member organizations to submit such fingerprints to the Exchange for processing prior to any employee performing functions that are not exempted by Rule 17f–2.[10] The Exchange maintains that incorporating the fingerprinting requirement into the Phlx's rules should facilitate compliance with Section 17(f)(2) of the Act and Rule 17f–2 thereunder by providing Exchange members with a ready reference to these requirements.

The Exchange also proposes to incorporate the provisions of Phlx Rule 623 into Floor Procedure Advice F–25. This would have the effect of adding these provisions to the Exchange's MRP.[11] The Exchange would impose the following fines for violations of the personnel fingerprinting rules and regulations; $50 for a first-time violation; $100 for a second-time violation; $250 for a third-time violation; and, for every violation thereafter, the sanction would be within the discretion of the Business Conduct Committee.

The Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).[12] Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)[13] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public. The Commission also believes the proposal is consistent with the Section 6(b)(6)[14] requirement that the rules of an exchange provide that its members be disciplined appropriately for violations of an exchange's rules and the Act.

The Commission agrees with the Exchange and believes that including the Commission's fingerprinting requirements in the Phlx's rules should facilitate compliance by providing Exchange members with the Commission's fingerprinting requirements also should assist in the accurate verification of the identity and background of the Exchange's members and their employees.

The Commission also believes that it is appropriate to add these requirements to the Exchange's MRP. The purpose of the Exchange's MRP is to provide a response to a violation of Exchange rules when a meaningful sanction is needed, but initiation of a disciplinary proceeding pursuant to Phlx Rule 960.2[15] is not suitable because such a proceeding would be more costly and time-consuming than would be warranted given the nature of the violation.[16]

The inclusion of a rule in an exchange's minor rule violation plan, however, should not be interpreted to mean that it is not an important rule. On the contrary, the Commission recognizes that the inclusion of violations of particular rules under a minor rule violation plan may make the exchange's disciplinary system more efficient in prosecuting more egregious or repeated violations of these rules, thereby furthering its mandates to protect investors and the public interest.

The Commission believes that violations of the personnel fingerprinting requirements lend themselves to the use of expedited proceedings because such violations are technical in nature and easily verifiable. Moreover, noncompliance with these provisions may be determined objectively and adjudicated quickly without the complicated factual and interpretive inquiries associated with more sophisticated Exchange disciplinary proceedings. Accordingly, the addition of the personnel fingerprinting requirements to the Exchange's MRP should provide an efficient and appropriate procedure for disciplining members who violate these requirements. This, in turn, should further the Exchange's ability to effectively enforce compliance by its members and member organizations with both the Commission's and the Exchange's rules.

If, however, the Exchange determines that a violation of one of these rules is not minor in nature, the Exchange retains the discretion to initiate full disciplinary proceedings in accordance with Phlx Rule 960.2. In fact, the Commission expects the Phlx to bring full disciplinary proceedings in appropriate cases (*e.g.,* in cases where the violation is egregious or where there is a history or pattern of repeated violations).

Finally, the Commission finds that the imposition of the recommended fines for violations of the personnel fingerprinting rules and regulations should result in appropriate discipline of members in a manner that is proportionate to the nature of such violations.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,[17] that the proposed rule change (SR–Phlx–95–49) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[18]

Jonathan G. Katz,

Secretary.

[FR Doc. 95–25553 Filed 10–13–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21401; 812–9716]

Liberty All-Star Equity Fund; Notice of Application

October 6, 1995.

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

ACTION: Notice of Application for Exemption Under the Investment Company Act of 1940 (the ''Act'').

APPLICANT: Liberty All-Star Equity Fund.

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act from section 19(b) of the Act and from rule 19b–1 thereunder.

SUMMARY OF APPLICATION: Applicant requests an order to permit applicant to make up to four distributions of net long-term capital gains in any one taxable year, so long as it maintains in effect a distribution policy calling for quarterly distributions of a fixed percentage of its net asset value.

FILING DATES: The application was filed on August 8, 1995, and amended on September 22, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be

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[10] 17 CFR 240.17f–2 (exempting, for example, employees who do not sell securities; do not have regular access to the keeping, handling, or processing of securities, monies, or their original books and records; or do not have direct supervisory responsibility over persons engaged in the above mentioned activities).

[11] The Exchange's MRP, set forth in Phlx Rule 970, provides that the Exchange may impose a fine not to exceed $2,500 on any member, member organization, or person associated with or employed by a member or member organization, for any violation of an Exchange rule that has been deemed to be minor in nature and approved by the Commission for inclusion in the MRP. In addition, Phlx Rule 970 incorporates the Exchange's Floor Procedure Advice memoranda into the MRP. These memoranda, with accompanying fine schedules, describe which rule violations are eligible for the expedited disciplinary procedure under the MRP.

[12] 15 U.S.C. 78f(b).

[13] 15 U.S.C. 78f(b)(5).

[14] 15 U.S.C. 78f(b)(6).

[15] Phlx Rule 960.2 governs the initiation of disciplinary proceedings by the Exchange for violations within the disciplinary jurisdiction of the Exchange.

