4. The Program certificates provide that the Programs may be changed by agreement of the Sponsor and the Custodian without the consent of the Program holders, provided that the change does not adversely affect the substantive rights of the Program holders. The Sponsor determined that (a) The amendment of the certificates of each Program to permit the termination of that Program by the Sponsor did not adversely affect the substantive rights of the Program holders; and (b) overall, as direct shareholders of the Fund, Program holders on the Termination Date, as defined below, would be in a position at least as favorable, if not more favorable, than if their Programs had not been terminated. Effective March 11, 1996, the Sponsor and the Custodian amended the certificates of the Programs to permit the termination of each Program by the Sponsor in accordance with the terms of the notice sent to Program holders as described below.

5. On or about February 29, 1996, applicant sent to all holders of record of an interest in applicant notice that, as of May 30, 1996 (the ''Termination Date''), applicant would be terminated and the Sponsor would arrange for each holder of a Program to receive the number of Class A shares of the Fund held by applicant corresponding to the value of such holder's interest in the Program and thus representing an in-kind distribution of the holder's pro rata interest in the assets of applicant.

6. As of May 29, 1996, there was $159,658,510 face amount of Programs outstanding, representing beneficial interests in applicant having an aggregate value of $124,345,028 based on 14,325,464,045 Fund shares owned by applicant for outstanding Programs at $8.68 per Fund share.[1]

7. On the Termination Date, applicant distributed all of its net assets, consisting of shares of the Fund, to Program holders of records on that date. Each such Program holder received, at no acquisition fee, the number of Class A shares of the Fund corresponding to the value of his or her Program interest. The distribution to and receipt by each Program holder of record was effected by the establishment, on the books of the Fund, of an account in the name of that individual with the requisite number of Class A shares of the Fund. Distributions of 14,325,464.045 Fund shares held by applicant in the total amount of $125,634,320 to 20,339 holders of records represented approximately 100% of the net assets of applicant. Each Program holder received his or her proportionate share of such liquidation distribution in Class A shares of the Fund.

8. Any holder of an uncompleted Program on the Termination Date with a face amount of less than $12,000, may purchase Class A shares of the Fund at net asset value (''NAV''), plus a maximum sales charge of 2%, up to the amount representing the unpaid balance of his or her Program, if the purchase order is so designated. Any holder of an uncompleted Program on the Termination Date with a face amount of $12,000 or more, may purchase Class A shares of the Fund at NAV, up to the amount representing the unpaid balance of the Program, if the purchase order is so designated. In addition, any person who was a Program holder on the Termination Date may purchase Class A shares of the Fund at NAV up to the amount representing partial Program withdrawals outstanding on the Termination Date, provided the purchase order is so designated.[2]

9. Applicant states that, in order to ensure that holders of uncompleted Programs received full credit for sales commissions previously paid, the Sponsor analyzed the maximum commission rate that would have been applicable to subsequent payments under the Program. Applicant further states that, for each of the foregoing categories of holders of uncompleted Programs, the sales charge, if any, for purchases of Class A shares of the Fund reflecting the unpaid balance of the face amount of the Program is less than the sales charge that would have been applicable if such purchases had been made under continuation of the Program. Termination of the Programs did not result in any Program holder paying a sales charge in excess of that permitted under section 27 of the Act or provided under the terms of the Program.

10. Expenses incurred in connection with the liquidation consist primarily of legal, printing, mailing, and miscellaneous administrative expenses. The expenses are expected to total approximately $30,678, and have been or will be paid by the Sponsor.

11. Applicant has no assets or securityholders, and is not party to any litigation or administrative proceeding. The only known debts or other liabilities of applicant that remain outstanding are legal fees of approximately $325, which will be paid by the Sponsor. Applicant is not engaged, nor does it propose to engage, in any business activities other than those necessary for the winding-up of its affairs.

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

Margaret H. McFarland,

Deputy Secretary.

