

valuation that would have resulted from the application of LAQ's valuation procedures. After consummation of the Merger, LAQ will terminate its registration under the Act. No sales charge or fee of any kind will be charged to LAQ shareholders in connection with their receipt of common stock of LAM in the Merger.

3. Applicants state that each Fund seeks long-term capital appreciation as its objective. LAQ seeks to meet that objective by investing primarily in Latin American equity securities, and LAM seeks to meet the same objective by investing primarily in Latin American debt and equity securities. After the Merger, LAM will adopt LAQ's investment objectives and policies.

4. The Board of Directors of each Fund, including the Disinterested Directors, determined that the Merger is in the best interest of each Fund, and that the interests of the existing shareholders of each Fund would not be diluted by the Merger. In assessing the Merger, each Board considered various factors, including: (a) The possibility that LAM would have a lower operating expense ratio than either Fund prior to the Merger; (b) the possible benefits in portfolio management with a larger asset base; (c) the terms and conditions of the Merger; (d) the compatibility of each Fund's investment objective, policies and restrictions; (e) the tax-free nature of the Merger; and (f) the anticipated expenses of the Merger. The expenses of the Merger will be allocated equally between the Funds, as determined by the Board of Directors of each Fund.

5. The Merger is subject to a number of conditions, including that: (a) The shareholders of the Funds approve the Merger; (b) LAQ declares and distributes to its shareholders all of its net investment company taxable income through dividends and substantially all of its net capital gain; (c) the Commission grants the requested exemptive relief; and (d) the Funds receive an opinion of counsel that the Merger will be tax-free. The Plan may be terminated at any time prior to the effective date of the Merger by mutual agreement of each Fund's Board of Directors or by either Fund if the other has violated a condition of the Plan. Applicants agree not to make any material changes to the Plan without prior Commission approval.

6. A registration statement on Form N-14 containing a combined proxy statement/prospectus was filed with the Commission on August 1, 2000, and was declared effective on September 1, 2000. Applicants mailed the proxy statement/prospectus to the shareholders of each Fund on or about September 7, 2000.

The Plan was approved by the shareholders of each Fund at a meeting held on October 10, 2000. The Merger is expected to take place promptly after the requested relief is granted.

Applicants' Legal Analysis

1. Section 17(a) of the Act provides that it is unlawful for any affiliated person of a registered investment company, or an affiliated person of such a person, acting as principal, knowingly to sell any security to or knowingly to purchase any security from that company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (a) any person directly or indirectly owning, controlling, or holding 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, or affiliated persons of an affiliated person solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied. Applicants believe that they may not rely on rule 17a-8 because Harvard owns more than 5% of the outstanding voting securities of each Fund, and therefore the Funds may be deemed affiliated persons of an affiliated person for a reason not set forth in the rule.

3. 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 or received, 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.

4. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) to the extent necessary to effect the Merger. Applicants submit that the terms of the Merger satisfy the standards of section

17(b) of the Act. Applicants also state that the Board of Directors of each Fund, including the Disinterested Directors, determined that the participation of each Fund in the Merger is in the best interests of each Fund and that the interests of the existing shareholders of each Fund will not be diluted as a result of the Merger. In addition, applicants state that the Merger 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. 00-26800 Filed 10-18-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-24688; File No. 812-11834]

American Skandia Life Assurance Corporation, et al; Notice of Application

October 13, 2000.

AGENCY: The Securities and Exchange Commission ("Commission" or "SEC").

ACTION: Notice of application for an order pursuant to Section 26(b) of the Investment Company Act of 1940 ("1940 Act") approving certain substitutions of securities, and pursuant to Sections 17(b) and 6(c) of the 1940 Act exempting related transactions from 17(a) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain registered unit investment trusts to substitute shares of certain registered open-end investment companies for shares of certain registered investment companies currently held by those unit investment trusts, and to permit certain in-kind redemptions of portfolio securities in connection with the substitutions.

Applicants: American Skandia Life Assurance Corporation ("ASLAC" or the "Company"), American Skandia Life Assurance Corporation Variable Account B (Class 1) ("Account B-1"), American Skandia Life Assurance Corporation Variable Account B (Class 2) ("Account B-2"), American Skandia Life Assurance Corporation Variable Account B (Class 3) ("Account B-3", together with Account B-1 and Account B-2, "Account B"), American Skandia Variable Account F ("Account F" and together with Account B, the "Separate Account"), and American Skandia Marketing, Incorporated ("ASM") (collectively, "Applicants").

