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AUG 26 1982

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August 18, 1982

WASHINGTON, D. C.
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Office of Small Business Policy
Securities And Exchange Commission
450 5th Street, N.W.
Judiciary Plaza
Washington, D.C. 20549

Attn: Suzanne S. Brannan

Re: "Investment Companies" under
Regulation D

Dear Suzanne:

Pursuant to our telephone conversations and your request for a written inquiry, I hereby offer the following questions for which I would like a written confirmation or clarification. For your background, we represent a newly formed corporation applying for a license as a Small Business Investment Company through the U.S. Small Business Administration, and preparing to undertake a stock offering to raise approximately \$500,000. You may assume the proposed offering will be structured such that the issuer will fall within the Section 3(c)(1) "small issuer" exemption to the definition of an Investment Company under the Investment Company Act of 1940.

1. Do the prohibitions in Rules 504 and 505 against their use by "investment companies" apply to issuers that fall within the Section 3(c)(1) small issuer exception to the Investment Company Act of 1940?
2. Does the prohibition in Form S-18 against its use by an "investment company" apply to an issuer that falls within the Section 3(c)(1) small issuer exemption to the Investment Company Act of 1940? If so, please confirm that for purposes of the information requirements of Rule 502(b)(2), the issuer would be providing the same kind of

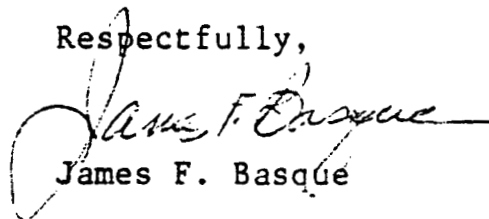
Suzanne S. Brannan
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information as in Form N-5 ("Registration Statement of Small Business Investment Company under the Securities Act of 1933 and the Investment Company Act of 1940").

I would greatly appreciate it if you could provide a response to these questions at your earliest convenience. We have begun preparing an offering circular under the assumption we would have to use N-5, but would like a definite answer on this before we proceed much further.

By the way, thank you very much for your prompt and courteous responses to my telephone inquiries on various Regulation D issues to date. I look forward to hearing from you.

Respectfully,



James F. Basque