[16] Phlx Rule 970 is designed to provide an appropriate response to violations of certain Exchange rules, while preserving the due process rights of the accused party through specified required procedures. For example, the MRP permits any person to contest the Exchange's imposition of the fine through submission of a written answer, at which time the matter will become a formal disciplinary action.

[17] 15 U.S.C. 78s(b)(2).

[18] 17 CFR 200.30–3(a)(12).

issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on October 31, 1995, and should be accompanied by proof of service on applicant 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 5th Street, N.W., Washington, D.C. 20549. Applicant, c/o Liberty Financial Companies, Inc., 600 Atlantic Avenue, Boston, MA 02210.

FOR FURTHER INFORMATION CONTACT: James M. Curtis, Senior Counsel, at (202) 942–0563, or Robert A. Robertson, Branch Chief, (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.

Applicant's Representations

1. Applicant is a closed-end management investment company organized as a Massachusetts business trust. Applicant's investment objective is to seek total investment return, comprised of long-term capital appreciation and current income, through investment primarily in a diversified portfolio of equity securities.

2. Since June 1988, applicant's distribution policy (the ''Pay-Out Policy'') has been to make four quarterly distributions of an amount equal to 2.5% of its net asset value at the time of the declaration, for a total of approximately 10% of net asset value per year. If the total distributions required by the Pay-Out Policy exceed applicant's investment income and net realized capital gains, the excess is treated as a return of capital. If applicant's net investment income, net realized short-term capital gains, net realized long-term capital gains, and returns of capital for any year exceed the amount required to be distributed under the Pay-Out Policy, applicant may in its discretion retain, and not distribute, net realized long-term capital gains to the extent of such excess.

3. In accordance with rule 19a–1 under the Act, a separate statement showing the source of the distribution (net investment income, net realized capital gain, or return of capital) accompanies each distribution (or the confirmation of the reinvestment thereof under applicant's dividend reinvestment plan). Applicant's annual reports to shareholders also include this information for all distributions during the year. In addition, applicant has described its Pay-Out Policy in applicant's other communications to its shareholders, including the fact that the distributions called for by the policy will include returns of capital to the extent that applicant's net investment income and net realized capital gains are insufficient. Applicant also will provide an additional statement showing the amount and source of each quarterly distribution during the year with the IRS Form 1099–DIV reports sent to each shareholder who received distributions during the year (including shareholders who have sold shares during the year).

4. To date, applicant has completed three rights offerings of additional shares to its shareholders. Each of those rights offerings was short in duration and involved relatively small amounts of new shares. The rights in each of applicant's rights offerings were non-transferable and offered only to existing shareholders. The rights were offered only by means of the statutory prospectus, without solicitation by brokers and without payment of any commission or other underwriting fees.

5. Applicant requests relief to permit applicant to make up to four distributions of net long-term capital gains in any one taxable year, so long as it maintains in effect a distribution policy calling for quarterly distributions of a fixed percentage of its net asset value.

Applicant's Legal Analysis

1. Section 19(b) provides that registered investment companies may not, in contravention of such rules, regulations, or orders as the SEC may prescribe, distribute long term capital gains more often than once every twelve months. Rule 19b–1 limits the number of capital gains distributions, as defined in section 852(b)(3)(C) of the Internal Revenue Code of 1986, as amended, (the ''Code''), that applicant may make with respect to any one taxable year to one, plus a supplemental distribution made pursuant to section 855 of the Code not exceeding 10% of the total amount distributed for the year, plus one additional long term capital gains distribution made to avoid the excise tax under section 4982 of the Code.

2. Rule 19b–1, by limiting the number of net long-term capital gain distributions that applicant may make with respect to any one year, prevents the operation of the Pay-Out Policy whenever applicant's realized net long-term capital gains in any year exceed the total of the fixed quarterly distributions that under rule 19b–1 may include such capital gains. In that situation, the rule effectively forces the fixed quarterly distributions that under the rule may not include such capital gains to be funded with returns of capital (to the extent net investment income and realized short-term capital gains are insufficient), even though net realized long-term capital gains would otherwise be available therefor. The long-term capital gains in excess of the fixed quarterly distributions permitted by the rule then must either be added as an ''extra'' to one of the permitted capital gains distributions, thus exceeding the total annual amount called for by the policy, or be retained by applicant (with applicant paying taxes thereon).

3. Applicant believes that granting the requested relief would limit applicant's return of capital distributions to that amount necessary to make up any shortfall between applicant's guaranteed distribution and the total of its investment income and capital gains. The likelihood that applicant's shareholders would be subject to the additional tax return complexities involving when applicant retains and pays taxes on long term capital gains would be substantially reduced.

4. One of the concerns leading to the adoption of section 19(b) and rule 19b–1 was that shareholders might be unable to distinguish between frequent distributions of capital gain and dividends from investment income. Through the disclosures accompanying applicant's distributions, in applicant's prospectuses and annual reports, and in other communications with shareholders, applicant states that its shareholders will understand that applicant's fixed distributions are not tied to its investment income and realized capital gains and will not represent yield or investment return.

5. Another concern that led to the adoption of section 19(b) and rule 19b–1 was that frequent capital gain distributions could facilitate improper fund distribution practices, including in particular the practice of urging an investor to purchase fund shares on the basis of an upcoming dividend (''selling the dividend''), where the dividend results in an immediate corresponding reduction in net asset value and is in effect a return of the investor's capital. Applicant believes that this concern does not apply to closed-end investment

companies, such as applicant, which do not continuously distribute shares. Any rights offering, moreover, that applicant makes in the future will be non-transferable and will be offered only by means of the statutory prospectus, without solicitation by brokers and without payment of any commission or other underwriting fees and accordingly would provide no opportunity for selling the dividend.

6. Applicant states that another concern leading to the adoption of section 19(b) and rule 19b–1, increase in administrative costs, is not present because applicant will continue to make quarterly distributions regardless of what portion thereof is composed of capital gains.

7. For the reasons stated above, applicant believes that the requested exemption from section 19(b) of the Act and rule 19b–1 thereunder would be consistent with the standards set forth in section 6(c) of the Act, and would be in the best interests of applicant and its shareholders.

Applicant's Condition

Applicant agrees that any SEC order granting the requested relief shall terminate upon the effective date of a registration statement under the Securities Act of 1933 for any future public offering by applicant of shares of applicant other than:

(i) A non-transferable rights offering to shareholders of applicant, provided that such offering does not include solicitation by brokers or the payment of any commissions or underwriting fee; and

(ii) An offering in connection with a merger, consolidation, acquisition or reorganization.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 95–25507 Filed 10–13–95; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Rel. No. 21404; 812–9782]

Prairie Funds, et al.; Notice of Application

October 6, 1995.

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

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the ''Act'').

APPLICANTS: Prairie Funds, Prairie Institutional Funds, Prairie Intermediate Bond Fund, and Prairie Municipal Bond Fund, Inc., (collectively, the ''Funds''); First Chicago Investment Management Company (''FCIMCO'') and ANB Investment Management and Trust Company (''ANB–IMC'').

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

SUMMARY OF APPLICATION: First Chicago Corporation, the ultimate parent of FCIMCO, will merge with and into NBD Bancorp, Inc. (''NBD''). The merger will result in the assignment, and thus the termination, of existing investment advisory and sub-advisory contracts of the Funds. The order would permit the implementation, without shareholder approval, of new advisory and sub-advisory contracts for a period of up to 120 days following November 30, 1995 (''Interim Period''). The order also would permit FCIMCO and ANB–IMC to receive from the Funds fees earned under the new investment advisory and sub-advisory contracts during the Interim Period following approval by the Funds' shareholders.

FILING DATES: The application was filed on September 26, 1995 and amended on October 6, 1995.

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 October 31, 1995, 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 such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o First Chicago Investment Management Company, Three First National Plaza, Chicago, Illinois 60670, Attention: Secretary.

FOR FURTHER INFORMATION CONTACT: Sarah A. Buescher, Staff Attorney, at (202) 942–0573, or C. David Messman, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. Each Fund is registered under the Act as an open-end management investment company. Each Fund has entered into an investment advisory agreement (the''Existing Advisory Agreement'') with FCIMCO, an investment adviser registered under the Investment Advisers Act of 1940, under which FCIMCO provides investment advisory services to each Fund. FCIMCO has engaged ANB–IMC, a registered investment adviser, to provide the day-to-day management of the International Equity Fund series of the Prairie Fund pursuant to a sub-investment advisory agreement (the ''Existing Sub-Investment Advisory Agreement,'' and together with the Existing Advisory Agreements, the ''Existing Agreements'').

2. FCIMCO is a wholly-owned subsidiary of The First National Bank of Chicago, which in turn is a wholly-owned subsidiary of First Chicago Corporation. ANB–IMC is a wholly-owned subsidiary of American National Bank and Trust Company, which in turn is a wholly-owned subsidiary of First Chicago Corporation.

3. Under an Agreement and Plan of Merger (the ''Merger Agreement'') dated July 11, 1995 between First Chicago Corporation and NBD, First Chicago Corporation agreed to merge with and into NBD, with NBD as the surviving corporation in the Merger and continuing under the name ''First Chicago NBD Corporation.''

4. On September 19, 1995, the respective boards of the Funds met to discuss the Merger. During those meetings, the boards, which are comprised entirely of members who are not ''interested persons'' (as that term is defined in the Act) of the respective Funds, considered the new investment advisory agreements between FCIMCO and each Fund (the ''New Advisory Agreements'') and the new sub-investment advisory agreement between FCIMCO and ANB–IMC with respect to the International Equity Fund (the ''New Sub-Investment Advisory Agreement'' and, together with the New Advisory Agreements, the ''New Agreements'') to be entered into upon consummation of the Merger. The boards evaluated the New Agreements after receiving such information as they requested as being reasonably necessary to evaluate whether the terms of the New Agreements were in the best interests of the Funds and their shareholders. Each New Agreement is identical to the relevant Existing Agreement, except for its effective date. In accordance with