Filing Date: The application was filed on October 27, 1999 and amended and restated on September 29, 2000.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing on this application by writing to the Secretary of the Commission and serving Applicants with a copy of the request, in person or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on November 3, 2000, and accompanied by proof of service on the Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of your interest, the reason for the request, and the issues you contest. Persons may request notification of the date of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549-0609. Applicants, in care of Edward P. MacDonald, Esquire, American Skandia Life Assurance Corporation, One Corporate Drive, Shelton, Connecticut 06484.

FOR FURTHER INFORMATION CONTACT: Ronald A. Holinsky, Senior Counsel or Lorna MacLeod, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the Commission, 450 Fifth Street, NW, Washington, DC 20549-0102 (tel. (202) 942-8090).

Applicants' Representations

1. ASLAC is a stock life insurance company admitted to do business in all fifty states and in the District of Columbia. ASLAC offers a variety of fixed and variable annuity contracts to individuals and groups, as well as a modified single premium variable life insurance policy and a flexible premium variable life insurance policy to individuals (the "Skandia Contracts").

2. ASLAC is a wholly owned subsidiary of American Skandia Investment Holding Corporation, which is an indirect wholly-owned subsidiary of Skandia Insurance Company Ltd., a corporation organized under the laws of the Kingdom of Sweden.

3. Account B-1, registered with the Commission as a unit investment trust, is a separate account of ASLAC.

4. Account B-2, registered with the Commission as a unit investment trust, is a separate account of ASLAC.

5. Account B-3, registered with the Commission as a unit investment trust, is a separate account of ASLAC.

6. Account F, registered with the Commission as a unit investment trust, is a separate account of ASLAC.

7. ASM is registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934 ("Exchange Act") and is a member in good standing with the National Association of Securities Dealers, Inc. ASM is 100% owned by American Skandia Investment Holding Corporation, which is also the direct parent of ASLAC. ASM's primary business is that of principal distributor of variable annuities and market value adjusted fixed annuity contracts issued by ASLAC as well as variable life insurance policies issued by ASLAC. ASM is also the distributor of American Skandia Advisor Funds, Inc. a family of retail mutual funds.

8. ASLAC is the depositor of the separate accounts and offers owners of the Skandia Contracts ("Contract Owners") a number of investment options, each of which is a division of sub-account of the separate accounts and which correspond to an underlying registered open-end management investment company. The Skandia Contracts are designed to be sold to individuals and to groups for use with retirement plans that qualify for special income tax treatment under the Internal Revenue Code of 1986, as amended (the "Code"), and sued with retirement plans that do not qualify for such special income tax treatment.

9. The Alger American Fund is a diversified, open-end series management investment company registered under the 1940 Act. Currently it offers six portfolios, two of which are available through one or more of the Skandia Contracts offered through the separate accounts. The two portfolios offered as investments to the separate accounts are: Alger American Growth Portfolio and Alger American MidCap Growth Portfolio. Fred Alger Management, Inc. ("Fred Alger") is the investment manager of each of the portfolios.

10. American Skandia Trust ("AST") is a diversified, open-end series management investment company registered under the Act. AST currently is comprised of 35 portfolios. American Skandia Investment Services, Inc. ("ASISI") is the investment manager for each of the portfolios.

