companies, provided certain criteria are met.

5. Applicants state that Congress, in adopting and amending section 205 of the Advisers Act, and the SEC, in adopting rule 205–1, put into place safeguards designed to ensure that investment advisers would not take advantage of advisory clients.

6. Applicants assert that the SEC required that performance fees be calculated based on the net asset value of the investment company's shares to prevent a situation where an adviser could earn a performance fee even though investment company shareholders did not derive any benefit from the adviser's performance after the deduction of fees and expenses.

7. Applicants state that, unlike traditional performance fee arrangements, GSAM would not receive the Performance Component of its fee unless its management of the GSAM Account has resulted in performance in excess of the Index performance plus a ''performance hurdle'' equal to the 0.30 percent base fee. Applicants assert that increasing the performance of the Index by the 0.30 percent hurdle would have an effect similar to deducting GSAM's fees.[4] Applicants therefore argue that the Portfolio's shareholders will have protections similar to those contemplated by the net asset value requirement of rule 205–1.

8. Applicants suggest that Congress' concern, in enacting the safeguards of section 205, came about because the vast majority of investment advisers exercised a high level of control over the structuring of the advisory relationship. Applicants state that the proposed fee, however, was negotiated actively at arm's length between the parties. Applicants state that GSAM has little, if any, influence over the overall management of the Trust or the Portfolio beyond stock selection. Management functions of the Trust and the Portfolio reside in the Trust's Board. The Trust is directly and fully responsible for supervising the Trust's service providers and monitoring expenses of each of the Trust's portfolios. The Trust's Board is responsible for allocating the assets of the several portfolios among the portfolio managers. Neither GSAM nor any of its affiliates sponsored or organized the Trust or serves as a distributor or principal underwriter of the Trust. Neither GSAM nor any of its affiliates owns any shares issued by the Trust. No officer, director or employee of GSAM, nor any of its affiliates, serves as an executive officer or director of the Trust. Neither GSAM nor any of is affiliates is an affiliated person of Hirtle Callaghan or any other person who consults or provides investment advice with respect to the Trust's advisory relationships (except to the extent that such affiliation may exist by reason of GSAM or any of its affiliates serving as investment adviser to the Trust).

9. Applicants argue that the proposed fee arrangement satisfies the purpose of rule 205–1 because it was negotiated at arms-length and the Trust does not need the protections afforded by calculating a performance fee based on net assets. Applicants argue that the proposed fee arrangement is therefore consistent with the underlying policies of section 205 and rule 205–1 and that the exemption would be consistent with the protection of investors.

Applicants' Conditions

1. If the base fee changes, the performance hurdle will be changed to match the base fee.

2. To the extent GSAM, or an affiliate of GSAM, relies on the requested order with respect to advisory arrangements with other investment companies that it advises, these arrangements will meet the following requirements: (i) The investment advisory fee will be negotiated between GSAM, or the applicable affiliate of GSAM, and the investment company or its primary investment adviser; (ii) the fee structure will contain a performance hurdle that is, at all times, no lower than the base fee; (iii) neither GSAM nor any of its affiliates will serve as distributor or sponsor of the investment company; (iv) no member of the board of the investment company will be affiliated with GSAM or its affiliates; (v) neither GSAM nor any of its affiliates will organize the investment company; and (vi) neither GSAM nor any of its affiliates will be an affiliated person of any primary adviser to the investment company or of any other person who consults or provides advice with respect to the investment company's advisory relationships (except to the extent that GSAM and/or its affiliates may be affiliated with another portfolio manager by virtue of the fact that GSAM or the affiliate serves as a portfolio manager to the investment company or to another investment company).

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

Margaret H. McFarland,

Deputy Secretary.

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[4] If the 0.30 percent fee changes, the performance hurdle also would be changed to match the fee.

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–27042]

Filings Under the Public Utility Holding Company Act of 1935, as Amended (''Act'')

June 25, 1999.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by July 20, 1999, to the Secretary, Securities and Exchange Commission, Washington, DC 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be feild with the request. Any request for hearing should identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After July 20, 1999, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Columbia Insurance Corporation, Ltd. (70–9371)

Columbia Insurance Corporation, Ltd. (''CICL''), a wholly owned captive insurance subsidiary of Columbia Energy Group (''Columbia''), a registered holding company, and Columbia, both located at 13880 Dulles Corner Lane, Herndon, Virginia 20171–4600, have filed an application-declaration under sections 6(a), 7, 9(a), 10, and 12(b) of the Act and rules 45 and 54 under the Act.

By order dated October 25, 1996 (HCAR No. 26596), Columbia was authorized to form and capitalize CICL to engage in the reinsurance of predictable losses under the automobile and general liability and ''all-risk'' coverage.

CICL and Columbia now propose: (1) To expand their reinsurance activities to

include all predictable risks [1] related to the business of the Columbia; (2) that Columbia establish one or more direct or indirect subsidiaries to engage in the proposed re-insurance activities; and (3) that Columbia provide additional support to CICL and the to-be-formed subsidiaries in the form of equity, guarantees, letters of credit or other credit support in an aggregate amount of up to $50 million at any one time outstanding.

