Applicants' Legal Analysis

1. Section 17(a) of the Act generally prohibits an affiliated person of a registered investment company, or an affiliated person of that person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include (a) any person that directly or indirectly owns, controls, or holds with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by, or under common control with the other person; and (d) if the other person is an investment company, any investment adviser of that company.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons solely by reason of having a common investment adviser, common directors/trustees, and/or common officers, provided that certain conditions set forth in the rule are satisfied.

3. Applicants believe that they may not rely on rule 17a-8 under the Act because the Funds may be affiliated for reasons other than those set forth in the rule. Because the Ohio Company owns 5% or more of each of the Acquired Funds, each Acquired Fund may be deemed an ''affilaited person of an affiliated person'' of each Acquiring Fund.

4. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) of the Act to the extent necessary to consummate the Reorganizations. Applicants submit that the terms of the Reorganizations satisfy the standards set forth in section 17(b) of the Act. Applicants also note that the Boards of the Acquiring and the Acquired Funds, including the Independent Trustees, have determined that the Reorganizations are in the best interests of their shareholders and that the interests of the existing shareholders of the Funds will not be diluted as a result of the Reorganizations. In addition, applicants state that the exchange of the Acquired Funds' shares for shares of the Acquiring Funds will be based on the Funds' relative net asset values.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98–16346 Filed 6–18–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–26885]

Filings Under the Public Utility Holding Company Act of 1935, as Amended (''Act'')

June 12, 1998.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by July 6, 1998, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After July 6, 1998, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Eastern Utilities Associates (70–9205)

Notice of Proposal to Amend Declaration of Trust to Eliminate Requirement of Shareholder Approval For the Sale By Eastern Utility Associates of Any of Its Majority-Owned Subsidiaries; Order Authorizing Solicitation of Proxies

Eastern Utilities Associates, (''EUA''), P.O. Box 2333, Boston, Massachusetts 02107, a registered holding company, has filed a declaration with the Commission under section 6(a)(2), 7, and 12(e) of the Public Utility Holding Company Act of 1935, as amended (''Act''), and rules 62 and 65 under the Act.

EUA's declaration of trust (''Declaration of Trust'') currently provides that a two thirds majority of the holders of its outstanding common shares entitled to vote must approve the sale by EUA of any of its majority-owned subsidiaries. EUA seeks authority to amend its Declaration of Trust to eliminate this requirement (''Proposed Amendment'').

EUA proposes to solicit proxies from its common shareholders (''Shareholders'') to approve the Proposed Amendment at a special meeting scheduled for July 20, 1998 (''Special Meeting''). Accordingly, EUA requests that an order authorizing the solicitation of proxies be issued as soon as practicable under rule 62(d).

It is ordered, under rule 62 under the Act, that the declaration regarding the proposed solicitation of proxies can become effective immediately, subject to the terms and conditions contained in rule 24 under the Act.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98–16347 Filed 6–18–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–26886]

Filings Under the Public Utility Holding Company Act of 1935, as Amended (''Act'')

June 12, 1998.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments is/are available for

public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by July 6, 1998, to the Secretary, Securities and Exchange Commission, Washington, DC 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After July 6, 1998, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Consolidated Natural Gas Company, et al. (70–9203)

Consolidated Natural Gas Company (''CNG''), CNG Tower, 625 Liberty Avenue, Pittsburgh, Pennsylvania, 15222–3199, a registered holding company, and CNG's wholly owned subsidiaries, CNG Energy Services Corporation (''Energy Services''), CNG Power Company (''Power Company''), both at One Park Ridge Center, P.O. Box 15746, Pittsburgh, Pennsylvania 15244–0746, CNG Retail Services Corporation (''Retail Services''), One Chatham Center, Pittsburgh, Pennsylvania 15219, CNG Products and Services, Inc. (''Products and Services''), CNG Tower, Pittsburgh, Pennsylvania 15222–3199 and CNG Producing Company (''Producing Company''), CNG Tower, 1450 Poydras Street, New Orleans, Louisiana 70112–6000 (collectively, ''Applicants''), have filed an application-declaration, as amended, under sections 9(a), 10 and 12(c) of the Act and rules 43, 46 and 54 under the Act.

