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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–10687 Filed 4–24–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–22626/812–10226]

MLX Corporation; Notice of Application

April 21, 1997.

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

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

APPLICANT: MLX Corporation (''MLX'').

RELEVANT ACT SECTIONS: Order requested pursuant to sections 6(c) and 6(e) of the Act.

SUMMARY OF APPLICATION: Applicant requests an order that would exempt it from all of the provisions of the Act except sections 9, 17(a), 17(d) (modified as discussed herein), 17(e), 17(f) (modified as discussed herein), and 36 through 53 and the rules and regulations thereunder during the period from July 1, 1996 to December 31, 1997.

FILING DATE: The application was filed on June 28, 1996 and amended on November 1, 1996, and April 15, 1997. Applicants have agreed to file an additional amendment, the substance of which is incorporated herein, during the notice period.

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 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 May 16, 1997, 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 Fifth Street, NW., Washington, DC 20549. MLX, 1000 Center Place, Norcross, Georgia 30093.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Staff Attorney, at (202) 942–0574, or Mercer E. Bullard, 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 at the SEC's Public Reference Branch.

Applicant's Representations

1. MLX was formed in 1984 as part of the reorganization of McLouth Steel Company (''McLouth''), a maker of steel products that filed for bankruptcy in 1982. Under the terms of the reorganization, McLouth was renamed ''MLX Corporation'' and McLouth shares were exchanged for new MLX shares. As part of the reorganization, McLouth's operating business was sold to a separate entity. MLX's sole remaining asset is the net operating losses generated by McLouth's unprofitable operations. These net operating losses are still available to offset future taxable income from operations and are one of MLX's most important assets. MLX has approximately 8,900 shareholders.

2. In 1985, MLX acquired S.K. Wellman Limited, Inc. (''Wellman''), a company engaged in the design and manufacture of high energy friction materials used primarily in aircraft brakes and heavy equipment brakes, transmissions, and clutches (the ''Wellman Business''). From 1985 through 1987, MLX consummated various other acquisitions that complemented the Wellman Business (the ''Wellman Acquisitions''). In addition to the Wellman Acquisitions, in 1986, 1897, and 1988, MLX acquired the companies and assets comprising Pameco Corporation (''Pameco''), a distributor of heating and air conditioning units. In 1992, MLX sold Pameco, which enabled MLX to focus its efforts exclusively on the Wellman Business.

3. In August 1994, a foreign competitor approached MLX management with an unsolicited expression of interest in a business combination with Wellman. This led to negotiations for the sale of all the capital stock of its wholly-owned subsidiary, Wellman (the ''Wellman Transaction''). The Wellman Transaction, which closed June 30, 1995, left MLX with approximately $38 million in cash and cash equivalents, no debt, and federal net operating loss carryforwards of approximately $300 million available to offset future taxable income from operations.

4. Since the Wellman Transaction, MLX has been engaged in the process of identifying and evaluating potential acquisition candidates for the purpose of acquiring a suitable operating business as soon as reasonably possible. MLX's president and chief executive officer, the only officer and one of only two employees, spends substantially all of his time seeking acquisition candidates for MLX to consider. In addition, MLX's other employee spends substantially all of her time supporting the activities of MLX's president and attending to the ministerial functions of operating the company. MLX has developed financial and operational criteria as a basis for evaluating prospective target businesses and for narrowing the focus of its search. MLX's executive officers and board of directors have been in constant communications with professional groups, including investment bankers, lenders, attorneys and accountants (collectively ''Financial Intermediaries'') for the purposes of discussing MLX's acquisition opportunities. MLX has discussed its acquisition criteria directly with over fifty Financial Intermediaries. Three Cities Research, Inc. (''Three Cities''), a New York investment banking firm that owns approximately 39% of MLX's outstanding common stock, has assisted MLX in identifying, evaluating and negotiating potential acquisitions. In addition, MLX has engaged, on a non-exclusive basis, the investment banking firm of Smith Barney to canvas the market of businesses for sale and analyze these against MLX's acquisition criteria.

5. As of March 31, 1997, MLX had evaluated 181 transactions and made seventeen offers or valuation proposals. A substantial majority of the potential acquisitions have been rejected by MLX because of valuation issues. In other instances, MLX has been outbid for the target. MLX is in the process of evaluating an additional seven potential acquisitions.