11. Pursuant to ASLAC's manager-of-managers strategy, ASISI currently

engages the following subadvisers to manage the accompanying AST portfolios: Janus Capital Corporation—AST JanCap Growth, AST Janus Overseas Growth, AST Janus Small-Cap Growth, and AST Janus Mid-Cap Growth; Lord Abbett & Co.—AST Lord Abbett Small Cap Value; Federated Investment Counseling—AST Federated High Yield; J.P. Morgan Investment Management, Inc.—AST Money Market; T. Rowe Price Associates, Inc.—AST T. Rowe Price Asset Allocation, AST T. Rowe Price Natural Resources and AST T. Rowe Price Small Company Value; Rowe Price-Fleming International, Inc.—AST T. Rowe Price Global Bond; Founders Asset Management, LLC—AST Founders Passport; INVESCO Funds Group, Inc.—AST INVESCO Equity Income; Pacific Investment Management Company—AST PIMCO Total Return Bond and AST PIMCO Limited Maturity Bond; Oppenheimer Funds, Inc.—AST Oppenheimer Large-Cap Growth; American Century Investment Management, Inc.—AST American Century Income & Growth, AST American Century Strategic Balanced, AST American Century International Growth, and AST American Century International Growth II; Cohen & Steers Capital Management, Inc.—AST Cohen & Steers Realty; AIM Capital Management, Inc.—AST AIM International Equity and AST AIM Balanced; Sanford C. Bernstein & Co., Inc.—AST Sanford Bernstein Managed Index 500; Marsico Capital Management, LLC—AST Marsico Capital Growth; Neuberger Berman Management Inc.—AST Neuberger Berman Mid-Cap Value and AST Neuberger Berman Mid-Cap Growth; Massachusetts Financial Services Company ("MFS")—AST MFS Growth with Income, AST MFS Growth and AST MFS Global Equity; Scudder Kemper Investments, Inc.—AST Kemper Small-Cap Growth; and Fed Alger Management, Inc.—AST Alger All—Cap Growth.

12. ASLAC has expressly reserved the right on its own behalf and on behalf of each of the separate accounts and in the Skandia Contracts to eliminate sub-accounts, combine two or more sub-accounts, or substitute one or more new underlying funds or portfolios for others in which one or more sub-accounts are invested. The prospectus for each contract discloses this reservation.

13. ASLAC, on its own behalf and on behalf of the separate accounts, proposes to exercise its contractual right to replace shares of the Alger American Growth Portfolio with shares of the AST Alger Growth Portfolio and shares of the Alger American Mid-Cap Growth

Portfolio with shares of the AST Alger Mid-Cap Growth Portfolio. The Alger American Growth and Alger Mid-Cap Growth portfolios are referred to as the "Old Portfolios". The AST Alger Growth and AST Alger Mid-Cap Growth portfolios are referred to as the "New Portfolios". The New Portfolios will be subadvised by Fred Alger.

14. Applicants represent that the investment objective of the AST Alger Growth Portfolio is identical to that of the Alger American Growth Portfolio. Both portfolios intend to invest for long-term growth of capital appreciation. Applicants assert that the proposed substitution will result in greater administrative efficiency and enhanced oversight of the AST Alger Growth Portfolio by ASLAC while continuing to provide Contract Owners with a "best-in-class" money manager and substantially similar investment objective and investment policies/restrictions as the Alger Growth Portfolio. Applicants represent that the management fee of the AST Alger Growth Portfolio is identical to that of the Alger American Growth Portfolio (0.75%) and that other expenses of the AST Alger Growth Portfolio will be capped at the same level of other expenses for the Alger American Growth Portfolio (0.04%) for a period of one year following the substitution. Total annual expenses for the AST Alger Growth Portfolio will be the same as that of the Alger American Growth Portfolio (0.79%).

15. Applicants represent that the investment objective of the AST Alger Mid-Cap Growth Portfolio is identical to that of the Alger American Mid-Cap Growth Portfolio. Both portfolios seek long-term capital appreciation by investing in the equity securities of midsize companies with promising growth potential having a market capitalization within the range of companies in the S&P® Mid-Cap 400 Index. Applicants assert that the substitution will result in greater administrative efficiency and enhanced oversight of the new portfolio by ASLAC. Applicants assert that the old portfolio has experienced significant "capitalization drift" causing its holdings to diverge from its stated mid-cap investment objective and that ASLAC will be better able to monitor the new portfolio's direction. Applicants represent that the management fee of the AST Alger Mid-Cap Growth Portfolio is identical to that of the Alger American Mid-Cap Growth Portfolio (0.80%) and that other expenses of the AST Alger Mid-Cap Growth Portfolio will be capped at the same level of other expenses for the

Alger American Mid-Cap Growth Portfolio (0.04%) for a period of one year following the substitution. Total annual expenses for the AST Alger Mid-Cap Growth Portfolio will be the same as that of the Alger American Mid-Cap Growth Portfolio (0.84%).

