

involve the "purchase" of portfolio securities by any shareholder that owns more than 5% of the Existing Portfolio's outstanding voting securities ("Covered Shareholder") that may exist at the time of the Transaction, section 17(a) would prohibit the Redemption.

3. Rule 17a-7 under the Act exempts certain purchase and sale transactions otherwise prohibited by section 17(a) if an affiliation exists solely by reason of having a common investment adviser, common directors, and/or common officers, provided, among other requirements, that the transaction involves a cash payment against prompt delivery of the security. Applicants state that the relief provided by rule 17a-7 is not available for the Transfer because it will not be effected in cash. Moreover, rule 17a-7(b) requires that the securities being sold be valued at the "last sale price or the average of the highest current independent bid and lowest current independent offer." The Existing Portfolio's valuation procedures provide that securities are priced at the last sale price or, if that is not available, the current bid price of the securities.

4. Rule 17a-8 exempts certain mergers, consolidations, and asset sales of registered investment companies from the provisions of section 17(a) of the Act if an affiliation exists solely by reason of having a common investment adviser, common directors, and/or common officers, provided, among other requirements, that the board of directors of each affiliated investment company make certain determinations that the transaction is fair. Applicants state that the relief provided by the rule 17a-8 is unavailable for the Transfer because the Transfer is not structured as a merger, consolidation or asset sale.

5. Section 17(b) provides that the Commission shall exempt a transaction from section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching, the proposed transaction is consistent with the policy of reach registered investment company concerned, and the proposed transaction is consistent with the general purposes of the Act. Applicants request relief under section 17(b) to allow (a) the Redemption of the Covered Shareholders, and (b) the Transfer.

6. Applicants submit that the terms of the proposed Redemption by a Covered Shareholder meet the standards set forth in section 17(b). Applicants state that the Covered Shareholders will not have a choice as to the type of assets to be received in the Redemption, and neither

the Adviser nor a Covered Shareholder will have any opportunity to select the specific portfolio securities to be distributed in a manner that will benefit Covered Shareholders or be detrimental to the interests of other shareholders. In addition, the Fund will use an objective, verifiable standard to value the securities to be distributed pursuant to the Redemption.

7. Applicants state that the Board has approved the Transaction in the manner required by rule 17a-8. Applicants also state that the Transfer will comply with rule 17a-7 to the extent possible.

Applicants assert that if the Transfer were effected in cash, as required under rule 17a-7(a), rather than in-kind, the Tax-Exempt Shareholders would bear unnecessary expense and inconvenience in transferring securities to the New Portfolio. The Existing Portfolio would also incur brokerage expenses on the sale of portfolio securities. The New Portfolio also would incur brokerage expenses on the subsequent purchase of similar securities. Applicants state that the securities involved in the Transfer will be valued in a manner identical to the Existing Portfolio's valuation practices and that the shares of the New Portfolio issued to the Tax-Exempt Shareholder will have an aggregate net asset value equal to the value of the assets so transferred. Applicants also assert that valuing securities for which a "last sales price" is not available at their bid price, rather than the average of the bid and ask price as required by rule 17a-7, is appropriate. Applicants state that the use of the calculation methodology contained in rule 17a-7(b) could skew the Existing Portfolio's net asset value calculation and result in the relative dilution of interests of either the Taxable or Tax-Exempt Shareholders.

Applicants' Conditions

1. The Transaction will comply with the terms of rule 17a-7, except as described in the Application.

2. The in-kind securities will be distributed by the Existing Portfolio on a *pro rata* basis after excluding: (a) Securities which, if distributed would require registration under the Securities Act of 1933 or violate a restriction with respect to transferability, or other securities not transferable in the manner contemplated in the application; (b) securities issued by entities in countries which (i) restrict or prohibit the holding of securities by non-nationals other than through qualified investment vehicles, such as the Fund, or (ii) permit transfers of ownership of securities to be effected only by transactions conducted on a local stock exchange; and (c) certain portfolio assets (such as forward foreign

currency exchange contracts, futures and options contracts and repurchase agreements) that, although they may be liquid and marketable, must be traded through the marketplace or with the counterparty to the transaction in order to effect a change in beneficial ownership. Cash will be paid for that portion of the Existing Portfolio's assets represented by cash equivalents (such as certificates of deposit, commercial paper and repurchase agreements) and other assets which are not readily distributable as described in the preceding sentence (as well as receivables and prepaid expenses), net of all liabilities (including accounts payable). The Existing Portfolio will also distribute cash in lieu of securities held in its portfolio if distributing the securities would result in the New Portfolio receiving odd lots or fractional shares. In effecting the proposed in-kind redemptions, the Existing Portfolio will round down the proportionate distribution of each portfolio security to the nearest round lot amount and will redeem the remaining odd lot in cash.

