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 Rel. No. 23934; 812–11362]

Elk Associates Funding Corporation and Ameritrans Capital Corporation; Notice of Application

August 3, 1999.

AGENCY: Securities and Exchange Commission (the ''Commission'').

ACTION: Notice of an application for an order under section 61(a)(3)(B) of the Investment Company Act of 1940 (the ''Act'').

SUMMARY OF APPLICATION: Applicants, Elk Associates Funding Corporation (''Elk'') and Ameritrans Capital Corporation (''Ameritrans''), request an order approving their respective Non-Employee Directors Stock Option Plans (the ''Elk Plan'' and the ''Ameritrans Plan,'' collectively, the ''Plans'') and the grant of certain stock options under the Plans.

FILING DATES: The application was filed on October 19, 1998 and amended on July 29, 1999.

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 August 30, 1999, 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 5th Street, NW, Washington, DC 20549–0609. Applicants, c/o Perri Beth Irvings, Esquire, Stursberg & Veith, 405 Lexington Avenue, Suite 4949, New York, New York 10174–4902.

FOR FURTHER INFORMATION CONTACT: Emerson S. Davis, Sr., Senior Counsel, at (202) 942–0714, or George J. Zornada, Branch Chief, at (202) 942–0528 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application is available for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549–0102 (tel. 202–942–8090).

Applicants' Representations

1. Elk, a New York corporation, is a business development company (''BDC'') within the meaning of section 2(a)(48) of the Act [1] and is licensed as a small business investment company (''SBIC'') under the Small Business Act of 1958, as amended. Ameritrans is a newly-created Delaware corporation that elected to become a BDC on July 29, 1999.

2. Applicants plan to enter into an Agreement and Plan of Share Exchange (the ''Share Exchange Plan''). Under the Share Exchange Plan, Elk would become a wholly-owned subsidiary of Ameritrans, and the holders of all of the outstanding shares of Elk's common stock would receive one share of Ameritrans stock for each share of Elk stock owned (the ''Share Exchange'').[2] The Share Exchange is expected to take place as soon as practicable after issuance of the order by the Commission relating to the Share Exchange Plan. If the Share Exchange is consummated, Ameritrans will have the identical capital structure, management and board of directors (''Board'') that Elk has currently. Elk, as a subsidiary of Ameritrans, would continue to operate as an SBIC and Ameritrans would engage in broader lending and investment operations consistent with its status as a BDC but not subject to SBIC restrictions. Ameritrans will not engage in any substantive business activities prior to the completion of the Share Exchange. Neither applicant has an external investment adviser within the meaning of section 2(a)(20) of the Act.

3. Applicants request an order under section 61(a)(3)(B) of the Act approving the Plans. Each Plan provides for the grant of options to acquire shares of the relevant applicant's common stock to directors who are neither officers, employees nor interested persons (as defined by section 2(a)(19) of the Act) of applicants (''Non-Employee Directors'').[3] Elk has a ten-member Board, six of whom are Non-Employee Directors.

4. The Plans are identical, except that the Ameritrans Plan will not become effective unless and until the Share Exchange is completed. When the Share Exchange occurs, the Ameritrans Plan would become the successor Plan to the Elk Plan and options granted under the Elk Plan would be deemed to have been issued under the Ameritrans Plan and would be exercisable for shares of Ameritrans stock. In the event the Share Exchange is not approved, the Elk Plan would remain in effect.

5. On August 21, 1998, the Board adopted the Elk Plan subject to approval by shareholders and the Commission. On September 28, 1998, Elk's shareholders approved the Elk Plan. The Board adopted the Ameritrans Plan on May 21, 1999 and the sole shareholder of Ameritrans approved the Ameritrans Plan on May 21, 1999. The Elk Plan will become effective on the date that it is approved by the Commission (''Approval Date'').

6. The Elk Plan provides that on the later of the Approval Date or the first anniversary of the election or appointment of a Non-Employee Director to the Board (''Anniversary Date''), each Non-Employee Director then serving will receive an automatic grant of options to purchase a number of shares of Elk common stock (''Options'') determined by dividing $50,000 by the current market value of Elk's common stock on the Approval Date (''Initial Grants''). Following the Initial Grants, each new Non-Employee Director will automatically be granted a number of Options on his or her Anniversary Date to be determined by dividing $50,000 by the current market value of shares of Elk common stock on the date of grant. Based on length of service, four of the six Elk Non-Employee Directors would be granted Options on the Approval Date and the other two Non-Employee Directors upon their Anniversary Date. All Options become exercisable 12 months after the date of the grant if the Non-Employee Director remains on the Board. A total of 75,000 shares of Elk's common stock is issuable to Non-Employee Directors under the Elk Plan.

[1] Section 2(a)(48) defines a BDC to be any closed-end investment company that operates for the purpose of making investments in securities described in sections 55(a)(1) through 55(a)(3) of the Act and makes available significant managerial assistance with respect to the issuers of such securities.

[2] The Share Exchange Plan must be approved by the shareholders of Elk and by the Commission. Applicants have submitted a separate application to the Commission regarding the Share Exchange (File No. 812–11420).

[3] Each Elk Non-Employee Director currently receives a $2,000 annual fee, $750 for each Board meeting attended and reimbursement for meeting-related expenses.