CICL and Columbia state their proposal will be subject to certain safeguards. Specifically, CICL, and any subsidiaries to be formed to engage in the proposed reinsurance activities, propose to participate as reinsurers only: (1) Where a direct commercial insurer underwrites the risk; (2) for a permitted business activity engaged in by a member of the Columbia holding company system; (3) where captive reinsurance would be reasonably expected to save the Columbia member a portion of the risk premium it would otherwise have paid; and (4) where the captive reinsurer can obtain, as appropriate, excess or stop-loss coverage.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–16863 Filed 7–1–99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41557; File No. SR–Amex–99–09]

Self-Regulatory Organizations; American Stock Exchange LLC; Order Granting Approval to Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change Amending Amex Rule 901C To Allow Modified Equal-Dollar and Modified Capitalization Weighting Calculation Methodologies for Narrow-Based Index Options

June 24, 1999.

On March 1, 1999, the American Stock Exchange LLC (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder.[2] The filing was amended on March 12, 1999 to provide additional information on modified weighting methodologies.[3] The proposed rule change would amend Commentary .02 to Amex Rule 901C to add modified equal-dollar weighting and modified capitalization weighting as acceptable weighting calculation methodologies for the construction of narrow-based index options.[4] Notice of the proposed rule change, as amended, was published in the **Federal Register** on April 20, 1999.[5] The Commission did not receive any comment letters on the filing. This Order approves the proposed rule change.

I. Introduction and Background

The Exchange proposes to amend Amex Rule 901C to add modified equal-dollar weighting and modified capitalization weighting as acceptable weighting calculation methodologies for the construction of narrow-based index options. Commentary .02 to Amex Rule 901C permits the Exchange to list options on stock industry index groups if the index meets certain criteria. Presently, the criteria require the index to be calculated using the capitalization, price, or equal-dollar weighting methodologies. Several other indexes which use a modified capitalization weighting methodology, however, including the Inter@ctive Week Internet Index, the Nasdaq-100 Index, and the Amex Eurotop 100 Index, were individually approved by the Commission as indexes that may underlie index options.[6] The Amex Mexico Index and the Amex Networking Index, which use a modified equal-dollar weighting index calculation methodology, were also approved by the Commission as indexes that may underlie index options.[7]

II. Description of the Proposal

The Exchange proposes to include modified capitalization and modified equal-dollar weighting calculation methodologies in Commentary .02 to Amex Rule 901C. Increasingly, the Exchange receives requests to construct new indexes using the modified capitalization or modified equal-dollar weighting methodologies to enable the proposed indexes to meet the generic criteria for narrow-based indexes, to provide for the timely trading of options on newly proposed indexes, or similar reasons. The Exchange wishes to accommodate these requests, and proposes to add these methodologies to the existing narrow-based criteria set forth in Commentary .02 of Amex Rule 901C that permits the listing of options on stock index groups pursuant to Rule 19b–4(e) under the Act.[8] Use of these methodologies should allow the Exchange greater flexibility in developing indexes and facilitate the listing of options on stock industry index groups that more accurately reflect the industry represented by the index.

Modified Capitalization Weighting

To determine an index value using the capitalization weighting calculation methodology, the following calculation applies: Multiplying the primary exchange regular way last sale price of each component security by the number of shares outstanding; adding the products; and dividing the result by the current index divisor. The index value for a modified capitalization weighted index is calculated in a similar manner. However, instead of using the actual number of shares outstanding, an adjusted number of shares outstanding is used in the calculation (*i.e.*, multiplying the primary exchange regular way last sale price of each component security by the adjusted number of shares outstanding; adding the products; and then dividing the result by the current index divisor). The modified capitalization weighting methodology uses an adjusted number of shares outstanding to prevent components with relatively large market capitalizations from representing an inordinately large portion of an index's value. For example, inclusion of a large

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[1] CICL states that it will retain only that portion of the risk assumed from the primary insurer, a direct commercial insurer, that is relatively predictable on a basis of claim frequency and severity. CICL proposes to reinsure the more volatile/less predictable portion of the risk with other commercial insurers.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Letter from Scott G. Van Hatten, Legal Counsel, Amex, to Nancy Sanow, Senior Special Counsel, Commission, dated March 11, 1999.

[4] The Exchange refers to narrow-based index options as options on a ''stock index industry group.'' A stock index industry group is defined in the Amex Rules as a group of stocks representing a particular industry or related industries. *See* Amex Rule 900C(b)(1).

[5] Securities Exchange Act Release No. 41276 (April 12, 1999) 64 FR 19393.

[6] Securities Exchange Act Release No. 41124 (March 1, 1999) 64 FR 11520 (March 9, 1999) (File No. SR–Amex–99–04) (Inter@ctive Internet Index); Securities Exchange Act Release No. 40642 (November 5, 1998) 63 FR 63759 (November 16, 1998) (File No. SR–CBOE–98–43) (Nasdaq-100 Index); Securities Exchange Act Release No. 30463 (March 11, 1992) 57 FR 9284 (March 17, 1992) (File Nos. SR–Amex–90–25 and SR–Amex–91–01) (Amex Eurotop 100 Index).

[7] Securities Exchange Act Release No. 34500 (August 8, 1994) 59 FR 41534 (August 12, 1994) (File No. SR–Amex–94–20) (Amex Mexico Index); Securities Exchange Act Release No. 37017 (March 22, 1996) 61 FR 14168 (March 29, 1996) (File No. SR–Amex–96–03) (Amex Networking Index).

[8] 17 CFR 240.19b–4(e)