CNG has decided to discontinue wholesale marketing and trading of natural gas and electricity. Energy Services was principally formed to be the subsidiary in the CNG system to market natural gas at wholesale, and CNG Power Services Corporation (''Power Services'') was formed to market electricity at wholesale. Power Services is an exempt wholesale generator (''EWG'') under section 32 of the Act. Energy Services has several wholly owned subsidiaries engaged in the energy business. The six directly owned subsidiaries of Energy Services (collectively, ''Energy Services Subsidiaries'') are: Products and Services, Power Company, CNG Storage Service Company, CNG Main Pass Gas Gathering Corporation (''Main Pass''), CNG Oil Gathering Corporation (''Oil Gathering'') and Retail Services. Power Services has one wholly owned subsidiary, CNG Lakewood, Inc., which is also an EWG. In its exiting of the wholesale energy industry, CNG may sell its equity ownership in Energy Services and Power Services. In order to prepare these companies for disposition, Applicants propose to transfer ownership of each subsidiary of Energy Services and Power Services. Additionally, two subsidiaries of Energy Services would be consolidated.

Applicants consequently propose to effect a two-phase restructuring of the Energy Services group consisting of the following transactions.

Phase One

Energy Services Subsidiaries Become Direct Subsidiaries of CNG

Since CNG desires to retain the Energy Services Subsidiaries as part of the CNG System after the disposition of Energy Services, Applicants propose to transfer ownership of these companies. This would occur through Energy Services transferring to CNG all of the common stock of the six subsidiaries as a dividend, so that each company initially will become a direct subsidiary of CNG (''Phase One'').[1]

Phase Two

Products and Services Merged Into Retail Services

Retail Services was formed under Commission order dated January 15, 1997, HCAR No. 26647 (''January 1997 Order''), which authorized Energy Services, among other things, to engage in all forms of energy brokering and marketing transactions, including those involving electricity, natural gas, coal, oil, other hydrocarbons, wood chips, wastes and other combustibles, at wholesale and retail. By order dated August 28, 1995, HCAR No. 26363 (''August 1995 Order''), the Commission, among other things authorized Energy Services to form Products and Services to engage in the business of certain energy-related services. By a subsequent order dated August 27, 1997, HCAR No. 26757 (''August 1997 Order''), the Commission further authorized Products and Services to offer several additional categories of energy-related services.

Applicants now propose that Retail Services merge with Products and Services, with Retail Services being the surviving corporation (the ''Merger'').

Retail Services Succeeds to Certain Authorizations

Upon completion of the Merger, Retail Services would succeed to the prior authorizations granted to Products and Services under the August 1995 Order and the August 1997 Order. However, Applicants request the elimination of one restriction in these orders. Both orders state that Products and Services will provide it categories of services both within and outside of the four states of Virginia, West Virginia, Pennsylvania and Ohio where the public utility company subsidiaries of CNG are located (collectively, ''LDC States''). Both orders require that during the twelve-month period beginning on the first day of the month following the commencement of Products and Services' business, and for each subsequent calendar year, total revenues derived by Products and Services in LDC States exceed total revenues similarly derived from customers in all other states. Due to the trend of energy markets in a deregulation environment to become integrated national markets, Applicants request that this ''50% limit'' be eliminated for all future revenues of Retail Services as the successor to Products and Services after the Merger.

In view of the proposed disposition of Energy Services by CNG, Applicants propose that Retail Services also succeed to the authorizations granted to Energy Services under the January 1997 Order. Specifically, Retail Services would be authorized to engage in energy marketing to the same extent as that allowed Energy Services, and Retail Services would be permitted to form subsidiaries through which to engage in marketing activities to the same extent permitted Energy Services. CNG would provide financing to Retail Services under rule 52 of the Act.

CNG Technologies, Inc. Becomes a Subsidiary of Power Company

By order dated December 21, 1990, HCAR No. 25224, the Commission authorized CNG to form CNG Technologies, Inc. (''CNG Technologies'') and to invest up to 2 million in CNG Technologies for it to acquire limited partnership interests in a gas industry fund created to invest in

[1] The Application states that the transfers of stock of the Energy Services Subsidiaries in Phase One may be in the form of either dividends or liquidating distributions under a plan of liquidation adopted under section 332 of the Internal Revenue Code, depending upon the CNG system's business needs and the ultimate tax impact of the restructuring transactions. The term ''dividend'', as used in this notice, includes both dividends and liquidating distributions.

smaller companies developing new technologies to enhance the supply, transportation and utilization of natural gas. CNG Technologies is currently a subsidiary of Products and Services. Applicants propose that the outstanding common stock of CNG Technologies be declared as a dividend by Products and Services to CNG, and subsequently be transferred by CNG as a capital contribution to Power Company after Power Company becomes a direct subsidiary of CNG.

Main Pass and Oil Gathering Each Become a Subsidiary of Producing Company

Producing Company is a wholly owned subsidiary of CNG which engages in gas and oil exploration and production primarily in the Gulf of Mexico, the southern and western United States, the Appalachian region and in Canada.

