4. Under the Director Plan, the exercise price for Options will be the fair market value of the applicant's stock, defined as the closing price on the American Stock Exchange on the date of grant. Options granted under the Director Plan are exercisable for a period of 10 years from the date of grant or a shorter period as the Board may establish. Options will become exercisable, in accordance with the vesting schedule prescribed in each Eligible Director's Option agreement. In the event of death or permanent and total disability of an Eligible Director during the Director's service, unexercised Options will become exercisable only during the period of twelve months following the date of death or disability. In the event of the termination of an Eligible Director's directorship for a reason other than by death or permanent and total disability, an Option shall be exercisable only during a period of thirty days following the date of termination. The Options will not be transferable except for disposition by gift, will, intestacy, or pursuant to a qualified domestic relations order as defined by section 414(p) of the Internal Revenue Code of 1986, as amended.

5. Applicant's officers and employees, including any employee directors, are eligible to receive stock options under the Franklin Holding Corporation Stock Incentive Plan (the ''Employee Plan''). Eligible Directors are not eligible to receive stock options under the Employee Plan. The total number of shares of common stock issuable under the Director Plan and the Employee Plan is 75,000 shares (30,000 shares under the Director Plan and 45,000 shares under the Employee Plan), representing 10.3% of the 730,588 shares of applicant's stock outstanding as of December 31, 1999. Applicant has no warrants, options or rights to purchase its outstanding voting securities other than those granted to its directors, officers, and employees pursuant to the Employee Plan and the Director Plan.

Applicant's Legal Analysis

1. Section 63(3) of the Act permits a BDC to sell its common stock at a price below current net asset value upon the exercise of any option issued in accordance with section 61(a)(3) of the Act. Section 61(a)(3)(B) of the Act provides, in pertinent part, that a BDC may issue to its non-employee directors options to purchase its voting securities pursuant to an executive compensation plan, provided that: (a) the options expire by their terms within ten years; (b) the exercise price of the options is not less than the current market value of the underlying securities at the date of the issuance of the options, or if no market exists, the current net asset value of the voting securities; (c) the proposal to issue the options is authorized by the BDC's shareholders, and is approved by order of the Commission upon application; (d) the options are not transferable except for disposition by gift, will or intestacy; (e) no investment adviser of the BDC receives any compensation described in section 205(1) of the Investment Advisers Act of 1940, except to the extent permitted by clause (A) or (B) of that section; and (f) the BDC does not have a profit-sharing plan as described in section 57(n) of the Act.

2. In addition, section 61(a)(3) of the Act provides that the amount of the BDC's voting securities that would result from the exercise of all outstanding warrants, options, and rights at the time of issuance may not exceed 25% of the BDC's outstanding voting securities, except that if the amount of voting securities that would result from the exercise of all outstanding warrants, options, and rights issued to the BDC's directors, officers, and employees pursuant to an executive compensation plan would exceed 15% of the BDC's outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options, and rights at the time of issuance will not exceed 20% of the outstanding voting securities of the BDC.

3. Applicant represents that the terms of the Director Plan meet all the requirements of section 61(a)(3)(B) of the Act. Applicant states in support of the application that the Eligible Directors are actively involved in the oversight of applicant's affairs and that it relies on the judgment and experience of the Board. Applicant also states that the Eligible Directors provide guidance and advice on financial and operational issues, credit and loan policies, asset valuation, and strategic direction, as well as serve on committees. Applicant believes that the Options to be granted to the Eligible Directors provide significant incentives for the Eligible Directors to remain on the Board and to devote their best efforts to the success of applicant's business and the enhancement of shareholder value. Applicant also states that the Options will provide a means for the Eligible Directors to increase their ownership interests in applicant, thereby ensuring close identification of their interests with the interests of applicant's shareholders.

4. Applicant submits that the terms of the Director Plan are fair and reasonable and do not involve overreaching of applicant or its shareholders. Applicant states that the number of voting securities that would result from the exercise of all Options issued or issuable to the directors, officer, and employees under the Director Plan and the Employee Plan is 75,000 shares, or 10.3% of the company's outstanding stock, which is below the percentage limitations in the Act. Applicant asserts that, given the small amount of common stock issuable upon the exercise of Options under the Director Plan, the exercise of Options would not have a substantial dilutive effect on the net asset value of the applicant's stock.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–1635 Filed 1–21–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IA–1851/803–140]

Ibbotson Associates, Inc.; Notice of Application

January 18, 2000.

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

ACTION: Notice of Application for Exemption under the Investment Advisers Act of 1940 (''Advisers Act'').

APPLICANT: Ibbotson Associates, Inc.

