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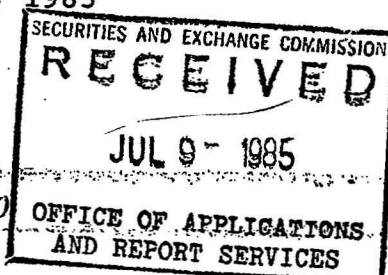
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Section 18(f) of the Investment Company Act
Section 17(f) of the Investment Company Act

July 8, 1985

Office of Chief Counsel
Division of Investment Management
Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N. W.
Washington, D. C. 20549



Act. I.C.A.-40
Section 18(f)
File Re: Bartlett Capital Trust,
Public 8/19/85 File No. 2-80648
Availability 8/19/85

Gentlemen:

We are counsel for Bartlett Capital Trust (the "Trust"), formerly Midwest Group Capital Trust. The Trust is a registered open-end, diversified management investment company. On behalf of the Trust, we respectfully request that the staff of the Securities and Exchange Commission (the "Commission") advise us that it will not recommend enforcement action to the Commission if the Trust engages in a hedging program which involves the use of options, futures contracts and options on futures contracts.

The Trust was organized as a Massachusetts business trust on October 31, 1982. One series of shares of the Trust, the Basic Value Fund series (the "Fund"), has been established. The Trust's Registration Statement, by which the Trust registered under the Investment Company Act of 1940 (the "1940 Act") and registered an indefinite number of the Trust's shares of beneficial interest under the Securities Act of 1933, was declared effective on May 5, 1983. Post-Effective Amendment No. 3 to the Trust's Registration Statement was filed with the Commission on May 30, 1985 and will become effective on July 29, 1985.

A copy of the Trust's Prospectus and Statement of Additional Information as filed with the Post-Effective Amendment are enclosed. The Prospectus and Statement of Additional Information

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contain information about the Fund, its objective and strategy and its investment policies and techniques. The Fund will invest primarily in common stocks, or securities convertible into common stocks such as convertible preferred stocks or convertible debentures. The Fund may hedge all or a portion of its portfolio investments through the use of options, futures contracts and options on futures contracts. In addition, the Fund has reserved the right at any time for temporary, defensive purposes to hold all or a portion of its assets in investment grade fixed income securities, cash equivalents, securities of other no-load registered investment companies, obligations of the U.S. government or its agencies or instrumentalities or repurchase agreements.

The Fund's hedging strategy involves the use of one or more techniques, including buying and selling options, futures contracts and options on such futures contracts. An option involves either (a) the right to buy (a call option) or sell (a put option) a specific instrument at a specific price until the expiration date of the option, or (b) the right to receive payments or the obligation to make payments representing the difference between the closing price of a market index and the exercise price of the option expressed in dollars times a specified multiple until the expiration date of the option. Options are sold (written) on equity securities, futures contracts and stock indexes. The purchaser of an option on an equity security or futures contract pays the seller (the writer) a premium for the right granted but is not obligated to buy or sell the underlying security or futures contract. The purchaser of an option on a stock index pays the seller a premium for the right granted, and in return the seller of such an option is obligated to make the payment. When the Fund writes options, it may be required to maintain a margin account or to deposit assets in escrow with the Trust's Custodian. Options on equity securities which the Fund sells (writes) will be covered, which means that it will own the underlying security in the case of a call option and that it will segregate with the Trust's Custodian liquid assets sufficient to purchase the underlying security in the case of a put option. The Fund may also invest in options on stock indexes. When the Fund sells (writes) a put option on a stock index, it will segregate and maintain with the Trust's Custodian liquid assets equal to the market value of the written put option. The Fund will not sell (write) options on futures contracts. While options will be used only for hedging purposes, there is no restriction on the percentage of the Fund's total assets which may be committed to options transactions.

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A futures contract is a binding contractual commitment which involves either (a) the delivery and payment for a specified amount of securities or currency at a price agreed upon at the time the contract is entered into but with actual delivery made during a specified period in the future, or (b) the payment or receipt of payments representing, respectively, the loss or gain of a specified group of stocks or market index. The securities or currency underlying the contract may be government bonds (an interest rate futures contract), foreign currency (a foreign currency futures contract), or a group of stocks such as a popular market index (a stock index futures contract). Interest rate futures contracts are currently available in standardized amounts on government obligations (such as Treasury bills, notes and bonds), Government National Mortgage Association certificates, domestic certificates of deposit and Eurodollar certificates of deposit. It is expected that other financial instruments will at later dates be subject to other futures contracts. Ordinarily the Fund would enter into interest rate futures contracts to hedge its investments in fixed income securities such as preferred stocks and money market obligations, stock index futures contracts to hedge its investments in common stocks and foreign currency futures contracts to hedge currency risk when and if the Fund is invested in foreign securities.

