

it by LAMCO from time to time and related record keeping and reporting.

5. The new sub-advisory agreement will provide for a sub-advisory fee no higher than that provided in All-Star's existing sub-advisory agreements and, except for the provisions relating to shareholder approval referred to in condition 1 above, will be on substantially the same other terms and conditions as such existing agreements. In the event that the new sub-advisory agreement provides for sub-advisory fees at rates less than those provided in the existing agreements, the difference will be passed on to All-Star and its shareholders through a corresponding voluntary reduction in the fund management fees payable by All-Star to LAMCO.

6. The appointment of the new or successor Sub-Advisor will be announced by press release promptly following the trustees' action referred to in condition 3 above, and a notice of the new sub-advisory agreement, together with a description of the new or successor sub-Advisor, will be included in All-Star's next report to shareholders.

7. In the case of a new subadvisory agreement with an existing Sub-Advisor or its successor following an "assignment," as defined in section 2(a)(4) of the Act and the rules thereunder, off All-Star's sub-advisory agreement with that Sub-Advisor, LAMCO or the Sub-Advisor (or its successor) will pay the incremental cost of including the proposal to approve or disapprove the new sub-advisory agreement in the proxy material for the next annual meeting of All-Star Growth's shareholders.

8. LAMCO will provide overall supervisory responsibility for the general management and investment of All-Star's assets, subject to All-Star's investment objectives and policies and any directions of All-Star's trustees. In particular, LAMCO will: (a) Provide overall investment programs and strategies for All-Star; (b) recommend to All-Star's trustees investment management firms for appointment or replacement as All-Star Sub-Advisors; (c) allocate and reallocate All-Star's portfolio assets among the Sub-Advisors; and (d) monitor and evaluate the investment performance of the Sub-Advisors, including their compliance with All Star's investment objectives, policies, and restrictions.

For the SEC, by the Division of Investment Management, under delegated authority.
Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-3543 Filed 2-12-97; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22499; 812-10436]

Liberty All-Star Growth Fund, Inc., et al.; Notice of Application

February 6, 1997.

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

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Liberty All-Star Growth Fund, Inc. ("All-Star Growth") and Liberty Asset Management Company ("LAMCO").

RELEVANT ACT SECTIONS: Order requested under section 6(c) for an exemption from section 15(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order amending an existing order that lets All-Star Growth and LAMCO change or add sub-advisers, or continue the services of a sub-adviser following an assignment of its sub-advisory agreement, and delay shareholder approval until the next annual shareholder meeting. Among other things, the existing order is subject to a requirement that the new subadvisory agreement will affect no more than approximately one-third of All-Star Growth's assets. The amended order would eliminate this condition.

FILING DATES: The application was filed on November 14, 1996, and amended on February 3, 1997.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on March 3, 1997, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, DC 20549. Applicants: Federal Reserve Plaza, Boston, MA 02210.

FOR FURTHER INFORMATION CONTACT: Christine Y. Greenlees, Senior Counsel, at (202) 942-0581 or Mary Kay Frech, Branch Chief, at (202) 942-0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the

application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

Applicants' Representations

1. All-Star Growth is a closed-end diversified management investment company. LAMCO, a registered investment adviser, is an indirect wholly-owned subsidiary of Liberty Financial Companies, Inc. ("LFC"). LFC is an indirect majority-owned subsidiary of Liberty Mutual Insurance Company.

2. All-Star Growth employs a multi-manager methodology of portfolio management. It allocates its investment portfolio on an approximately equal basis among several independent investment management firms ("Sub-Advisors"), currently three in number, selected and recommended from time to time by LAMCO based on specific criteria, including a sufficient diversity and breadth of investment styles. None of the Sub-Advisors has any affiliation with All-Star Growth or LAMCO other than as Sub-Advisor.

3. Applicants received an order that permits All-Star Growth and LAMCO to change or add Sub-Advisors, or continue the services of a Sub-Advisor following an assignment of its subadvisory agreement, and delay shareholder approval of the new sub-advisory agreements with such Sub-Advisors until All-Star Growth's next annual meeting of shareholders (the "Existing Order").¹ Applications reaffirm all of the representations made in the original application, as amended for the Existing Order, except as described below.