6. MLX's cash resources, its debt-free balance sheet, its substantial federal net operating loss carryforwards, its management experience and its status as a publicly-held company make it extremely attractive to any potential acquisition target. MLX's federal net operating loss carryforwards represent substantial value that may only be maximized by acquiring a profitable operating company at a fair price. The net operating loss carryforwards expire as follows: $144.3 million in 1997; $1.2 million in 1998; $73.8 million in 1999; $2.7 million in 2000; $2.2 million in 2002; $5.0 million in 2005; $2.0 million in 2006 and $47.3 million in 2007. The existence of the federal operating net loss carryforwards, together with their expiration schedule, provide MLX with

a strong incentive to close the acquisition of a profitable operating business as soon as possible. Though currently in transition, MLX expects to have acquired an operating business by no later than December 31, 1997. In the event that MLX is unable to acquire an operating business by December 31, 1997, MLX's board of directors will consider the alternatives available, including registration as an investment company or dissolution. Such alternatives would be considered in advance of December 31, 1997 in order to allow sufficient time for the implementation of any board decision.

7. During the three-month period that ended on December 31, 1995, and the three- and six-month periods that ended on March 31, 1996 and June 30, 1996, respectively, MLX had revenue of $1,056,000, $460,000 and $924,000, respectively, related to the investment of substantially all of its assets in overnight repurchase agreements collateralized by United States Treasury and agency securities. MLX's overnight repurchase agreement investment program (the ''Program'') is administered by five large national banks approved by MLX's board of directors. The Program is designed to: (a) Maximize safety of capital, (b) assure availability of funds for the purpose of consummating an acquisition, and (c) relieve MLX management of the time-consuming management of those funds.

8. Access to MLX's funds is severely restricted. MLX has one operating account for the purpose of executing routine operating disbursements and business expenses, including salaries, rent and taxes. The maximum amount of funds deposited in such account is limited to no more than the anticipated expense level for the upcoming two months, based on MLX's budget as approved by the board of directors. Any disbursements from the operating account must be approved by the chief executive officer and the account is reconciled on a monthly basis. In addition, MLX's board of directors receives a monthly summary report of expenses.

9. Five national banks invest the remainder of MLX's funds as part of the Program, each of which is responsible for approximately equal portions of $7 million. MLX's board of directors has designated First Union National Bank as the primary bank. The non-primary banks are Wachovia Bank of Georgia, NationsBank, SunTrust Bank, and National Bank of Detroit. All five banks are United States regulated banks and meet the qualifications prescribed in section 26(a)(1) of the Act. The non-primary banks have been instructed in writing to wire money only to MLX's account at First Union National Bank and not to any other person or entity. In addition, MLX's agreements with all of the banks (''Bank Agreements'') contain provisions requiring the banks to segregate and identify all securities owned by MLX as subject to the respective Bank Agreement.

10. Transfers from any non-primary bank investment account in any amount must be approved by an MLX executive officer and the Funds Management Committee of the board of directors, and primary account transfers (including check disbursements) in amounts above $5,000 must be approved by an MLX executive officer and a member of the Committee. In addition, the bank must verify the authenticity of the wire transfer request by voice verification with a second, non-initiating MLX officer in a phone call initiated by the bank. MLX also has secured an executive protection policy from the Chubb Group of Insurance Companies insuring MLX for, among other things, losses of money, securities and other property caused by theft or forgery by any employee or agent of MLX or by any other person in an amount not to exceed $5 million.

11. MLX has two stock option plans. Under the MLX Corporation Stock Option Plan, adopted in 1985 (the ''1985 Plan''), MLX granted stock options to certain officers, directors and key employees at prices not less than the market value on the date the options were granted. No new options may be granted under the 1985 Plan, although some options are still outstanding. Under the MLX Corporation Stock Option and Incentive Award Plan, adopted in 1995 (the ''1995 Plan''), stock-based awards may be issued to key employees (including directors who are also employees) and certain others. Such awards may include incentive stock options, non-qualified stock options, restricted stock and outright stock awards. A total of 125,000 shares of MLX common stock are reserved under the 1995 Plan. In addition, on February 11, 1991, MLX issued options to Brian R. Esher, its then Chief Executive Officer and currently a director of MLX, to acquire 190,400 shares of MLX common stock at a price of $5.00 per share, exercisable (subject to vesting schedules which have been satisfied) at any time prior to February 10, 1998. Mr. Esher's options were converted to stock appreciation rights and exercised as of February 28, 1997. On October 3, 1993, December 29, 1994 and July 26, 1995, MLX issued options to Thomas Waggoner, its then Chief Financial Officer and current Chief Executive Officer, to acquire an aggregate 50,000 shares of MLX common stock at prices ranging from $2.50 to $9.25 per share, exercisable (subject to vesting schedules which have been satisfied as to 40,000 shares) at any time prior to July 25, 2000. It is also possible for Mr. Waggoner's options to be converted to stock appreciation rights.

12. MLX requests an order pursuant to sections 6(c) and 6(e) of the Act exempting it from all the provisions of the Act except sections 9, 17(a), 17(d), 17(e), 17(f), and 36 through 53 and the rules and regulations thereunder during the period from the date of the order until December 31, 1997. MLX also requests a limited and specific exemption from section 17(f) to permit it to continue its present custodial arrangement and from section 17(d) to permit it to maintain, operate and comply with its stock option plans and agreements during the period from the date of the order until December 31, 1997, all as described in the application.