Futures contracts are traded on exchanges licensed and regulated by the Commodity Futures Trading Commission (the "CFTC"). The Fund will be subject to any limitations imposed by these exchanges with respect to futures contracts trading and positions. A clearing corporation associated with the particular exchange assumes responsibility for all purchases and sales and guarantees delivery and payment on the contracts. Although most futures contracts call for actual delivery or acceptance of the underlying securities or currency, in most cases the contracts are closed out before settlement date without the making or taking of delivery. Closing out is accomplished by entering into an offsetting transaction, which may result in a profit or a loss.

When the Fund purchases or sells a futures contract, an amount of cash and liquid assets will be deposited in a segregated account, for the account and in the name of a futures commission merchant ("FCM"), with the Trust's Custodian to guarantee performance of its futures contracts. The amount of such deposits, known as initial margin, will depend upon the requirements of each exchange and broker and will vary with each futures contract.

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The nature of initial margin in futures contracts transactions is different from that of margin in securities transactions in that futures contracts margin does not involve borrowing of funds by the customer to finance the transaction. Initial margin is in the nature of a performance bond or good faith deposit on the futures contract and is returned to the Fund upon termination of the futures contract if all contractual obligations have been fulfilled.

Under the rules of the CFTC and the exchanges on which futures contracts are traded, the FCM is entitled to retain all or any portion of the initial margin in the event and to the extent that the Fund fails to satisfy its obligations under the contract, primarily the obligation to satisfy requests for variation margin (discussed below), including the final variation margin payable upon termination of the contract. When the Fund makes a deposit of initial margin for the account and in the name of an FCM, the FCM will be required to agree that (a) the assets in the account will at all times be maintained with the Custodian unless released back to the Fund or sold or disposed of pursuant to the Fund's agreement with the FCM, (b) in directing any disposition of the assets in the account, the FCM must state that all conditions precedent to its right to direct disposition have been satisfied, and (c) the FCM will be entitled to the assets in the account only upon default by the Fund.

Subsequent payments, called variation margin, to and from the FCM, a process known as marking to market, will be made on a daily basis as the price of the instrument underlying the futures contract fluctuates, making the Fund's positions in the futures contract more or less valuable. Variation margin does not represent a borrowing of or loan by the Fund but is instead the daily settlement between the Fund and the FCM of the amount one would owe the other if the contract expired on that day. At any time prior to expiration of the futures contract, the Fund may elect to close the position by taking an opposite position, which will operate to terminate the Fund's position in the futures contract. A final determination of variation margin is then made, additional cash is required to be paid by or released to the Fund, and the Fund realizes a loss or a gain.

With respect to variation margin, the Fund will promptly demand payment from the FCM of any excess amount of variation margin upon notification by the FCM that such amount is payable. However, the

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FCM may hold the excess amount overnight or over the weekend. Payments received by the Fund will be held by its Custodian together with its other assets.

Section 18(f)

Section 18(f) of the Investment Company Act prohibits the issuance of a senior security by an open-end investment company. If, as assumed in previous interpretative releases, the Commission has jurisdiction over leveraged investments of registered investment companies generally pursuant to Section 18 of the 1940 Act, the use of futures contracts may constitute a senior security for purposes of Section 18(f) due to the Fund's obligation to make variation margin payments and to deliver or pay for the underlying security at a future date. Since the obligation does not run to a bank, transactions of the Trust involving futures contracts or options thereon may constitute the issuance of a senior security in violation of Section 18(f)(1) of the 1940 Act.

However, the staff of the Commission has acquiesced in an investment company's use of futures contracts and options on futures contracts if certain limitations are observed in order to assure that the use of futures contracts and options thereon will not increase unduly the speculative character of the junior securities of such investment company. See letters to Bartlett Management Trust (April 17, 1985); Colonial Option Growth Trust (available June 15, 1984); Colonial Government Securities Plus Trust (available June 15, 1984); Z-Seven Fund, Inc. (available May 21, 1984); Pension Hedge Fund, Inc. (available January 20, 1984); Stein Roe Bond Fund, Inc. (available January 17, 1984); IDS Bond Fund, Inc. (available April 11, 1983); Montgomery Street Securities, Inc. (available April 11, 1983); Investment Company Act Release No. 10666 (April 8, 1979); Investment Company Act Release No. 7221 (June 9, 1972).

The Trust believes that commodities futures contracts and related options are not securities for purposes of the 1940 Act and, thus, cannot constitute senior securities as defined in Section 18(g) of the 1940 Act or be subject to the requirements of Section 18(f)(1) of the 1940 Act. Furthermore, even if futures contracts are considered to be senior securities under the 1940 Act, the Trust's use of such contracts and the limitations thereon do not give rise to the speculative abuses which Section 18(f)(1) was designed to prevent.

