MAYER LAW GROUP LLC
1040 Avenue of the Americas, Suite 2400
New York, NY 10018
DIRECT: 212-382-4686
FAX: 212-382-4687

Chairman Mary L. Shapiro
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

NADER V. BLACKSTONE: REQUEST FOR AN INVESTIGATION/ENFORCEMENT ACTION.

February 6, 2012

Dear Chairman Shapiro:

I write on behalf of my client, Ralph Nader, to ask you to commence an investigation and/or an enforcement action against Mr. Peter Peterson, his former firm Blackstone and Blackstone's successor company: BlackRock.

On behalf of Mr. Nader, we herewith submit evidence that Peterson, Blackstone and BlackRock sold to investors, including Mr. Nader, the Blackstone North America Income and Opportunity Fund ("BNA Trust") which was falsely presented to the public as a safe and secure fund investing in government securities when in fact the fund held risky and volatile derivative instruments.

These transactions and fraudulent misrepresentations took place years ago, in the 1990s, but we are bringing this matter to the attention of the Commission now because we believe that this is one of the earliest, if not the earliest example, of Wall Street firms deceiving investors and regulators by disguising ultra-risky investment products as safe government-backed securities.

As a former professor of Securities Law and former prosecutor (Special Counsel to the New York State Attorney General) I believe these misrepresentations merit scrutiny.

We also believe it is appropriate to bring this matter to the attention of the Commission now because of the Commission's more recent statements on statutes of limitations whereby the Commission believes that statutes of limitations should be tolled until the discovery of the fraud at issue by the Securities and Exchange Commission.

Moreover, it is entirely possible that because BlackRock offers so many funds that these same practices occurred and are occurring in other BlackRock funds. We have not assembled any direct evidence of this but, astoundingly, when confronted with these misrepresentations BlackRock and Peterson have done nothing but stonewall, deny and label the accusations frivolous.

These allegations cannot be frivolous as Mr. Nader's broker, Paine Weber, settled for a substantial sum with Mr. Nader for selling the fraudulent BNA Trust fund to him causing him to incur a substantial loss.

The Blackstone North American Government Income Trust ("BNA Trust") was a closed end fund initially sold to the public in 1991. (The family of fund names was changed to BlackRock in 1992 and BlackRock became the successor firm to Blackstone and is still active today.) The Blackstone Group was founded in 1985 by Peter Peterson and Steven Schwartzman.

The marketing brochure and prospectus of the BNA Trust stated: "The Trust's investment objective is to manage a portfolio of high grade securities to achieve high monthly income consistent with the preservation of capital."

The Trust was marketed "as an alternative to money markets in terms of higher interest and liquidity" according to one broker who sold it to many clients.

Nowhere in the sales materials was the word "derivatives" mentioned.

Indeed, the sales materials and prospectus both suggested what the name of the fund itself implied: that this was an ultra-safe fund invested in government securities whose primary aim was preservation of capital.

According to a broker working for Paine Weber, a firm underwriting the Securities offering, the materials and prospectus used by Blackstone to market these materials were misleading. "The materials were blatantly wrong: there was always a desire to present BNA as an alternative to money markets in terms of higher interest and liquidity. At the time, Blackstone sent its people on road shows to brokers and falsely presented the hedging techniques used by the fund as a way to provide stability, when in fact the fund used derivatives that were poorly understood at the time and had no liquidity at all."

Shortly after the BNA Trust was sold to the public, by March of 1992, the fund manager parked 44% of the funds assets in Mortgage Pass Through(a form of CMO's) or in Stripped Mortgage-Backed Securities.

The actions by Blackstone (now BlackRock) were a very early harbinger of an epidemic of fraud that would plague Wall Street years later: the deception of customers who were misled about their exposure to super-risky derivatives.

As one respected Wall Street observer stated: "They lied about the percentage of assets that would be held in U.S. federal bonds. It was far fewer than promised. Nowhere were investors adequately warned of the huge risk. It was not a safe, conservative investment and never should have been sold as such."

