificates will not be redeemable either at the option of the Certificateholders or the Trust and the Certificateholders will have no right to require the Trust, the Backup Purchaser or the Surety to purchase any Certificates. The Mortgage Bonds generally contain no provision for redemption or purchase at the option of the holder thereof. In those few cases where the Mortgage Bonds contain such provisions, the Trustee will be instructed at the time of the establishment of the Trust to tender such Mortgage Bonds for redemption or purchase at the earliest date on which it may do so in accordance with the terms of the Mortgage Bonds. In the event of the redemption of any of the Mortgage Bonds or the purchase of any Mortgage Bonds by the Backup Purchaser pursuant to the Backup Purchase Agreement, any amounts received by the Trust will be distributed on a pro rata basis to the Certificateholders and be credited against the unpaid principal amount of the Certificates.

The Institutional Lender or its affiliate will continue to service the Mortgage Bonds pursuant to a servicing agreement with the Trust providing for fixed servicing fees which will be agreed upon at the time of the establishment of the Trust. The Trustee will have authority to substitute another servicer if the Institutional Lender or its affiliate, as the case may be, defaults under the servicing agreement.

The Grantor will realize a profit (or sustain a loss) resulting from the difference between the purchase price paid to the Institutional Lender for the Mortgage Bonds and the cost of the Mortgage Bonds to the Trust. In addition, the Trust may pay to Salomon a fixed percentage of the outstanding principal amount of the Mortgage Bonds held by the Trust as a fee for Salomon's services in connection with the establishment of the Trust and selling the Certificates to investors.

Exemption of the Trust from Registration under the
1940 Act

Each of the Mortgage Bonds will be primarily secured by purchase money mortgages or deeds of trust on real property acquired or developed with the proceeds of the Mortgage Bonds, and had a loan to value ratio at the time the Mortgage Bonds were issued of not more than 100 percent. At least 55 percent of the Mortgage Bonds by principal amount will be secured, at the date of their issuance and at the date of issuance of the Certificates, exclusively by interests in real estate. Such Mortgage Bonds will represent the entire outstanding issue of one or more issues of Mortgage Bonds. In those cases where the mortgages or deeds of trust securing the Mortgage Bonds run to an indenture trustee for the benefit of the holders from time to time of the Mortgage Bonds, the Trust will have the right, as the holder of the entire issue of such bonds, to direct the indenture trustee to foreclose on the real property covered by such mortgages or deeds of trust. In all other cases, the mortgages or deeds of trust securing the Mortgage Bonds will be assigned, and title to such mortgages transferred, to the Trustee, who will have the right to foreclose on the real property subject to such mortgages or deeds of trust. The Mortgage Bonds will not be readily tradable in any currently-existing secondary market.

In our opinion, the Trust will be excluded from the definition of an investment company by reason of Section 3(c)(5)(C) of the 1940 Act, which exempts from the definition of "investment company" any company that "is not engaged in the business of issuing redeemable securities, face amount certificates of the installment type or periodic payment plan certificates" and that "is primarily engaged in . . . purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." See generally Shearson Lehman/American Express Inc. (pub. avail. March 25, 1985); McDonald & Company Securities, Inc. (pub. avail. Dec. 14, 1983); Merrill Lynch, Pierce, Fenner & Smith, Inc. (pub. avail. Nov. 4, 1981). In a similar context, the staff has taken the position that an issuer is exempt under Section 3(c)(5)(C) if at least 55 percent by principal amount of an issuer's assets constitute "mortgages and other liens on and interests in real estate." See Shearson Lehman/American Express Inc. (pub. avail. March 25, 1985); Salomon Brothers Mortgage Securities, Inc. (pub. avail. Nov. 8, 1983).

We are also of the view that the Trust will not be engaged in the business of issuing "redeemable securities" that would render the Section 3(c)(5)(C) exemption unavailable. See generally Shearson Lehman/American Express Inc. (pub. avail. March 25, 1985); McDonald & Company Securities, Inc. (pub. avail. Dec. 14, 1983). Section 2(a)(32) of the Act defines a "redeemable security" as "any security, other than short-term paper, under the terms of which the holder, upon its presentation to the issuer or to a person designated by the issuer, is entitled . . . to receive approximately his proportionate share of the issuer's current net assets, or the cash equivalent thereof."

There will be no obligation on the part of the Trust or any one designated by the Trust as acting on its behalf to purchase any Certificates, whether on demand of the holders thereof or otherwise. Any amounts received by the Trust upon redemption of any of the Mortgage Bonds or purchase of any Mortgage Bonds by the Backup Purchaser pursuant to the Backup Purchase Agreement will be distributed pro rata to the holders of the Certificates and not used to redeem Certificates.

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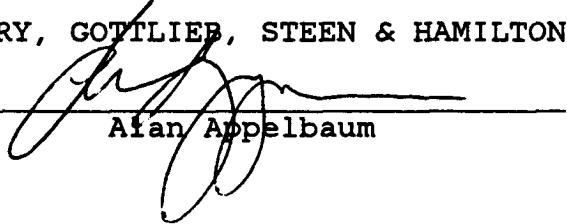
On the basis of the foregoing, we respectfully request that the staff of the Division of Investment Management advise us that it will not recommend that the Commission take enforcement action if the Trust issues the Certificates without registering under the 1940 Act.

Salomon would like to proceed with the offering of the Certificates at the earliest possible time, and would therefore appreciate your earliest consideration of this matter. If further clarification is requested, please call Alan Appelbaum or Richard S. Lincer of this firm at (212) 344-0600.

Very truly yours,

CLEARY, GOTTILIEB, STEEN & HAMILTON

By


Alan Appelbaum

PUBLIC

MAY 16 1985

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 85-189
Salomon Brothers Inc.
File No. 132-3

We would not recommend that the Commission take any enforcement action under the Investment Company Act of 1940 ("1940 Act") against Salomon Brothers Inc. or the Trust if, in reliance upon your opinion as counsel that the Trust is excepted from the definition of investment company by section 3(c)(5)(C) of the 1940 Act, the Trust does not register under the 1940 Act. Our position is based upon (1) the facts and representations contained in your letter of April 17, 1985, specifically that at least 55% of the Trust's assets will be invested in Mortgage Bonds representing the entire outstanding issue of one or more issues of Mortgage Bonds; and (2) the oral representation made to me on May 10, 1985, to the effect that the remaining 45% of the Trust's assets will be invested primarily in real estate-type interests. Because this position is based both upon the representations made to the Division in your letter and upon your oral representation, you should note that any different facts or conditions might require a different conclusion. Further, this response only expresses the Division's position on enforcement action and it does not purport to express any legal or interpretive conclusion on the questions presented.

Gerald T. Lins

Gerald T. Lins
Attorney