RELEVANT ADVISERS ACT SECTIONS: Exemption requested under section 203A(c) from section 203A(a).

SUMMARY OF APPLICATION: Applicant requests an order to permit it to register with the SEC as an investment adviser.

FILING DATES: The application was filed on August 2, 1999, and amended on December 8, 1999.

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 February 14, 2000, 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 may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, N.W., Washington, D.C. 20549–0609. Applicant, Ibbotson Associates, Inc., 225 North Michigan Avenue, Suite 700, Chicago, Illinois 60601–7676.

FOR FURTHER INFORMATION CONTACT: Karen L. Goldstein, Attorney, at (202) 942–0646 or Jennifer L. Sawin, Special Counsel, at (202) 942–0716 (Division of Investment Management, Task Force on Investment Adviser 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. Applicant is an Illinois corporation with its principal place of business in Chicago, Illinois. Until July 8, 1997, Applicant was registered as an investment adviser with the SEC. Applicant is currently registered as an investment adviser in California, Illinois and New York.

2. Applicant provides services predominantly to institutional clients such as pension plans, pension consultants, investment advisers, broker-dealers, insurance companies and banks. None of Applicant's current clients are natural persons.

3. Applicant provides a wide range of services to its clients; these services include portfolio strategy design, asset allocation, assessment of investor risk tolerance and financial engineering, corporate finance, client specific research and educational programs. Applicant also assists institutional clients by designing model asset allocation portfolios or by designing a questionnaire for institutions to use in determining model portfolio allocations for their individual investor clients. Applicant's institutional clients, however, are responsible for their individual investor clients.

Applicant's Legal Analysis

1. On October 11, 1996, the National Securities Markets Improvement Act of 1996 was enacted. Title III of the Act, the Investment Advisers Supervision Coordination Act (''Coordination Act''), added new section 203A to the Advisers Act. Under section 203A(a)(1),[1] an investment adviser that is regulated or required to be regulated as an investment adviser in the state in which it maintains its principal office and place of business is prohibited from registering with the SEC unless the investment adviser (i) has assets under management of not less than $25 million or (ii) is an investment adviser to an investment company registered under the Investment Company Act of 1940 (''Investment Company Act''). Section 203A(a)(2) defines the phrase ''assets under management'' as the ''securities portfolios with respect to which an investment adviser provides continuous and regular supervisory or management services.'' [2]

2. Applicant states that it does not qualify for registration as an investment adviser with the SEC. Applicant states that it does not have $25 million or more in assets under management, does not serve as an investment adviser to an investment company registered under the Investment Company Act, and does not qualify for an exemption from the prohibition on SEC registration as provided in rule 203A–2 under the Advisers Act.

3. Applicant notes that section 203A(c) of the Advisers Act authorizes the SEC to permit an investment adviser to register with the SEC if prohibiting registration would be ''unfair, a burden on interstate commerce, or otherwise inconsistent with the purposes of [section 203A].'' [3]

4. Applicant argues that prohibiting it from registering as an investment adviser with the SEC would be inconsistent with the purposes of section 203A. Applicant submits that Congress intended section 203A to divide responsibility for regulating investment advisers between the SEC and the states; the states should be responsible for regulating advisers ''whose activities are likely to be concentrated in their home state,'' and ''larger advisers, with national businesses'' should be regulated by the Commission and ''be subject to national rules.'' [4] Applicant asserts that Congress chose the ''assets under management'' requirement as a rough guide for this division, on the theory that investment advisers with $25 million or more of assets under management are likely to be national investment advisers that should be regulated by the SEC, while investment advisers managing less than $25 million in assets are likely to be smaller advisers that should be subject to the local rules of the states.

5. Applicant submits that Congress recognized that the ''assets under management'' requirement does not precisely differentiate national investment advisers from local investment advisers, and that some national investment advisers may not qualify for SEC registration under the test formulated by Congress. Applicant states that Congress acknowledged that ''the definition of 'assets under management' * * * may, in some cases, exclude firms with a national or multistate practice from being able to register with the SEC.'' [5] Applicant further states that Congress intended the SEC to use its exemptive authority under section 203A(c) to remedy any unfairness, burdens or inconsistencies caused by the assets under management requirement by permitting, ''where appropriate, the registration of such firms with the [SEC].'' [6]

6. Applicant argues that it engages in a large, national investment advisory business of the type Congress contemplated when it provided the SEC exemptive authority under section 203A(c). Applicant asserts that by providing services to institutional clients across the country, its activities, like those of pension consultants exempted by SEC rule from the prohibition on SEC registration,[7] have a direct effect on billions of dollars of assets under management at the nation's investment companies, investment advisers, broker-dealers, insurance companies, banks, and other institutional investors.