By order dated July 26, 1995, HCAR No. 26341 (''July 1995 Order''), Energy Services was authorized, without further Commission approval, through December 31, 1997, to invest an aggregate amount up to at least $150 million to acquire direct or indirect interests in entities engaged in Gas Related Activities.[2]

As of December 31, 1997, Energy Services had invested $24,235,000 and $14,323,000 and acquired a partnership interest in the Main Pass Gathering Company and the Main Pass Oil Gathering Company, respectively, under the July 1995 Order. Energy Services owns the interests in these partnerships through Main Pass and Oil Gathering, respectively.

The July 1995 Order was extended through December 31, 2002 by Commission order dated December 30, 1997, HCAR No. 26807 (''December 1976 Order''). The December 1997 Order also increased the amount Energy Services may invest and the amount of guarantees which could be made to $200 million in each case.

Applicants propose the transfer of ownership of all of the outstanding common stock of Main pass and Oil Gathering to be held by CNG after completion of Phase One to Producing Company. The transfer would occur through a transfer by CNG of the stock to Producing Company as a capital contribution.

[2] ''Gas Related Activities'' include purchasing, pooling, transporting, exchanging, storing and selling gas supplies from competitively priced sources, including the spot markets, independent producers and brokers, and Producing Company.

Producing Company Succeeds to Certain Authorizations

As indicated above, Applicants propose that Producing Company succeed to Energy Services' interests in Main Pass and Oil Gathering, which are acquired by Energy Services under the July 1995 Order. Producing Company will also continue to engage in all aspects of the business of a gas producing company which substantially encompasses all of the activities defined as ''Gas Related Activities'' in the July 1995 Order. Applicants propose that Producing Company succeed to and be substituted for Energy Services as the authorized party under the July 1995 Order and the December 1997 Order.

Source and Form of Declaration and Payment of Dividends

Applicants propose that dividends declared and paid in connection with the restructuring be paid out of capital or unearned surplus, to the extent permitted under applicable corporate law, in the event the payer does not have sufficient earned surplus on its books to cover the amount of the dividend. Applicants represent that the payment of dividends out of capital or unearned surplus in connection with the restructuring would not in any way adversely affect the financial integrity of any company in the CNG system or the working capital of any public utility company in the CNG system.

The Application states that the form of distributions to CNG in Phase One of the restructuring and the timing, manner and extent of the re-distributions by CNG in Phase Two of the restructuring will depend on the CNG system's business needs as well as the ultimate tax impact of the restruturing transactions.

Atlantic City Electric Company (70–9307)

Atlantic City Electric Company (''ACE''), 6801 Blackhorse Pike, Egg Harbor Township, New Jersey 08234, a wholly owned electric utility subsidiary of Conectiv, Inc., a public utility holding company to be registered under the Act, has filed an application under sections 9(a) and 10 of the Act and rule 41 under the Act.

By order dated February 25, 1998 (HCAR No. 26832), Conectiv was authorized to acquire all of the outstanding voting securities of ACE, Delmarva Power & Light Company, a public utility company (''Delmarva''), and various nonutility subsidiaries of Delmarva and ACE.

ACE now requests authority to purchase two 39.3 megawatt combustion turbine generating units and accessory equipment (''Units'') for a purchase price of $8 million. ACE states that the Units were previously leased by ACE under a December 1, 1972 Indenture of Lease (''Lease'') among ACE, Frank B. Smith and Ben Maushardt, as lessors (''Lessor''), and United States Leasing Corporation, as agent for the Lessor. ACE has used the Units, located in Upper Deerfield Township. Cumberland County, New Jersey, for the generation of electricity for twenty five years. The Lease terminates on July 11, 1998 and ACE wishes to purchase the Units and continue them in service.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98–16348 Filed 6–18–98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40085; International Series Release No. 1140; file No. SR–CBOE–98–17]

Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change and Amendment No. 1 Thereto, and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 Thereto, by the Chicago Board Options Exchange, Incorporated Relating to Listing and Trading Warrants on a Narrow-Based Index

June 12, 1998.

I. Introduction

On April 23, 1998, the Chicago Board Options Exchange, Incorporated (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] the proposed rule change to list and trade warrants on an equal dollar-weighted, narrow-based index (''Index''), comprised of 15 to 20 actively traded common stocks. The Exchange submitted Amendment No. 1 to the filing on April 30, 1998.[3] Notice

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] See Letter from Stephanie C. Mullins, Attorney, CBOE to Martianne H. Duffy, Special Counsel, Division of Market Regulation (''Division''), SEC, dated April 30, 1998. Amendment No. 1 clarifies, among other things, that the Index, as defined above, is narrow-based and will comply with the