7. Under the terms of the Elk Plan, the exercise price of the Options will be the current market price of Elk's common stock on the later of the Approval Date or the Anniversary Date. The Plans expire ten years after the Approval Date and the Options expire five years from the date of grant. Options may not be assigned or transferred other than by the laws of descent and distribution. In the event of death of a Non-Employee Director during the Director's service, unexercised Options may be exercised for a period of one year following the date of death (by the Director's personal representative) but in no event after the respective expiration dates of such Options. If a Non-Employee Director ceases to be a director for any reason, other than because of death, any unexercised Options may be exercised within one year from the date the Non-Employee Director ceases to be a director, but in no event later than the expiration date of the Option.

8. As of March 31, 1999, Elk had outstanding 11,745,600 shares of common stock. Elk's officers and employees, including employee directors, are eligible to receive options under Elk's other stock option plan (under which Non-Employee Directors are not entitled to participate) (''Other Plan''). A maximum of 200,000 shares, or 11.5% of Elk's outstanding common stock, may be issued under both the Elk Plan and the Other Plan. Of the 125,000 shares issuable under the Other Plan, 75,000 shares, representing 4.3% of Elk's outstanding common stock, are subject to granted options. Elk has no other warrants, options or rights to purchase its outstanding voting securities.

Applicants' Legal Analysis

1. Section 61(a)(3)(B) of the Act provides, in pertinent part, that a BDC may issue to its non-employee directors options to purchase its voting securities pursuant to an executive compensation plan, provided that: (a) The options expire by their terms within ten years; (b) the exercise price of the options is not less than the current market value of the underlying securities at the date of the issuance of the options, or if no market exists, the current net asset value of the voting securities; (c) the proposal to issue the options is authorized by the BDC's shareholders, and is approved by order of the Commission upon application; (d) the options are not transferable except for disposition by gift, will or intestacy; (e) no investment adviser of the BDC receives any compensation described in section 205(1) of the Investment Advisers Act of 1940, except to the extent permitted by clause (A) or (B) of that section; and (f) the BDC does not have a profit-sharing plan as described in section 57(n) of the Act.

2. In addition, section 61(a)(3)(C) of the Act provides that the amount of the BDC's voting securities that would result from the exercise of all outstanding warrants, options, and rights at the time of issuance may not exceed 25% of the BDC's outstanding voting securities, except that if the amount of voting securities that would result from the exercise of all outstanding warrants, options, and rights issued to the BDC's directors, officers, and employees pursuant to an executive compensation plan would exceed 15% of the BDC's outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options, and rights at the time of issuance will not exceed 20% of the oustanding voting securities of the BDC.

3. Applicants represent that the Plans would comply with all of the requirements of section 61(a)(3)(B) of the Act. Applicants state in support of their application that the Board actively oversees Elk's affairs, that Elk relies extensively on the judgment and experience of the Board, and that Non-Employee Directors play an important role on budgetary and operational issues, credit and loan policies, asset valuation and strategic direction, as well as serving on Board committees. Applicants believe that the Plans will provide additional incentives to Non-Employee Directors to remain on the Board and devote their best efforts to ensure the success of applicants. Applicants also believe that the Options will provide significant at-risk incentives to the Non-Employee Directors, thereby further ensuring close identification of their interests with those of the applicants and their shareholders. Applicants assert that by providing incentives such as Options, applicants will be able to maintain continuity in the Board's membership and to attract and retain highly experienced and skilled professionals who are critical to each applicant's success as a BDC.

4. Applicants submit that the terms of the Plans are fair and reasonable and do not involve overreaching of applicants or their shareholders. Applicants state that the Options are not immediately exercisable, will become exercisable 12 months after the date of grant, and then only if the grantee remains a Non-Employee Director. No Options will become exercisable due to the consummation of the Share Exchange. Applicants also state that the total number of shares of common stock issuable under the Elk Plan to Non-Employee directors represents 4.3% of Elk's outstanding common stock. Applicants assert that the Options will have value only to the extent that the market value of Elk's stock (or Ameritrans' stock if the Share Exchange occurs) increases above the exercise price of the Options and that the exercise of the Options under the Plans would not have a substantial dilutive effect on the net asset value of Elk's (or Ameritrans') common stock. Applicants state that the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights upon approval of the Elk Plan would represent 11.5% of Elk's outstanding voting securities, an amount within the percentage limitations set forth in section 61(a)(3)(C) of the Act.

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

Margaret H. McFarland,

Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3200]

State of California (And Contiguous Counties in Nevada and Arizona)

San Bernardino County and the contiguous counties of Kern, Inyo, Los Angeles, Orange, and Riverside in California, Clark County, Nevada, and La Paz and Mohave Counties in Arizona constitute a disaster area as a result of damages caused by severe storms and flash flooding that occurred on July 11, 1999. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on Sept. 27, 1999 and for economic injury until the close of business on May 1, 2000 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, P.O. Box 13795, Sacramento, CA 95853–4795.

The interest rates are:

	Percent
For Physical Damage:	
Homeowners with credit available elsewhere	6.875
Homeowners without credit available elsewhere	3.437
Businesses with credit available elsewhere	8.000