

## SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-23015]

### Notice of Applications for Deregistration Under Section 8(f) of the Investment Company Act of 1940

January 30, 1998.

The following is a notice of applications for deregistration under section 8(f) of the Investment Company Act of 1940 for the month of January, 1998. A copy of each application may be obtained for a fee at the SEC's Public Reference Branch, 450 Fifth St., N.W., Washington, D.C. 20549 (tel. 202-942-8090). An order granting each application will be issued unless the SEC orders a hearing. Interested persons may request a hearing on any application by writing to the SEC's Secretary at the address below and serving the relevant 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 February 24, 1998, and should be accompanied by proof of service on the 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 Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. For Further Information Contact: Diane L. Titus, at (202) 942-0564, SEC, Division of Investment Management, Office of Investment Company Regulation, Mail Stop 5-6, 450 Fifth Street, N.W., Washington, D.C. 20549.

#### Value Line Intermediate Bond Fund, Inc.

[File No. 811-6482]

**Summary:** Applicant seeks an order declaring that it has ceased to be an investment company. On September 19, 1997, applicant distributed its net assets to its shareholders at the net asset value per share. Approximately \$17,000 of expenses were incurred by the Fund in connection with the liquidation. In addition, the Adviser paid approximately \$15,000 for the cost of printing, assembling and mailing the Notice of Special Meeting of Shareholders and Proxy Statement in connection with the meeting of shareholders to vote on the liquidation and dissolution.

**Filing Date:** The application was filed on October 16, 1997.

**Applicant's Address:** 220 East 42nd Street, New York, New York 10017-5891.

#### Kemper Premier Trust, Sterling Funds, Mexico Growth Fund Inc., and Kemper Target Maturity Income Fund

[File Nos. 811-5927, 811-8210, 811-6429, and 811-6695]

**Summary:** Each applicant seeks an order declaring that it has ceased to be an investment company. Each applicant abandoned its intention to operate before it received any assets. Each applicant never issued securities.

**Filing Date:** The applications were filed on December 10, 1997.

**Applicant's Address:** 222 South Riverside Plaza, Chicago, IL 60606.

#### New USA Mutual Funds, Inc.

[File No. 811-6519]

**Summary:** Applicant requests an order declaring that it has ceased to be an investment company. On June 2, 1997, applicant transferred its assets and liabilities to the MSS Emerging Growth Fund, a portfolio of MSS Series Trust II, based on the relative net asset value per share. Applicant's investment adviser, New USA Research & Management Co., paid approximately \$916,400 in expenses related to the transaction.

**Filing Dates:** The application was filed on September 9, 1997, and amended on January 6, 1998.

**Applicant's Address:** c/o State Street Bank and Trust Company, 1776 Heritage Drive, North Quincy, MA 02171.

#### Trans Adviser Funds, Inc.

[File No. 811-9068]

**Summary:** Applicant requests an order declaring that it has ceased to be an investment company. On August 29, 1997, applicant's five series, the Aggressive Growth Fund, the Growth/Value Fund, the Intermediate Bond Fund, the Kentucky Tax-Free Fund, and the Money Market Fund, transferred their assets and liabilities to identically-named corresponding series on the Countrywide Strategic Trust, Countrywide Investment Trust, and Countrywide Tax-Free Trust (collectively, "Countrywide Trusts"), based on the relative net asset values per share. Countrywide Trusts' investment adviser, Countrywide Investment, Inc., paid approximately \$141,000 in expenses related to the transaction.

**Filing Dates:** The application was filed on October 24, 1997, and amended on January 21, 1998.

**Applicant's Address:** Two Portland Square, Portland, Maine 04101.

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

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 98-2884 Filed 2-4-98; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39603; File No. SR-CHX-97-36]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Inc. and Amendment No. 1 to the Proposed Rule Change Relating to the Structure and Composition of the Board of Governors

January 30, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 16, 1997, the Chicago Stock Exchange, Incorporated ("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 the self-regulatory organization. Amendment No. 1 to the proposed rule change was received by the Commission on January 20, 1998.<sup>2</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to amend Articles, III, IV and V of its Constitution and Article IV, Rules 7, 8 and 10 of its Rules relating to the structure and composition of its Board of Governors.

#### 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

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Letter from Joseph M. Klauke, Foley & Lardner to Katherine A. England, Assistant Director, Division of Market Regulation, Commission dated January 16, 1998. Several additional non-substantive changes to the proposed rule change are also included in this Notice. Telephone call between Joseph M. Klauke, Foley & Lardner and Mandy S. Cohen, Division of Market Regulation, Commission dated January 27, 1998.