4. Among other things, the Existing Order is conditioned upon the requirement that the new subadvisory agreement involved will, when entered into, affect no more than approximately one-third of All-Star Growth's assets.² Applicants seek to amend the Existing Order to eliminate such restriction.

¹ Investment Company Act Release Nos. 20772 (Dec. 15, 1994) (notice) and 20824 (Jan. 10, 1995) (order).

² Under the Existing Order, LAMCO managed 20% of All-Star Growth's assets, subject to an increase to include all of All-Star Growth's assets as provided in an Asset Acquisition and Fund Management Transition Agreement, dated February 9, 1994, among LAMCO, Growth Stock Outlook, Inc. ("GSO"), and GSO's principal stockholder. Pursuant to that Agreement and as approved by All-Star Growth's shareholders at its 1995 annual meeting: (a) LAMCO assumed management of the remaining approximately 80% of All-Star Growth's assets; (b) the fund's name was changed to "Liberty All-Star Growth Fund, Inc.;" and (c) its investment objective was changed to long-term capital appreciation. Accordingly, since November 6, 1995, the exemptive relief granted by the Existing Order has been applicable to 100% of All Star Growth's assets.

Applicant's Legal Analysis

1. Section 15(a) of the Act makes it unlawful for any person to act as an investment adviser to a registered investment company except pursuant to a written contract, whether with such registered company or with an investment adviser of such registered company, which has been approved by the majority vote of the outstanding voting securities of such registered company.

2. Applicants state that All-Star Growth's multi-manager methodology of portfolio management is based on the premise that most investment management firms consistently employ a distinctive investment style that causes them to emphasize stocks with particular characteristics, and that, because of changing investor preferences, any given investment style will move into and out of market favor and will result in better investment performance under certain market conditions, but less successful performance under other conditions. All-Star Growth's multi-manager methodology, by allocating its portfolio among several Sub-Advisors employing different investment styles, seeks to achieve more consistent and less volatile performance over the long term than if a single investment style was employed throughout the entire period. The Sub-Advisors recommended by LAMCO represent a blending of different investment styles, which, in its opinion, is appropriate to All-Star Growth's investment objective, and which is sufficiently broad so that, insofar as All-Star Growth's investment objective permits, at least one of such styles can reasonably be expected to be in market favor in all reasonably foreseeable market conditions.

3. LAMCO believes that the investment styles of certain investment management firms may result in more volatile performance than those of other firms. Accordingly, it believes that the objectives of reducing volatility and providing a blending of different investment styles appropriate for All-Star Growth's investment objectives may be better served by allocating more than an equal portion of All-Star Growth's assets to a Sub-Advisor whose investment style is expected to result in less volatile performance than those of the other Sub-Advisors, and allocating the remaining assets among the other Sub-Advisors (not necessarily on an equal basis). The relative allocations among the Sub-Advisors, once established, would be maintained through rebalancings at approximately

the same levels until the next change or addition of a Sub-Advisor.

4. Applicants submit that, except for the fact that any order granting the requested relief will not contain the Existing Order's requirement that the new subadvisory agreement involved will, when entered into, affect no more than approximately one-third of All-Star Growth's assets, each of the factors that provided the basis for the granting of the Existing Order would continue to apply.

5. Section 6(c) of the Act authorizes the SEC to exempt persons or transactions from the provisions of the Act to the extent that such exemptions are necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants submit that the requested amendment to the exemption from section 15(a) of the Act granted by the Existing Order would be consistent with the standards set forth in section 6(c) of the Act and would be in the best interests of All-Star Growth and its shareholders.

Applicants' Conditions

Applicants agree that any order granting the requested relief shall be subject to the following conditions:

1. Each new sub-advisory agreement will be submitted for ratification and approval to the vote of All-Star Growth's shareholders no later than at the regularly scheduled annual meeting of shareholders of All-Star Growth next following the effective date of the new sub-advisory agreement, and its continuance after such meeting is conditioned on approval by a majority vote (as defined in section 2(a)(42) of the Act) of such shareholders.