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[1] The dollar value of the face amount of Programs is the total amount of payment to be made under the Programs purchased by Program holders. The aggregate value of Programs, outstanding is the net asset value of the shares of the Fund attributable to such Programs outstanding, which may be greater or less than the face amount depending on the number of payments made and changes in the value of the Fund shares.

[2] The terms of the Programs allowed Program holders who had made 18 minimum monthly payments to make partial withdrawals of cash or Fund shares from their Programs, subject to certain restrictions. After 90 days from the time of making a withdrawal and before the Program's termination or exchange, Program holders could re-deposit cash or Fund shares (depending on what had been withdrawn) to their Programs without a sales charge. Program holders were permitted to make partial withdrawals up to the Termination Date. The Sponsor therefore determined to allow redeposits at any time subsequent to the conversion to avoid the denial request due to the termination of the Program.

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94–409, that the Securities and Exchange Commission will hold the following meeting during the week of April 28, 1997.

A closed meeting will be held on Friday, May 2, 1997, at 10:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c) (4), (8), (9)(A) and (10) and 17 CFR 200.402(a) (4), (8), (9)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Hunt, as duty officer, voted to consider the items listed for the closed meeting in a closed session

The subject matter of the closed meeting scheduled for Friday, May 2, 1997, at 10:00 a.m., will be:

Post oral argument discussion.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942–7070.

April 25, 1997.

Jonathan G. Katz,

Secretary.

[FR Doc. 97–11356 Filed 4–28–97; 1:46 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38541; File No. SR–CBOE–97–14]

Self-Regulatory Organizations; Chicago Board Options Exchange, Inc., Order Approving Proposed Rule Change Relating to the Issuance of Trading Permits and Other Procedures Resulting from the Transfer of the Options Business of the New York Stock Exchange to the Chicago Board Options Exchange

April 23, 1997.

I. Introduction

On March 3, 1997, the Chicago Board Options Exchange, Inc., (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder[2] a proposed rule change relating to issues arising from the transfer of the New York Stock Exchange's (''NYSE'') options business to the CBOE. The proposed rule change was published for comment in Securities Exchange Act Release No. 38375 (March 7, 1997), 62 FR 12667 (March 17, 1997). The Commission received two comment letters in response to the proposal.[3]

II. Description of the Proposal

The purpose of the proposed rule change is to authorize the issuance of 75 ''Options Trading Permits'' (''Permits'') in connection with the proposed transfer of the NYSE's options business to CBOE, and to define the rights and obligations associated with such Permits.[4] In addition, the proposed rule change amends CBOE rules as necessary to provide for the trading on CBOE of options on the NYSE Composite Index. The 75 Permits are proposed to be issued pursuant to the terms of an agreement between CBOE and NYSE. The agreement represents the culmination of a process initiated by NYSE in the summer of 1996 when it announced that it intended to discontinue its options business. At that time, NYSE invited interested parties wishing to continue NYSE's options business to bid for its acquisition by offering trading rights and other benefits to NYSE members, including payment for the ''going business'' value of the business to be acquired. Based on its bid in response to NYSE's invitation, NYSE determined to enter into exclusive negotiations with CBOE. A definitive agreement between CBOE and NYSE (''Transfer Agreement'') was executed as of February 5, 1997.[5]

The Transfer Agreement contemplates that trading in NYSE Options[6] will commence on the CBOE trading floor on April 28, 1997, (''Effective Date''), subject to the fulfillment of specified conditions and the approval of this proposed rule change and the parallel filing by NYSE.[7] The Transfer Agreement provides that CBOE will pay $5,000,000 as the purchase price for the business to be transferred, of which $1,200,000 will be retained by NYSE to cover its costs associated with the termination of its options activities and as payment for a ten-year license granted to CBOE to enable it to trade options on the NYSE Composite Index, and $3,800,000 net of a tax reserve will be distributed pro rata to all NYSE members, or the NYSE Foundation, depending on the tax treatment by the Internal Revenue Service.[8]