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

The purpose of the proposed rule change is to amend the Exchange's Constitution and Rules to promote an enhanced governance structure for the Exchange. The proposed changes are based upon recommendations made by the Exchange's Governance Committee, whose purpose it is to review and make recommendations regarding the Exchange's governance structure, including the operations of the Exchange and the composition of its Board, committees, and other entities involved in the Governance of the Exchange.

The most significant proposed changes to the Constitution and Rules concern reducing the size of the Board and changing its composition. The Constitution currently provides for a Board composed of twenty-seven Governors. The proposed changes would reduce that number to twenty-four. Reducing the size of the Board will make deliberations more efficient and manageable. Given the Exchange's withdrawal from the clearance and settlement and securities depository businesses, and recent sale of the Exchange's remaining operating subsidiary, a smaller Board is appropriate.

The Board currently consists of the Vice Chairman of the Board, the President, sixteen Governors who are members, general partners of member firms or officers of member corporations ("Member Governors") and nine Governors who are unaffiliated with the Exchange or any broker or dealer in securities ("Non-member Governors"). The proposed changes would reduce the number of Member governors to ten and increase the number of Non-member Governors to twelve (and re-categorize them as "Non-Industry" as described below). The result would be a fifty percent representation of Non-Industry Governors on the board.

The amendments include a series of new definitions. Currently, there are no definitions of the terms "Non-Industry" and "Public." The definitions set forth in the amendments preclude the possibility that someone with other than

a nominal connection with the securities industry could be considered Non-Industry.

The definition of Non-Industry encompasses one who is a Public governor or committee member, an officer or employee of an issuer of securities listed exclusively on the Exchange, or any other individual who:

- Is not, or has not served in the prior three years (or such lesser period as deemed appropriate by the Exchange, in its discretion, but not less than one year), as an officer, director, or employee of a broker or dealer and has not had (within the same time period specified above) an ownership interest in a broker or dealer that permits him or her to be engaged in the day-to-day management of a broker or dealer. However, an outside director or a director not engaged in the day-to-day management of a broker or dealer may be considered "Non-Industry;"

- is not an officer, director (not including an outside director), or employee of an entity that owns more than ten percent of the equity of a broker or dealer that accounts for more than five percent of the entity's gross revenues;

- does not own more than five percent of the equity securities of any broker or dealer, whose investments in brokers or dealers do not exceed ten percent of his or her net worth, or whose ownership interest does not otherwise permit him or her to be engaged in the day-to-day management of a broker dealer;

- does not provide and whose firm does not provide professional services to brokers or dealers that constitute twenty percent or more of his or her professional revenues or twenty percent or more of the gross revenues received by the individual's firm;

- does not provide and whose firm does not provide professional services to a director, officer, or employee, in their professional capacities, or a broker, dealer, or corporation that owns fifty percent or more of the voting stock of a broker or dealer, and which constitute twenty percent or more of his or her professional revenues or twenty percent or more of the gross revenues received by the individual's firm; and

- has not had a consulting or employment relationship with and has not provided professional services to the Exchange at any time within the last three years.

The definition of "Public" is an individual who has no material business relationship with a broker or dealer, or the Exchange. At least five of the Non-Industry Governors must be "Public,"

and therefore unaffiliated with the brokerage industry in any material way.

Specific definitions of the types of Member Governors will also be included. "On Floor" when used in the context of Governors and committee members will mean members who are primarily engaged in business on the Exchange's trading floor or persons associated with member organizations primarily engaged in business on the Exchange's trading floor.<sup>3</sup> "Off-Floor" when used in the context of Governors and committee members, will mean members and persons associated with member organizations who are not "On-Floor." In addition, the proposed amendments will require a minimum of four On-Floor Member Governor positions and four Off-Floor Member Governor positions.

Also the rules currently require nine of the Member Governors to be from the Chicago area and seven to be from elsewhere. The proposed amendments will eliminate the distinction.

In addition to requiring a balanced Board, the proposed amendments also require that not less than fifty percent of the members of the Executive Committee, the Compensation Committee and the Audit Committee be "Non-Industry" (including at least one Public Governor on the Compensation Committee and the Audit Committee), and that the Nominating Committee be composed of fifty percent Non-Industry and fifty percent Member representatives. Currently, the Audit, Executive, and Compensation Committees have this balance, but such balance is not required. The Nominating Committee currently has five members, two of which are Non-Industry. The change to require balanced committees would be effective upon SEC approval of the proposed rule change for these committees, except the Nominating Committee. One additional Non-Industry person would be added to the Nominating Committee to achieve balance in conjunction with the 1999 Annual Election.