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The Trust has filed a notice of eligibility with the CFTC to claim an exclusion from the definition of the term "commodity pool operator." In its filing, the Trust has represented that all of the Fund's transactions in futures contracts and options on futures contracts will constitute bonafide hedging transactions within the meaning of such regulations and that the Fund will not enter into commitments which require as deposits for initial margin for futures contracts or premiums for options on futures contracts more than 5% of the fair market value of its assets. The notice of eligibility is effective upon filing.

In addition, the Fund will not purchase or sell futures contracts or purchase options on futures contracts if, immediately thereafter, more than one-third of its net assets would be hedged. Furthermore, when the Fund purchases a futures contract, the Fund will deposit in a segregated account with its Custodian an amount of cash and other liquid assets equal to the market value of such futures contracts, less any margin deposited with the Custodian with respect to such futures contracts. See Bartlett Management Trust, supra, and Colonial Option Growth Trust, supra. The full collateralization of this type of transaction makes the purchase of a futures contract by the Fund consistent with the staff's requirements for reverse repurchase agreements, standby commitment agreements and comparable trading practices as discussed in Investment Company Act Release No. 10666.

In our opinion, because the Fund will be utilizing futures contracts and options on futures contracts only for bona fide hedging purposes and only within the limits described above, the Fund's use of futures contracts and options on futures contracts would comply with the intended purposes of Section 18(f) of the 1940 Act.

Section 17(f)

Section 17(f) of the 1940 Act requires every registered management company to place and maintain its securities and similar investments in the custody of a bank, a member of a national securities exchange or the investment company itself.

The Trust does not believe that futures contracts and related options are securities or that the legislative intent of similar

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investments in Section 17(f) of the 1940 Act comprehends such instruments. Assuming that the Commission believes otherwise, the Trust's custodial arrangements with respect to initial margin as set forth above will be consistent with the provisions of Section 17(f) of the 1940 Act, the rules of the CFTC and the staff's response to other no action requests. See letters to Bartlett Management Trust (April 17, 1985); Colonial Option Growth Trust (available June 15, 1984); Colonial Government Securities Plus Trust (available June 15, 1984); Z-Seven Fund, Inc. (available May 21, 1984); Pension Hedge Fund, Inc. (available January 20, 1984); Stein Roe Bond Fund, Inc. (available January 17, 1984); IDS Bond Fund, Inc. (available April 11, 1983); Claremont Capital Corporation (available September 16, 1979). In addition, the staff of the Commission has previously indicated that holding of excess margin deposits by an FCM overnight would be considered incidental to the futures contract transaction and not of sufficient duration to trigger the requirements of Section 17(f) and the rules thereunder if a fund demands payment promptly upon notification by the FCM that funds are due. See letters to Bartlett Management Trust, supra; Colonial Option Growth Trust (available June 15, 1984); Colonial Government Securities Plus Trust (available June 15, 1984); Z-Seven Fund, Inc. (available May 21, 1984); Pension Hedge Fund, Inc. (available January 20, 1984); Stein Roe Bond Fund, Inc. (available January 17, 1984); IDS Bond Fund, Inc. (available April 11, 1983); Montgomery Street Securities, Inc. (available April 11, 1983).

Thus, it is our opinion that the arrangements with respect to initial and variation margin are consistent with the provisions of Section 17(f) of the 1940 Act as interpreted by the staff of the Commission.

We hereby request that the staff confirm that it will not recommend enforcement action to the Commission under Section 17(f) or 18(f) of the 1940 Act with respect to the Fund's use of futures contracts and options on futures contracts as described in this letter and in the enclosed Prospectus.

The Fund has agreed that it will not enter into any hedging transactions (other than options on equity securities) until it receives the no action letter requested herein.

The original and seven copies of this letter are enclosed. Because the Fund wishes to implement its hedging program upon the

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effectiveness of its Post-Effective Amendment No. 3 on July 29, 1985, we would appreciate a prompt response to this request. If any further information is needed to respnd to this request, please contact Donald S. Mendelsohn or Karen M. McLaughlin.

Sincerely yours,

Brown, Cummins & Brown Co., L.P.A.

BROWN, CUMMINS & BROWN CO., L.P.A.

BCB:slg

Enc.

cc: Ms. Stephanie Monaco

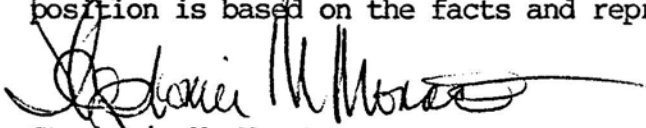
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JUL 19 1985

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 85-355-CC
Bartlett Capital Trust
File No. 811-3613

We would not recommend any enforcement action to the Commission under section 17(f) or 18(f) of the Investment Company Act of 1940 if Bartlett Capital Trust proceeds as described in your letter of July 8, 1985. Our position is based on the facts and representations contained in that letter.



Stephanie M. Monaco
Attorney