16. ASLAC represents that it will distribute a prospectus supplement ("Supplement") to Contract Owners affected by the proposed Substitution notifying them of ASLAC's intention to substitute the Old Portfolios for the New Portfolios and describing the Substitutions including a brief description of the New Portfolios' investment objectives. The Supplement will explain that ASLAC has filed an application with the Commission to approve the proposed Substitutions and that from the date of the Supplement until the date of the Substitutions ("Substitution Date"), Contract Owners will be permitted to make one transfer of all amounts under a Skandia Contract invested in the Old Portfolios free of any applicable transfer charges. The Supplement will state that ASLAC will not exercise any rights reserved under any Skandia Contract to impose additional restrictions on transfers until at least 30 days after the Substitution.

17. Within at least five days after the Substitution Date, ASLAC will mail a written notice to all Contract Owners affected by the Substitutions informing them that the Substitutions were completed ("Notice"). Notices will include transfer request forms, prepaid postage return envelopes, a current prospectus, and a confirmation of the transaction as required under rule 10b-10 under the Exchange Act. The Notice will repeat that ASLAC will not exercise any rights reserved by it under any of the Skandia Contracts affected by the Substitutions to impose additional restrictions on transfers until at least 30 days after the Substitutions.

18. Applicants state that the proposed Substitutions between sub-accounts will be effected to the extent practicable "in-kind" at the then current unit values of the sub-accounts in conformity with Section 22(c) of the 1940 Act and Rule 22c-1 thereunder. Applicants assert that the terms under which the in-kind redemptions and purchases will be made are reasonable and fair and do not involve overreaching on the part of any person concerned and the interests of Contract Owners will not be diluted. Applicants assert that using partial in-kind redemptions will alleviate some of the expenses involved in the in-kind redemptions. Applicants represent that in-kind redemptions will only be used to the extent they are consistent with the investment objectives and

applicable diversification requirements of the New Portfolios, and all redemptions and purchases will be effected in conformity with Section 22(c) of the 1940 Act and Rule 22c-1 thereunder, and on a basis consistent with the valuation procedures of the applicable Old and New Portfolios.

19. Applicants represent that the Substitutions will occur at relative unit values of the Old and New Portfolios, with no net change in the account value for any Contract Owner. Contract Owners will not incur any fees or charges including legal, accounting, brokerage-related, and other fees and expenses directly or indirectly as a result of the transfer of account value from any Old Sub-account, nor will their rights, or ASLAC's obligations, under any Skandia Contract be altered in any way. All contract level fees and charges and the asset-based fees (mortality, expense risk and administration fees) deducted by the separate accounts will remain the same after the proposed Substitutions. The proposed Substitutions will not alter in any way the annuity benefits, tax benefits or ASLAC's contractual obligations under the Skandia Contracts.

20. Applicants represent that the significant terms of the Substitutions described in the application include:

(a) The investment objectives of the New Portfolios will be the same as the investment objectives of the Old Portfolios providing Contract Owners a means to continue their current investment goals and risk expectations.

(b) The investment in the New Portfolios may be temporary investments for Contract Owners since Contract Owners always may exercise their own judgment as to the most appropriate alternative investment option available to them. No sales charge will be made in connection with any transfers among the sub-accounts. After the Substitutions, the Skandia Contracts will continue to offer a broad array of variable investment options. Contract Owners who have not annuitized may at any time, before or after the Substitutions, transfer their account value to any other sub-account offered under their respective Skandia Contract. ASLAC notes the total number of portfolios available to the Contract Owners both in number and investment style are as extensive and diverse as nearly all other variable contract issuers.

(c) The Substitutions and related transactions will be effected at the net asset value of the respective share, in conformity with Section 22(c) of the 1940 Act and Rule 22c-1 thereunder.

(d) The use of in-kind redemptions, to the extent appropriate and possible, will

reduce the brokerage expenses involved in the Substitutions.

(e) The Contract Owners will not incur any directly or indirectly related fees or charges, including brokerage-related fees or charges, as a result of the transfer of account value from any Old Sub-account.

(f) The Substitutions will not alter or affect the insurance benefits or rights of Contract Owners or the terms and obligations of the Skandia Contracts.

(g) The Substitutions are designed to avoid any adverse effects upon the tax benefits available to Contract Owners and are designed not to give rise to any current Federal income tax to Contract Owners.