Applicant's Legal Analysis:

1. Section 3(a)(3) of the Act defines an investment company as an issuer who is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities and owns investment securities having a value in excess of 40% of the issuer's total assets (excluding Government securities and cash). MLX believes it may be an investment company under section 3(a)(3).

2. Rule 3a–2 under the Act generally provides that, for purposes of section 3(a)(3), an issuer will not be deemed to be engaged in the business of investing, reinvesting, owning, holding, or trading in securities for a period not exceeding one year if the issuer has a *bona fide* intent to be engaged in a non-investment company business. For the period from July 1, 1995 through June 30, 1996, MLX operated under the exemption provided by rule 3a–2.

3. Section 6(c) provides that the SEC may conditionally or unconditionally exempt any person, security or transaction, or any class thereof, from any provision of the Act, or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the Act. Section 6(e) permits the SEC to require companies exempted from the registration requirements of the Act to comply with certain specified provisions thereof as though the

company were a registered investment company.

4. Applicant asserts that registration under the Act would involve unnecessary burden and expense for MLX and its shareholders where there is no likelihood of abuse. MLX believes that registration would require costly changes in its financial reporting requirements, because the requirements are significantly different for investment companies. MLX contends that making such changes during this interim period, until it consummates the acquisition of an operating business, is likely to result in considerable and unwarranted confusion of its shareholders and the investing public. MLX states that many shareholders, as a result of such confusion, might sell their positions in MLX, an event which might have an adverse effect on the market price of MLX's securities and consequently on MLX's remaining shareholders. MLX asserts that those shareholders also would be deprived of the benefits of a potential acquisition.

5. MLX contends that certain provisions of the Act also might impair its ability to carry out its stated intention to acquire an operating business. For example, MLX believes that: (a) The shareholder approval requirement of section 13(a)(4) of the Act would be a significant obstacle to effecting any acquisition requiring rapid action, (b) the cross-ownership prohibition of section 20(c) of the Act would limit MLX's ability to attempt a takeover which was not favored by the target sought to be acquired, and (c) the debt limitations of section 18 of the Act might preclude bridge financing of an acquisition.

6. MLX states that it is a reporting company under the Securities Exchange Act of 1934 and is subject to extensive reporting and other requirements for the protection of its shareholders. Further, MLX asserts that its shareholders and the investing public have been informed on numerous occasions of its intention to acquire an operating business and the framework for its acquisition efforts. MLX also asserts that it has pursued and remains committed to the acquisition of a suitable operating business consistent with the best interests of its shareholders.

7. MLX notes that, in determining whether to grant an exemption for a transient investment company, the SEC considers such factors as: (1) Whether the failure of the company to become primarily engaged in a non-investment company business within one year was due to factors beyond its control; (2) whether the company's officers and employees during that period tried, in good faith, to effect the company's investment of its assets in a non-investment company business; and (3) whether the company invested in securities solely to preserve the value of its assets.

8. MLX states that, while it is using its best efforts, in good faith, to acquire an operating business with the proceeds of the Wellman Transaction, it has been unable to negotiate a favorable transaction. MLX asserts that this is attributable solely to factors beyond its control, including the unavailability of suitable acquisition candidates and the unwillingness of certain candidates to accept what MLX believed to be reasonable offers. Moreover, MLX states that the purchase of a suitable operating business of the size being pursued often requires a long period of time. MLX contends that its ability to acquire an operating business will depend upon the availability of suitable acquisition candidates, the willingness of those candidates to accept MLX's offers and the time needed to negotiate the terms of the acquisition and other factors outside of its control.

9. MLX submits that management's efforts to invest its assets in a non-investment company business are evident from the efforts of Three Cities and the other Financial Intermediaries to provide assistance in identifying acquisition candidates, and the facts that MLX's management spends substantially all of their time on MLX's acquisition search and MLX's investments in overnight repurchase agreements are made solely to maximize the safety of its assets. MLX contends that its investments in overnight repurchase agreements, motivated primarily by a desire to consummate an acquisition and to preserve the value of capital pending consumation of such acquisition, should not be subject to registration and regulation under the Act.

10. Section 17(d) and rule 17d–1 thereunder make it unlawful for any affiliated person of a registered investment company, acting as principal, to effect any transaction in which the company is a joint or joint and several participant with the affiliated person unless the transaction has been approved by order of the SEC. MLX believes that compliance with section 17(d) of the Act and the rules thereunder would prohibit operation of and compliance with the 1985 Plan, the 1995 Plan, and Messrs. Esher's and Waggoner's Option Agreements. MLX states that these options were granted as compensation to various executive officers and key employees at different times prior to the Wellman Transaction. MLX asserts that the inability to realize the value of those options would be unfair to such officers without such result being necessary or appropriate in the public interest.