The Transfer Agreement also provides that CBOE will issue up to a total of 75 Permits to those NYSE specialist and non-specialist firms and sole proprietors who operated pursuant to options trading rights on NYSE on December 5, 1996, and who agree to transfer their options activities to CBOE. In the case of a NYSE specialist, the specialist firm may select any qualified person to act as its nominee on CBOE. In the case of a non-specialist, the individual acting pursuant to an options trading badge on NYSE on December 5, 1996, must personally relocate to Chicago in order to receive a Permit. If less than 75 Permits are issued to NYSE specialists and non-specialists, the Transfer Agreement provides that the difference between 75 Permits and the number of Permits so issued will be deposited in a lease pool to be leased to qualified persons who wish to trade NYSE Options on CBOE. The proceeds from the lease of these Permits will be paid to certain designated persons who held options trading rights on NYSE, as described below.

The issuance of 75 Permits is proposed to be authorized pursuant to a new Section 2(e) to the Exchange's Constitution. That section provides that all Permits expire on the seventh anniversary of the date when trading begins on the floor of CBOE in NYSE Options. It also specifies that Permit holders shall have none of the rights of members except as specified in the Rules of the Exchange.

The rights and obligations of holders of Permits are set forth in proposed new Exchange Rule 3.27, which incorporates by reference many of the other rules of the Exchange pertaining to the rights and obligations of Exchange members generally. Subparagraph (a)(1) of Rule 3.27 reflects the terms of the Transfer Agreement by providing that NYSE non-specialist firms and sole proprietors who were engaged in business on the options floor of NYSE immediately prior to the Effective Date are entitled to the same number of Permits as the number of options floor badges they held on NYSE on December 5, 1996, but that each individual who held an NYSE Options floor badge and acted as a non-specialist must personally relocate to Chicago in order to be entitled to a Permit in respect of that badge. Subparagraph (a)(2) provides that each specialist firm engaged in business on the options floor of NYSE is likewise entitled to the same number of Permits as the number of options floor badges they held on NYSE, and that, subject to the rules of CBOE, each such firm may designate any qualified person to be the firm's nominee on CBOE.

Subparagraph (a)(3) of Rule 3.27 describes the terms of the lease pool pursuant to which any of the 75 Permits not issued to NYSE members active on the NYSE options floor, or any so issued but subsequently surrendered, will be leased by CBOE through an auction or other competitive process. The lease proceeds would ordinarily be paid to those persons identified by NYSE as having used or leased NYSE Options trading rights on December 5, 1996, or holders of options trading rights that,

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

[2] 17 CFR 240.19b–4.

[3] Letters from Simon Erlich, Option Member, NYSE to Commission (March 10, 1997) (''Erlich Letter); Michael Schwartz, Chairman, Committee on Options Proposals, to Jonathan G. Katz, Secretary, Commission (April 8, 1997) (''COOP Letter'').

[4] See also Securities Exchange Act Release No. 38376 (March 7, 1997), 62 FR 12671 (March 17, 1997) (notice of filing of proposed rule change regarding the transfer of the NYSE options business to the CBOE).

[5] A copy of the Agreement is attached as Exhibit B to File No. SR–CBOE–97–14 and is available for review at the Office of the Secretary of CBOE, and in the Public Reference Room of the Commission.

[6] ''NYSE Options'' are defined as those classes of options that were traded on NYSE immediately prior to the Effective Date and not then also traded on CBOE, and those classes of options on at least 14 additional underlying stocks which CBOE has agreed to designate as NYSE Options during each of the seven years following the Effective Date.

[7] On April 23, 1997, the Commission approved the NYSE filing. See Securities Exchange Act Release No. 38542 (April 23, 1997).

[8] Details of the cash distribution to NYSE members were described in Item 3 of the parallel proposed rule change filed by NYSE.