(Although the prospectus indicated that it may invest in derivatives, it misled investors by claiming that no more than 20% of the fund would be so invested. Furthermore it stated: "under current market conditions the Trust expects that it will not do so." These statements flatly contradict other parts of the prospectus indicating that the main risk for the fund would be exchange rate risk. Moreover, at the time virtually no investors or brokers would know what these derivatives were, certainly not the way they were described.)

In three short years the BNA Trust lost $108 million or 22 percent of its original capital through exposure to risky derivatives. (The fund traded as low as 75% below its initial offer price.)

Mr. Nader invested in the Blackstone North American Government Income Trust at a share price of $15. That price since declined to $10. Mr. Nader suffered a total financial loss of about $175,000 at that time.

This is a classic case where Blackstone took a large commission and fee and Mr. Nader received large losses on supposedly ultra-safe investments.

Paine Weber believed it was unquestionably misled by Blackstone which promoted its product as a safe and reliable fund which turned out to be anything but, causing this large brokerage firm to thereafter cease selling any further new issues for Blackstone of this type. The very name of the fund – “North American Government Income Fund” – implies safety and the accompanying materials never would let investors believe that they could lose 33 % of their investment. The Trust was marketed, both in the prospectus and offering materials, “as an alternative to money markets in terms of higher interest and liquidity.”

Since inception until Blackstone sold the Fund, the Fund lost 33% of its value because, contrary to the prospectus and offering materials, the Fund invested in risky derivatives such as CMOs like Mortgage Pass-Throughs and also used leverage (a precursor of much greater Wall Street recklessness to come.) After opening at $15 per share, the successor fund to BNA has traded as low as $4 per share. (The fund is now known as the “BlackRock Income Opportunity Trust, Inc.”)

Consistent with the Commissions interpretation of 28 USC 2462 there is an argument to be made that the statute of limitations on this matter has not run as the applicable statute accrues five years from the time the SEC is notified of the fraud. See *SEC v. Gabelli* 2010 WL 1253603 at 5 and *Bailey v. Glover* 88 U.S. 342 (1874). So even though the fraud first occurred in the 1990s, the SEC is only now learning of the dimensions of the alleged fraud. (In any event, the doctrine of equitable tolling may apply if there was concealment of the fraud and in fact attorneys for Blackstone continue to deny any wrongdoing.)

On numerous occasions our firm and Mr. Nader have attempted to contact Mr. Peter Peterson to address this matter. Mr. Peterson has steadfastly refused to discuss this matter and has refused all phone calls and entreaties to meet. This is surprising given Mr. Peterson's frequent public pronunciations urging Americans to "sacrifice" and take responsibility for their actions and to live by an "endowment ethic." In Mr. Peterson's telling, "[e]ndowment implies 'stewardship' – the acceptance of responsibility for the future of an institution." (P. Peterson, "Will America Grow Up Before It Grows Old," Atlantic, May 1996.) Furthermore, general counsel for BlackRock -- who Mr. Peterson referred our letter to -- refused to meet or discuss or attempt to in any way to resolve this matter.

Apparently Mr. Peterson is not willing to accept responsibility or stewardship for the deceptive practices of the institution he founded. We ask the Commission to determine if, like so many Wall Street leaders, his public pronouncements mask improper actions.

We hereby ask the Commission to open an investigation and/or enforcement action into this disreputable conduct by Peter Peterson and BlackRock and Blackstone.

These remedies can and should be equitably pursued as account holders and others are unaware of the nature of the practices and remain unaware of their actual losses that have ensued. Inasmuch as Black Rock has retained and still retains profits from such practices, unjust enrichment claims would also still be available as an equitable matter. In light of the obvious non-disclosure to the entire class of victims and the fact that Mr. Nader's claim was a single action not disclosed for reasons of confidentiality in the settlement agreement to other potential members of the putative class, the matter still remains ripe.

We also ask the Commission to investigate the propriety of using shareholder assets to defend the actions of a former Board Member which seems improper on its face. On information and belief BlackRock Corporation has improperly used shareholder resources to engage in legal representation of Mr. Peterson. BlackRock and its general counsel have indicated that they will be representing Mr. Peterson in this matter.

We are available to answer questions and supply materials at any time.

Sincerely,

Carl J. Mayer, Esq.