11. Section 17(f) provides that the securities and similar investments of a registered management investment company must be placed in the custody of a bank, a member of a national securities exchange, or the company itself in accordance with SEC rules. MLX does not believe that its current custodial arrangement present any material risk to investors. MLX states that all assets invested under the Program are in the custody of qualified banks and the ability of such banks to transfer money in and out is subject to numerous restrictions and checks and balances. Furthermore, MLX states that those assets are insured up to $5 million, an amount substantially in excess of what would be required under a fidelity bond obtained pursuant to section 17(g) of the Act. MLX also states that its custodial arrangements are consistent with the substantive requirements of rule 17f–2 under the Act, except for the requirements of paragraph (f) thereof regarding the requirement for MLX's independent accountants to conduct three actual examinations. MLX also submits that its financial statements are audited annually be its independent accountants. Under these circumstances, MLX asserts that there are clearly no shareholder or investor interests to be served by requiring it to register under the Act.

Applicant's Conditions

Applicant agrees that any order will be subject to the following conditions:

1. During the period of time MLX is exempted from registration under the Act, MLX will not purchase or otherwise acquire any additional securities other than securities that are rated investment grade or higher by a nationally recognized statistical rating organization or, if unrated, deemed to be of comparable quality under guidelines approved by MLX's board of directors, except that MLX may make equity investments in issuers that are not investment companies, as defined in section 3(a) of the Act (unless such issuer is covered by a specific exclusion from the definition of investment company under section 3(c) other than sections 3(c)(1) and 3(c)(7)), in the following circumstances: (a) In connection with the consideration of the possible acquisition of an operating business as evidenced by a resolution approved by MLX's board of directors, and (b) in connection with the

acquisition of majority-owned subsidiaries.

2. MLX will allocate and utilize its accumulated cash and short-term securities for the purpose of funding cash requirements for its existing businesses or for acquiring one or more new businesses.

3. While any order is in effect, MLX's 10–K, 10–Q, and annual reports to shareholders will state that an exemptive order has been granted pursuant to sections 6(c) and 6(e) of the Act and that MLX and other persons, in their transactions and relations with applicant, are subject to sections 9, 17(a), 17(d) (except as discussed in the application), 17(e), 17(f) (except as discussed in the application), and 36 through 53 of the Act as if MLX were a registered investment company.

4. MLX will obtain an amended order from the SEC prior to any material modification of MLX's custodial arrangement in a manner not described in the application.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–10762 Filed 4–24–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application to Withdraw from Listing and Registration; (Texas Meridian Resources Corporation, Common Stock, $0.01 Par Value) File No. 1–10671

April 21, 1997.

Texas Meridian Resources Corporation (''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 security (''Security'') from listing and registration on the American Stock Exchange, Inc. (''Amex'' or ''Exchange'').

The reasons cited in the application for withdrawing the Security from listing and registration include the following:

The Company 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 common stock 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 Company became listed for trading on the New York Stock Exchange, Inc. (''NYSE'') pursuant to a Registration Statement on Form 8–A effective March 19, 1997.

In making the decision to withdraw its Security from listing on the Amex, the Company considered the greater visibility and liquidity for the Company's Security on the NYSE, resulting in enhanced shareholder value.

Any interested person may, on or before May 12, 1997, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC. 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. 97–10684 Filed 4–24–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application to Withdraw from Listing and Registration; (Vertex Industries, Inc., Common Stock, $.005 Par Value) File No. 1–12612

April 21, 1997.

Vertex Industries, 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 security (''Security'') from listing and registration on the Boston Stock Exchange, Inc. (''BSE'') or Exchange'').

The reasons cited in the application for withdrawing the Security from listing and registration include the following:

The Company's Security is listed on the NASDAQ SmallCap market under the symbol VETX. The Company cannot justify the expense of being listed on two markets and thereby wishes to be withdrawn from the BSE.

Any interested person may, on or before May 12, 1997, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchange 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. 97–10685 Filed 4–24–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38531; File No. SR–NASD–97–27]

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change by the National Association of Securities Dealers, Inc. To Decrease the Minimum Quotation Increment for Certain Securities Listed and Traded on the Nasdaq Stock Market to 1⁄16th of $1.00

April 21, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on April 18, 1997, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 Nasdaq Stock Market, Inc. (''Nasdaq'') proposes to modify a system parameter for its automated quotation system that reduces the minimum quotation increment for Nasdaq-listed securities priced equal to or greater than $10.00 from 1⁄8 of $1.00 to 1⁄16 of $1.00.

[1] 15 U.S.C. § 78s(b)(1).