2. All-Star Growth will continue to hold annual meetings of its shareholders, whether or not required to do so by the rules of the New York Stock Exchange, Inc. or otherwise.

3. The directors of All-Star Growth, in addition to approving the new sub-advisory agreement in accordance with the requirements of section 15(c) of the Act, will specifically determine that entering into the new sub-advisory agreement in advance of the next regular annual meeting of the shareholders of All-Star Growth, and without prior shareholder approval is in furtherance of All-Star Growth's multi-manager methodology, and is in the best interests of All-Star Growth and its shareholders.

4. The new Sub-Advisor will have no affiliation with All-Star Growth or LAMCO other than as Sub-Advisor, and will have no duties or responsibilities with respect to All-Star Growth beyond the investment management of the

portion of All-Star Growth's assets allocated to it by LAMCO from time to time and related record keeping and reporting.

5. The new sub-advisory agreement will provide for a sub-advisory fee no higher than that provided in All-Star Growth's existing sub-advisory agreements and, except for the provisions relating to shareholder approval referred to in condition 1 above, will be on substantially the same other terms and conditions as such existing agreements. In the event that the new sub-advisory agreement provides for sub-advisory fees at rates less than those provided in the existing sub-advisory agreements, the difference will be passed on to All-Star Growth and its shareholders through a corresponding voluntary reduction in the fund management fees payable by All-Star Growth to LAMCO.

6. The appointment of the new or successor Sub-Advisor will be announced by press release promptly following the directors' action referred to in condition 3 above, and a notice of the new sub-advisory agreement, together with a description of the new or successor Sub-Advisor, will be included in All-Star Growth's next report to shareholders.

7. LAMCO will provide overall supervisory responsibility for the general management and investment of All-Star Growth's assets, subject to All-Star Growth's investment objectives and policies and any directions of All-Star Growth's directors. In particular, LAMCO will: (a) provide overall investment programs and strategies for All-Star Growth's assets; (b) recommend to All-Star Growth's directors investment management firms for appointment or replacement as Sub-Advisors for All-Star Growth's assets; (c) allocate and reallocate All-Star Growth's assets among the Sub-Advisors; and (d) monitor and evaluate the investment performance of the Sub-Advisors, including their compliance with All-Star Growth's investment objectives, policies, and restrictions.

8. In the case of a new sub-advisory agreement with an existing Sub-Advisor or its successor following an "assignment," as defined in section 2(a)(4) of the Act and the rules thereunder, of All-Star Growth's sub-advisory agreement with that Sub-Advisor, LAMCO or the Sub-Advisor (or its successor) will pay the incremental cost of including the proposal to approve or disapprove ratification of the new sub-advisory agreement in the proxy material for the next annual meeting of All-Star Growth's shareholders.

For the SEC, by the Division of Investment Management, under delegated authority.
Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 97-3542 Filed 2-12-97; 8:45 am]
BILLING CODE 8010-01-M

[Release No. 34-38255; International Series Release No. 1049; File No. SR-CBOE-96-60]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the Chicago Board Options Exchange, Incorporated Relating to Listing and Trading of Options on the Salomon Brothers BMI World Property Index

February 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 7, 1996, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change³ as described in Items I, II, and III below, which Items have been prepared by the CBOE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

1. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The CBOE proposes to list and trade cash-settled, European-style stock index options on the Salomon Brothers BMI World Property Index ("World Property Index" or "Index"), a broad-based, float capitalization-weighted index comprised of 339 stocks⁴ from eighteen countries.⁵

The text of the proposed rule change is available at the Office of the secretary, CBOE and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CBOE included statements concerning the purpose of and basis for the proposed rule change and represented it did not receive any comments on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to permit the CBOE to list and trade cash-settled, European-style stock index options on the World Property Index. As discussed further in the *Maintenance* paragraph, the World Property Index is a broad-based float capitalization-weighted index (price times available shares outstanding). The Index is currently composed of 339 high-capitalization stocks of real estate and property companies from 18 countries. The World Property Index is a subset of the Salomon Brothers World Equity Index which is comprised of listed equities from 22 countries.