7. Applicant submits further that it is inconsistent with the purposes of section 203A for a state to regulate investment advisers whose activities involve little or no traditional state interest. Applicant notes that, in section 203A, Congress preserved the states' ability to regulate certain investment adviser representatives of advisers registered with the SEC. Applicant further notes that under the SEC's definition of investment adviser representative,[8] only personnel who work principally with individual, rather than institutional, clients are subject to state regulation. Applicant argues that this definition recognizes that, consistent with Congress' intent in the Coordination Act, the states' primary interest is in oversight of representatives who have an individual, not an institutional, clientele. Applicant submits that in fashioning this definition, the SEC noted its belief that distinguishing between retail and other clients was consistent with the intent of

[1] 15 U.S.C. 80b–3a(a)(1).

[2] 15 U.S.C. 80b–3a(a)(2).

[3] 15 U.S.C. 80b–3a(c).

[4] S. Rep. No. 293, 104th Cong. 2d Sess. (1996) at 4.

[5] *Id.*

[6] *Id.* at 5.

[7] *See* 17 CFR 275.203A–2(b).

[8] *See* 17 CFR 275.203A–3(a)(1).

Congress as reflected in the Coordination Act.

8. Applicant argues that it is the type of investment adviser that Congress intended the Commission to consider exempting under section 203A(c). Applicant states that it provides services predominantly to institutions and that it believes that its business will remain predominantly institutional. Applicant will not market its services to individual investors, and in no case will it have (i) more than five clients who are natural persons (other than certain ''excepted persons,'' as that term is defined in rule 203A–3, paragraph (a)(3)(i) under the Advisers Act [9]) or (ii) more than ten percent of its clients who are natural persons (other than certain excepted persons).

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–1634 Filed 1–21–00; 8:45 am]

BILLING CODE 8010–01–M

[9] *See* 17 CFR 275.203A–3(a)(3)(i)

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT: [65 FR 2656, January 18, 2000]

STATUS: Closed Meeting.

PLACE: 450 Fifth Street, N.W., Washington, D.C.

DATE PREVIOUSLY ANNOUNCED: January 18, 2000.

CHANGE IN THE MEETING: Cancellation of Meeting.

The closed meeting scheduled for Thursday, January 20, 2000 at 11:00 a.m., has been canceled.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942–7070.

Dated: January 20, 2000.

Jonathan G. Katz,

Secretary.

[FR Doc. 00–1753 Filed 1–20–00 3:47 pm]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34–42342; File No. SR–Amex–99–21)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange LLC Amending Section 106 of the Amex Company Guide

DATE: January 14, 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 June 10, 1999, the American Stock Exchange LLC (''Amex'' 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 Amex. The Exchange filed Amendments No. 1 [3] and No. 2 [4] to the proposed rule change on June 14, 1999 and December 1, 1999, respectively. 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 Section 106 of the *Amex Company Guide* to provide for the trading of narrow-based stock index warrants pursuant to new Rule 19b–4(e) [5] under the Act.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Amex 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 Exchange proposes to amend Section 106 of the *Amex Company Guide* to provide for the trading of stock index industry group warrants [6] pursuant to new Rule 19b–4(e) under the Act. Section 106 of the *Amex Company Guide* currently authorizes the Exchange to trade warrants on a stock index industry group pursuant to Section 19(b)(3)(A) of the Act provided that the index meets the generic criteria set forth in Commentary .02 to Amex Rule 901C.[7] As discussed in the Commission release adopting new Rule 19b–4(e), however, the Exchange would no longer be required to submit, pursuant to new Rule 19b–4(e) under the Act, a proposed rule change to trade warrants on a new stock index industry group provided the index meets the generic criteria set forth in Commentary .02 to Amex Rule 901C.

In its release adopting new Rule 19b–4(e), the Commission noted that in order to rely on the amendment and not submit filings pursuant to Section 19(b)(3)(A) for warrants that satisfy the criteria of Rule 901C, a self-regulatory organization would be required to submit a proposed rule change for Commission approval to eliminate the Section 19(b)(3)(A) rule filing

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

[2] 17 CFR 240.19b–4.

[3] Letter from Scott Van Hatten, Amex, to Richard Strasser, Assistant Director, Division of Market Regulation (''Division''), Commission, dated June 11, 1999 (''Amendment No. 1''). The Exchange originally filed the proposed rule change under Section 19(b)(3)(A) of the Act. Pursuant to Commission staff's request, the Exchange refiled the proposed rule change under Section 19(b)(2) of the Act.

[4] Letter from Scott Van Hatten, Amex, to Nancy Sanow, Assistant Director, