

period of less than 30 days. Applicants state that, to protect further the Underlying Portfolios and Other Portfolios from unexpected large redemptions, the Direct Funds generally will be designed for intermediate and long-term investors.

10. Applicants state that an additional concern underlying section 12(d)(1) is that the popularity of fund of funds could lead to the creation of more complex vehicles that would not serve any meaningful purpose. Applicants submit that these concerns are addressed by the fact that no Underlying Portfolio or Other Portfolio can acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A), except to the extent that such Underlying Portfolio or Other Portfolio (a) receives securities of another investment company as a dividend or as a result of a plan of reorganization of a company (other than a plan devised for the purpose of evading section 12(d)(1) of the Act); or (b) acquires (or is deemed to have acquired) securities of another investment company pursuant to exemptive relief from the SEC permitting such Underlying Portfolio or Other Portfolio to (i) acquire securities of one or more affiliated investment companies for short-term cash management purposes; or (ii) engage in interfund borrowing and lending transactions.

11. Section 12(d)(1)(J) provides that the SEC may exempt persons or transactions from any provision of section 12(d)(1) if and to the extent such exemption is consistent with the public interest and the protection of investors. Applicants assert that the Direct Funds will provide a simple answer to investor demand for a diversified, professionally managed fund and funds, and that the structure of the Direct Funds is consistent with the public interest and the protection of investors.

12. Section 17(a) generally prohibits an affiliated person of a registered investment company from selling securities to, or purchasing securities from, the company. Applicants submit that the Direct Funds and Underlying Portfolios may be deemed to be affiliated persons of one another by virtue of being under common control of their adviser, or because Direct Funds own 5% or more of the shares of an Underlying Portfolio. Applicants state that sales by the Underlying Portfolios of their shares to the Direct Funds could be deemed to be principal transactions between affiliated persons under section 17(a)

13. Section 6(c) of the Act provides that the SEC may exempt persons or

transactions from any provision of the Act if such exemption is 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 believe that relief under section 6(c) is appropriate for the reasons discussed above.

14. Section 17(b) provides that the SEC shall exempt a proposed transaction from section 17(a) if evidence establishes that (a) the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching; (b) the proposed transaction is consistent with the policies of the registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Applicants request an exemption under sections 6(c) and 17(b) to allow the transactions described above.

15. Applicants believe that the terms of the proposed arrangement are reasonable and fair and do not involve overreaching because the consideration paid for the sale and redemption of shares of Underlying Portfolios will be based on the net asset values of the Underlying Portfolios. Applicants note the investment of assets of the Direct Funds in shares of the Underlying Portfolios and the issuance of shares of the Underlying Portfolios to the Direct Funds will be effected in accordance with the investment restrictions of the Direct Funds and will be consistent with the policies as set forth in the registration statement of the Direct Funds. Applicants also believe that the proposed arrangement is consistent with the general purposes of the Act.

Applicants' Conditions

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

1. All Underlying Portfolios will be part of the same "group of investment companies," as defined in section 12(d)(1)(G)(ii) of the Act, as the Direct Funds.

2. No Underlying Portfolio or Other Portfolio will acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act, except to the extent that such Underlying Portfolio or Other Portfolio (a) receives securities of another investment company as a dividend or as a result of a plan of reorganization of a company (other than a plan devised for the purpose of evading section 12(d)(1) of the Act); or (b) acquires (or is deemed to have acquired) securities of another

investment company pursuant to exemptive relief from the SEC permitting such Underlying Portfolio or Other Portfolio to (i) acquire securities of one or more affiliated investment companies for short-term cash management purposes; or (ii) engage in interfund borrowing and lending transactions.

3. Any sales charges, distribution-related fees, and service fees relating to the shares of the Direct Funds, when aggregated with any sales charges, distribution-related fees, and service fees paid by the Direct Funds relating to its acquisition, holding, or disposition of shares of the Underlying Portfolios (and Other Portfolios), will not exceed the limits set forth in rule 2830 of the NASD Conduct Rules.

4. Before approving any advisory contract under section 15 of the Act, the boards of directors/trustees of the Direct Funds, including a majority of the directors/trustees who are not "interested persons," as defined in section 2(a)(19), will find that the advisory fees charged under the contract are based on services provided that are in addition to, rather than duplicative of, services provided under any Underlying Portfolio or Other Portfolio advisory contract. This finding, and the basis upon which the finding was made, will be recorded fully in the minute books of the Direct Funds.

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

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010-01-M

Issuer Delisting; Notice of Application to Withdraw From Listing and Registration; (Magellan Health Services, Inc., Common Stock, 25¢ Par Value; 11.25% Series A Senior Subordinated Notes due 2004) File No. 1-6639

January 31, 1997.

Magellan Health Services, Inc. ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified securities ("Securities") from listing and registration on the American Stock Exchange, Inc. ("Amex").

The reasons alleged in the application for withdrawing the Securities from listing and registration include the following:

According to the Company, it has complied with Rule 18 of the AMEX by filing with such Exchange a certified copy of preambles and resolutions adopted by the Company's Board of Directors authorizing the withdrawal of its securities from listing on the AMEX and by setting forth in detail to such Exchange the reasons for such proposed withdrawal, and the facts in support thereof. The Securities began trading on the New York Stock Exchange, Inc. ("NYSE") on December 31, 1996. In making the decision to withdraw the Securities from listing on the AMEX, the Company considered the breadth of the investment base, the trading liquidity, and number of analysts covering the stock. Additionally, the Company wished to avoid the direct and indirect costs and the division of the market resulting from dual listing on the AMEX and NYSE.

Any interested person may, on or before February 24, 1997, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchanges and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 97-2910 Filed 2-5-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38218; File No. SR-Phlx-97-04]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereby by the Philadelphia Stock Exchange, Inc. Relating to a 4:02 p.m. Closing Time for Equity Options Trading

January 30, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4² thereunder, notice is hereby given that on January 8, 1997, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with

the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization.³ 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

The Exchange proposes to amend Rule 101, Hours of Business, and Rule 1047, Trading Rotations, Halts and Suspensions, to close equity options trading at 4:02 p.m. Currently, equity options trade until 4:10 p.m.

The text of the proposed rule change is available at the Office of the Secretary, Phlx, 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 self-regulatory organization 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. The self-regulatory organization 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

Since 1978, equity options have traded ten minutes longer than the primary market. At that time, significant delays in the reporting of stock prices were common; therefore, the additional ten minute period was necessary to receive final stock prices. These delays have now been reduced due to technological advances. Currently, the extra time period for options trading after closing prices are reported in the underlying equities results in equity options trading without the pricing benefit of continuing stock trading. The additional ten minutes also results in repeated automatic executions at

³ On January 29, 1997, the Exchange filed Amendment No. 1 to its proposal. Amendment No. 1 is a technical amendment, correcting rule language in Rule 1047, Commentary .03(c), which was submitted as Exhibit B with the rule filing. See Letter from Edith Hallahan, Phlx, to Janice Mitnick, Division of Market Regulations, SEC, dated January 29, 1997.

outdated equity options prices. Further, not all market participants are able to respond quickly to changes in equity options prices between 4:00 and 4:10 p.m. In summary, the Exchange, in balancing the benefits of an extended trading session with the difficulties of trading after the underlying stock has closed, has determined that the benefits do not outweigh the difficulties; therefore, a 4:02 p.m. close for equity options is appropriate.

The purpose of the rule change is to reduce the amount of time equity options trade after the close of the primary market for the underlying security. Under the proposal, there will be a two minute time period for equity options traders and investors to respond to late reports of closing security prices and, where warranted, to bring closing equity option prices in line with stock prices. The proposed changes to Rule 101 establish a 4:02 p.m. close for equity options, and expressly except index options. Reference to narrow-based (industry) index options trading until 4:10 p.m. is being added to Rule 101, and reference to broad-based index options is replacing the listing of specific such index options by name. Broad-based index options will continue to trade until 4:15 p.m. The Exchange understands that other option exchanges have proposed a 4:02 p.m. close for certain index options as well as for equity options; however, the Exchange is not proposing to change the closing time for its index options.

The proposed change to Rule 1047 merely substitutes reference to the current close of 4:10 p.m. with the proposed 4:02 p.m. close. The Exchange notes that pursuant to Commentary .03 of this Rule, in unusual market conditions, a closing rotation after the 4:02 p.m. close may be conducted in an option, whether or not expiring, with the approval of the Options Committee. Further, the Exchange proposes to amend the rule to begin the closing rotation five minutes after the notice is disseminated. Currently under Rule 1047, Commentary .03(b), the closing rotation begins 10 minutes after the notice is disseminated.

2. Statutory Basis

The proposed rule change is consistent with Section 6 of the Act in general, and in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in

¹ 15 U.S.C. § 78s(b)(1).

² 17 CFR 240.19b-4.