3. The in-kind securities distributed to the Tax-Exempt Shareholders will be valued in the same manner as they would be valued for purposes of computing the net asset value of each of the Existing and New Portfolios.

4. The Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which the Transaction occurs, the first two years in an easily accessible place, a written record of such redemptions setting forth a description of each security distributed, the terms of the distribution, and the information or materials upon which the valuation was made.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-27417 Filed 10-13-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT: (63 FR 53969/October 7, 1998).

STATUS: Open Meeting.

PLACE: 450 Fifth Street, NW., Washington, DC.

DATE PREVIOUSLY ANNOUNCED: October 5, 1998.

CHANGE IN THE MEETING: Date Change.

The open meeting previously scheduled for Wednesday, October 14, 1998 at 10: a.m. has been rescheduled for Thursday, October 15, 1998, at 10:00 a.m.

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

Dated: October 8, 1998.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-27579 Filed 10-8-98; 4:39 pm]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40520; File No. SR-CHX-98-22]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Membership Dues and Fees

October 5, 1998.

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 September 29, 1998, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described

in items I, II, and III below, which Items have been prepared by CHX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

CHX proposes to amend its membership dues and fees schedule, effective with the September billing statements. The changes are as follows:

Membership Dues and Fees

Additions are in *italics*; deletions [bracketed]

(d) Transaction Fee Schedule

(3) Monthly maximums for fees incurred in (2) above

(i) Maximum monthly transaction fees for orders sent via MAX	\$7,000	
(ii) Maximum monthly transaction fee for firms without a floor broker or market maker presence on the floor	[\$65,000]	<i>\$78,000</i>
(iii) Maximum monthly transaction fee for firms with a floor broker or market maker presence on the floor	[\$45,000]	<i>\$54,000</i>
(iv) Maximum monthly transaction fees shall not exceed the lesser of that specified in (ii) or (iii) above, or [\$.45] <i>\$.40</i> per 100 average monthly gross round lot shares.		

The above transaction fees shall not apply to transactions in Tape B eligible issues which are executed through MAX.

* * * * *

(u) Floor Broker Credits

Total Monthly fees owed by a floor broker to the Exchange will be reduced (but to no less than zero) by the application of the following Earned Credit.

Earned Credit = Average Daily Billable Shares × Average Rate per Billable Share × Credit Percentage.

In calculating the above Earned Credit, the following definitions shall apply:

"Average Daily Billable Shares" means, for a given month, (i) Total Billable Shares in Month divided by (ii) Total Trading Days in Month.

"Total Billable Shares in Month" means, for a given month, the total number of shares executed on the Exchange by the floor broker for which the Exchange received a transaction fee. Any share executed for which the Exchange did not receive a transaction fee shall not be considered a billable share.

"Total Trading Days in Month" means, for a given month, the number of business days that the Exchange was open for business during the month.

Days in which the Exchange closes early, due to a holiday or otherwise, shall nonetheless be considered a day that the Exchange is open for business.

"Average Rate per Billable Share" means, for a given month, (i) the total dollar amount of transaction fees received by the Exchange for trades executed on the Exchange by the floor broker divided by (ii) Total Billable Shares in Month.

"Credit Percentage" means the applicable percentage taken from the following table:

		Average Daily Billable Shares			
		0-49,999 Shares	50,000- 99,999 Shares	100,000- 499,999 Shares	500,000 Shares or Greater
<i>Average Rate per Billable Share</i>	Less than \$.0040	20%	30%	40%	50%
	\$.0040-\$.0055	30%	45%	60%	75%
	Greater than \$.0055	40%	60%	80%	100%

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

In its filing with the Commission, CHX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements

may be examined at the places specified in Item IV below. CHX has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects 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 amend CHX's membership dues and fees schedule to (i) change the maximum monthly transaction fee caps

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.