Currently there are no provisions in the Exchange's Constitution or Rules which specify the Member/Non-Industry makeup of a quorum. The current quorum requirement for the Board and the Compensation and Audit Committees is one-half of their

<sup>3</sup>The current Constitution and Rules refer to those persons who are "active on the floor of the Exchange" as floor Governors, although a specific definition is not included. These persons have been interpreted to include floor members acting as, i.e., floor brokers, market makers or specialists. The definition of "On-Floor" is somewhat broader in scope, and will include all persons associated with floor members under the current interpretation.

members, and for the Executive and Nominating Committees, a majority of their members. Under the proposed amendments, a quorum for the transaction of business on the Board of Governors, the Nominating Committee, the Executive Committee, the Compensation Committee and the Audit Committee would also require not less than fifty percent of the number of Non-Industry Board members or committee members, as applicable. To lessen the possibility that the Exchange would not be able to transact business because at least half of the Non-Industry Board or Committee members cannot attend a meeting, the proposed amendment would allow the Exchange to obtain pre-meeting waivers of attendance from the Non-Industry Board or Committee members. If at least fifty percent of the Non-Industry Board or Committee members are either present at a meeting or have waived their attendance for the meeting after receiving notice of, and an agenda for, such meeting, then the requirement that at least fifty percent of the Non-Industry Board or Committee members be present to constitute a quorum will be deemed satisfied.

Term limits for Governors will also be changed under the proposed amendments. Currently, Member Governors who have served all or part of two terms must be off the Board for a minimum of one year before they may again serve in such capacity. Non-member Governors currently have no term limit. The proposed changes impose a three term limit on both Non-Industry and Member Governors. In addition, partial terms will no longer count towards the term limit. After serving three complete terms, Governors would have to remain off the Board in such capacity for a minimum of two years (an increase from the current one year hiatus requirement).

The proposed rule changes also impose an attendance requirement on Governors. It will require a Board member to attend seventy-five percent of the full Board meetings on an annual basis (e.g., four out of five Board meetings) or face removal from the Board. The CHX believes that Board member participation is extremely important and should be required in order for a Governor to continue on the Board.

Taken as a whole, the changes brought about the proposed amendments will have a beneficial impact on the Board and the Exchange. Changing the composition of the Board to increase the number and percentage of Non-Industry Governors will help diversify the Board and broaden its perspective. Requiring a Member/Non-

Industry balance for the Board and certain committees in terms of membership and quorums will ensure that diverse and representative bodies are participating in the Exchange's business and decision-making processes. Eliminating the geographical distinction for Member Governors will provide the Nominating Committee with more flexibility and will eliminate an arbitrary distinction in recognition of the Exchange's national constituency. Imposing term limits on all Governors will foster a healthy influx of fresh perspectives on the Board. Setting attendance requirements will promote attendance and thus enhance participation in Board meetings.

To prevent undue disruption of the Board, the transition from the Board as currently constituted to the Board required by the proposed amendments will occur over the course of the next three years. It will involve normal attrition due to Governors reaching the end of term limits as currently set, necessitating an adjustment in the phase-in of the three term limit. Member Governors completing their second full or partial term in the Classes expiring in 1998 and 1999 would continue to have a two term limit (and thus would not be eligible for re-election at that time) and Non-Industry Governors completing their third full term (or more) in those two classes would be permitted to serve out their existing term plus be eligible for one additional term. These transition-related rules are designed to facilitate the changes in board size and composition described above.

The transition will also require adjustments to the sizes of the Classes of Governors. The Governors will still be divided into three Classes, but the size and composition will be adjusted as follows: At the 1998 annual election, Class I will be reduced by two Member Governors. At the 1999 annual election, Class II will be reduced by four Member Governors. At the 2000 annual election, Class III will be reduced by one Member Governor and Class II will be increased by one Member Governor. The Board of Governors will be increased by three Non-Industry Governors by the 1999 annual election to serve for staggered terms so as to balance the Classes as determined by the Nominating Committee.

Also proposed are certain technical changes to the Constitution. The first would codify a current practice that the Chairman cannot be an On-Floor Member. In approving changes to the Exchange's Constitution in 1992 to require a floor member Vice Chairman, the SEC, in its approval order, stated its view that the Chairman's position

should not also be held by a floor member.<sup>4</sup> The proposed amendment explicitly states this in the Constitution.

In addition, the proposed changes would amend the Constitution so that no person shall participate in the "determination" as opposed to "adjudication" (as currently worded) of any matter in which he or she is personally interested. This change would expand the coverage of this provision, which pertains to disqualification of Governors from participation in Board actions. In order to prevent the scope of the provision from being too broad, language has been added that makes it clear that Member Governors are not precluded (by being deemed personally interested) from participating in decisions in the normal course of business that affect members of classes of members in general.

