

any indemnification obligation is likely to arise. Under the sales agreement, until AE Supply receives authority to guarantee ATF's obligations, 20 percent of the proceeds of the West Book sale will be held in escrow to support ATF's indemnity obligation and will be unavailable to reduce debt at AE Supply.

ii. Dividend Authority

Finally, Applicants seek authority for ATF to dividend out of capital to AE Supply up to the full amount of the cash proceeds of the sale of the CDWR Contract. The CDWR Contract is ATF's only significant asset; and following completion of its sale, ATF will not engage in other business activities. The dividends themselves are necessary to allow AE Supply to reduce debt and fully implement its plans for returning to financial health and compliance with the Commission's capitalization requirements.

Finally, AESDS, which engages in generation facility development, has entered into an agreement to sell a combustion turbine currently held in inventory for a purchase price of \$8 million, subject to certain adjustments. This turbine does not constitute "utility assets," as defined in Section 2(a)(18) of the Act. Applicants request authority for AESDS to dividend up to the full amount of the proceeds of this sale to AE Supply, which will use these proceeds for general corporate purposes and to enhance its liquidity. Applicants expect that AESDS will conduct no further business following completion of the sale and the dividending of the proceeds of the asset sale to AE Supply.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 26181; 812-12952]

Franklin Floating Rate Trust, et al.; Notice of Application

September 23, 2003.

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

ACTION: Notice of an application under section 6(c) of the Investment Company Act of 1940 (the "Act") for an exemption from sections 18(c) and 18(i) of the Act, under sections 6(c) and

23(c)(3) of the Act for an exemption from rule 23c-3 under the Act, and pursuant to section 17(d) of the Act and rule 17d-1 under the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain registered closed-end management companies to issue multiple classes of shares and to impose asset-based distribution fees and early withdrawal charges. The order would supercede a prior order ("Prior Order").¹

APPLICANTS: Franklin Floating Rate Trust ("FR Fund"), Franklin Mutual Recovery Fund ("FMR Fund," together with FR Fund, the "Funds"), Franklin Advisers, Inc. ("Franklin Advisers"), Franklin Mutual Advisers, LLC ("Mutual Advisers," together with Franklin Advisers, the "Advisers"), Franklin/Templeton Distributors, Inc. (the "Distributor"), Franklin Templeton Services, LLC (the "Administrator").

FILING DATES: The application was filed on March 26, 2003, and amended on September 9, 2003.

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 October 17, 2003, and should be accompanied by proof of service on the 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549-0609; Applicants, One Franklin Parkway, San Mateo, CA 94403-1906.

FOR FURTHER INFORMATION CONTACT: Bruce R. MacNeil, Senior Counsel, at (202) 942-0527 or Todd Kuehl, 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 at the Commission's Public Reference Branch,

¹ Franklin Floating Rate Trust *et al.*, Investment Company Act Release Nos. 23033 (Feb. 20, 1998) (notice) and 23068 (Mar. 17, 1998) (order). The Prior Order permits certain registered closed-end investment companies to impose an early withdrawal charge.

450 Fifth Street, NW., Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. The Funds are closed-end management investment companies registered under the Act and organized as Delaware statutory trusts. Franklin Advisers, a California corporation, and Mutual Advisers, a Delaware limited liability company, are registered as investment advisers under the Investment Advisers Act of 1940 and serve as investment manager to the FR Fund and FMR Fund, respectively. The Distributor, a broker-dealer registered under the Securities Exchange Act of 1934 ("1934 Act"), serves as principal underwriter to the Funds. The Administrator is the administrator of the Funds and is responsible for managing the Funds' business affairs. The Advisers, the Distributor and the Administrator are wholly-owned subsidiaries of Franklin Resources, Inc.

2. Applicants request that the order also apply to any other registered closed-end management investment company that may be organized in the future for which either of the Advisers, the Distributor or the Administrator or any entity controlling, controlled by, or under common control with the Adviser, the Distributor or the Administrator acts as investment adviser, principal underwriter or administrator and which operates as an interval fund pursuant to rule 23c-3 under the Act (included in the term "Funds").²

3. The investment objective of the FR Fund is to provide as high a level of current income and preservation of capital as is consistent with investment primarily in senior secured corporate loans and senior secured debt securities with floating or variable rates. The investment objective of the FMR Fund is capital appreciation. The FMR Fund invests in equity and debt instruments in the categories of bankruptcy and distressed companies, risk arbitrage, and undervalued stocks.

4. The Funds continuously offer their shares to the public at net asset value. The Funds' shares are not offered or traded in the secondary market and are not listed on any exchange or quoted on any quotation medium. The Funds intend to operate as "interval funds" pursuant to rule 23c-3 under the Act and to make periodic repurchase offers to their respective shareholders.

² Any Fund relying on this relief in the future will do so in a manner consistent with the terms and conditions of the application. Applicants represent that each entity presently intending to rely on the requested relief is listed as an applicant.