Index Design. The World Property Index has been designed to measure the performance of certain high capitalization real estate and property stocks from various countries. The World Property Index is a broad-based float capitalization-weighted index calculated as described below. The Exchange represents that the Index is broad-based for three reasons. First, although the stocks are all involved in real estate and property, the types of real estate vary widely. The Index can be divided into the following four industry groups: non-U.S. diversified property activities group; non-U.S. property development group; non-U.S. property investment/management group; and the U.S. group.⁶ Second, the 339 component stocks are from 18 countries, therefore, CBOE asserts that

the performance of the various companies is not as closely linked as it would generally be in a narrow-based index. On July 31, 1996, the 339 stocks ranged in capitalization from \$75.5 million to \$12.4 billion. The largest stock accounted for 6.43% of the total weighting of the Index, while the smallest accounted for 0.04%. The top five stocks in the Index accounted for 22.72 percent of the weight of the Index.⁷ The median capitalization of the firms in the Index was \$247.3 million. And third, the CBOE believes that since each of the components from foreign countries are traded in local currencies and then translated into U.S. dollars, there is an added component of currency conversion which must be factored into the movement of the individual securities.

Calculation. The Index level is calculated once per day by Salomon Brothers and will be disseminated by CBOE prior to the opening the next business day over the Options Price Reporting Authority ("OPRA") or the Consolidated Tape Association. Closing prices in each company's domestic market are used in the final daily Index calculations.⁸ WM/Reuters Closing Spot Rates ("WM/Reuters Rates"), taken at 4:00 p.m. London time, are midmarket rates (as opposed to bid-side quotations) based on Reuters data that are used to calculate the U.S. dollar value of the Index. WM/Reuters Rates are calculated by the WM Company ("WM") and appear on Reuters beginning on page WMRA.⁹

Shares are adjusted for corporate actions on their ex-dates. These actions include splits, scrip and bonus issues, and preemptive rights. For actions resulting in no net change to the capitalization of the issue, such as stock splits and stock dividends, the Index divisor, described below, remains unchanged. The Index divisor is updated at each quarter-end for changes in share capital because of share

⁷ The top five stocks were: Sun Hung Kai Properties Ltd. from Hong Kong (6.43 percent); Cheung Kong Holdings Ltd. from Hong Kong (5.29 percent); Mitsubishi Estate Co. from Japan (5.04 percent); Mitsui Fudosan Co. from Japan (3.44 percent); and New World Development Company Ltd. from Hong Kong (2.52 percent).

⁸ Salomon Brothers currently does not calculate intra-day values of the Index during the U.S. trading day.

⁹ WM is a UK-based company that specializes in performance measurement. WM is a neutral force, not related to any trading firm or broker-dealer. WM/Reuters Rates represent an effort led by WM to standardize the closing spot rates used in the global investment community for fund valuation, index compilation, and performance measurement. WM/Reuters Rates are considered to be an industry standard and are used by various firms in index calculation.

¹ 15 U.S.C. 78s (b)(1)

² 17 CFR 240.19b-4.

³ On December 18, 1996, CBOE submitted an amendment to the rule change. See letter from Eileen Smith, Director, Product Development, Research Department, CBOE to Marianne H. Khawly, Staff Attorney, Division of Market Regulation, SEC, dated December 18, 1996.

⁴ A list of the securities comprising the World Property Index was submitted by the Exchange as Exhibit B, and is available at the Office of the Secretary, CBOE and at the Commission.

⁵ The following countries are represented in the Index: Australia; Belgium; Canada; Denmark; France; Germany; Hong Kong; Ireland; Japan; Malaysia; the Netherlands; Norway; Singapore; Spain; Sweden; Switzerland; the United Kingdom; and the United States.

⁶ The U.S. group consists of the following 12 industry subgroups: apartments; healthcare facilities; hotels; manufactured homes; office/industrial buildings; diversified properties; net/lease properties; REOCs; self-storage facilities; factory outlets; regional malls; and shopping centers.