Finally, a number of other revisions to the Constitution and Rules are proposed for the sake of organization or accuracy. For instance, the term "member," when used in Article IV, Sections 3 and 4 of the Constitution (regarding the Nominating Committee) to refer to a member of the committee or a Class and not necessarily a member of the Exchange is being changed to "person" or otherwise modified whenever necessary for clarification. In addition, the reference to "member" in Article IV, Section 14 of the Constitution (regarding voting designees) is being clarified to specifically refer to a member of the Exchange. Further, Article IV, Rules 7 and 8 of the Rules (regarding the Compensation Committee and the Audit Committee) are being amended to reflect the use of the terms Non-Industry and On-Floor.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)(3) of the Act<sup>5</sup> in that more Governors shall be representative of investors and not associated with a member of the Exchange, broker or dealer while promoting the opportunity to assure fair representation of CHX members in the selection of nominees for Governors and the administration of the affairs of the Exchange. Additionally, the Exchange believes it is consistent with Section 6(b)(5) of the Act<sup>6</sup> as it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable

<sup>4</sup> Securities Exchange Act Release No. 31633 (December 22, 1992), 57 FR 62402 (December 30, 1992) (File Nos. SR-MSE-92-12 and SR-MSE-92-13).

<sup>5</sup> 15 U.S.C. 78s(b)(3).

<sup>6</sup> 15 U.S.C. 78s(b)(5).

principles of trade and in general to protect investors and the public interest.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange does not believe that the proposed rule change will impose any burden on competition.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has neither solicited nor received written comments on the proposed rule change.

#### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such other period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will: (A) by order approve such proposed rule change, or (B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington D.C. 20549. Copies of the submissions, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of five U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-97-36 and should be submitted by February 26, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-2886 Filed 2-4-98; 8:45 am]

BILLING CODE 8010-01-M

#### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39594; File No. SR-NASD-97-91]

#### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Issuer Filings of Periodic Reports Through the EDGAR System**

January 28, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 26, 1998, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), 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 Nasdaq.<sup>2</sup> 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**

Nasdaq, pursuant to Rule 19b-4 under the Act, is herewith filing a proposed rule change to NASD Rule 4310 ("Rule 4310") and NASD Rule 4320 ("Rule 4320") to permit issuers that file periodic reports through the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system to stop submitting separate paper filings with Nasdaq. The full text of the proposed rule change is provided below in Exhibit A.

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> On January 26, 1998, Nasdaq filed Amendment No. 1 to the proposal. See Letter from Robert E. Aber, Vice President and General Counsel, Nasdaq, to Katherine England, Assistant Director, Division of Market Regulation, Commission, dated January 23, 1998 ("Amendment No. 1"). The NASD initially submitted the proposal on December 12, 1997. At the staff's request, however, the NASD filed Amendment No. 1 to the proposed rule change on January 26, 1998. Amendment No. 1 makes technical corrections to proposed rule language and clarifies issues relating to the purpose of, and statutory basis for, the proposed rule change.

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

In its filing with the Commission, Nasdaq 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. Nasdaq 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*

Rule 4310(c)(14) and Rule 4320(e)(12) require issuers to file with the Association and Nasdaq, respectively, three copies of all reports filed or required to be filed with the Commission. Rule 4310(c)(14) also requires the filing of three copies of "other documents" filed or required to be filed with the Commission. Effective July 1, 1997, Nasdaq implemented its electronic interface with the EDGAR system, the SEC's on-line database and filing service. The link provides Nasdaq with direct access to an issuer's electronic filings with the Commission. Electronic filing enables companies to disseminate information to investors and market participants at a faster and more cost-effective rate than traditional paper-based filing methods.<sup>3</sup> To relieve companies of the burden and cost of providing separate paper copies of filings to Nasdaq, the proposed rule change provides that a company that files its periodic reports through EDGAR fulfills its filing obligations under NASD Rule 4310 and NASD Rule 4320 and is not required to file hard copies with Nasdaq. The proposed rule change does not affect companies that do not use EDGAR and instead continue to file paper reports with the SEC. These companies are still required to provide three copies of all filings to Nasdaq pursuant to Rule 4310 or Rule 4320. Finally, the proposed rule also makes conforming changes to Rule 4320. Specifically, the proposed rule change conforms the text of Rule 4320(e)(12) to the text of Rule 4310(c)(14) by clarifying

<sup>3</sup> See Rulemaking for EDGAR Systems, Securities Act Release No. 6944 (July 23, 1992), 57 FR 35070 (Aug. 9, 1992); Rulemaking for EDGAR Systems, Securities Act Release No. 6977 (Feb. 23, 1993), 58 FR 14628 (Mar. 18, 1993); and Use of Electronic Media for Delivery Purposes for discussions of the benefits of electronic filing, Securities Act Release No. 7233 (Oct. 6, 1995), 60 FR 53458 (Oct. 12, 1995).