(h) The Substitutions are expected to confer economic benefit to Contract Owners as described in the application.

(i) Contract Owners in the new AST Alger Growth Sub-account and the AST Alger Mid-Cap Growth Sub-account will not be subject to any 12b-1 fee, or be effected by any change in sub-advisor as a result of AST's "manager-of-managers" exemptive order, unless: (i) Contract Owners have had a right as beneficial owners of the AST Portfolios after the Substitutions to vote to approve the adoption of a 12b-1 plan or to approve the "manager-of-managers" order received from the Commission; or (ii) any Contract Owner allocates his or her Skandia Contract's account value to an AST investment option that has in effect a 12b-1 fee or "manager-of-managers" order.

(j) Other expenses in the new AST Alger Growth Sub-account and the AST Alger Mid-Cap Growth Sub-account will be capped at 0.04% for one year following the Substitution Date.

Applicant's Legal Analysis

1. Section 26(b) of the 1940 Act provides that it shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution; and the Commission shall issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Applicants request an order pursuant to Section 26(b) of the 1940 Act approving the Substitutions. Applicants assert that the purposes, terms, and conditions of the Substitutions are consistent with the protection for which Section 26(b) was designed. Applicants assert that the Substitutions will benefit investors

because they will result in greater administrative efficiency and enhanced oversight of the New Portfolios by ASLAC. Additionally, Applicants assert that over time, the efficiencies that come with being part of a large coordinated fund affiliated with ASLAC will have resulting benefits to Contract Owners.

3. Additionally, Applicants assert that the proposed Substitutions and related transactions will be in the best interests of Contract Owners in that they will (a) increase ASLAC's control over the administrative aspects of the New Portfolios; (b) enhance an Old Portfolio with significant style drift; (c) provide Contract Owners with a more diverse number of portfolios within the AST family; (d) provide a means to gather significantly more assets; (e) participate in the value-added manager of managers platform; (f) reduce conflicts; and (g) promote administrative efficiencies.

4. Section 17(a)(1) of the 1940 Act prohibits any affiliated person of a registered investment company, or any affiliated person of an affiliated person, from selling any security or other property to such registered investment company. Section 17(a)(2) of the 1940 Act prohibits any such affiliated persons from purchasing any security or other property from such registered investment company.

5. Section 17(b) of the 1940 Act provides that the Commission may grant an order exempting a transaction prohibited by Section 17(a) of the 1940 Act upon application 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 on the part of any person concerned; (b) the proposed transaction is consistent with the investment policy of each registered investment company concerned, as recited in its registration statement and reports filed under the 1940 Act; and (c) the proposed transaction is consistent with the general purposes of the 1940 Act.

6. Applicants request an order pursuant to Sections 6(c) and 17(b) of the 1940 Act exempting the in-kind redemptions and purchases from the provisions of Section 17(a) of the 1940 Act.

7. Applicants assert that the terms of the Substitutions are reasonable and fair and do not involve overreaching on the part of any person concerned.

Applicants represent that the Substitutions will be effected at the net asset value and the interests of Contract Owners will not be diluted. Applicants represent that in-kind redemptions will only be used to the extent they are consistent with the investment

objectives and applicable diversification requirements of the affected portfolios.

8. Applicants assert that the Substitutions and the in-kind redemptions are consistent with the policies of each investment company involved and the general purposes of the 1940 Act, and comply with the requirements of Section 17(b).

Conclusion

Applicants assert that, for the reasons summarized above, the requested order approving the Substitutions and exempting the in-kind redemptions should be granted.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 00-26801 Filed 10-18-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43430; File No. SR-CBOE-00-21]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. To Amend its Rule Governing the Operation of Its Automated Book Priority System To Permit Split-Price Executions

October 11, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 24, 2000, the Chicago Board Options Exchange, Inc. ("CBOE" 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 Exchange. On June 22, 2000, CBOE filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, CBOE amended the text of the proposed rule change and included a discussion of the indicator to be used when a book order is establishing CBOE's best bid or offer. See letter from Angelo Evangelou, Attorney, CBOE, to Joseph Corcoran, Attorney, Division of Market Regulation, Commission, dated June 20, 2000 ("Amendment No. 1").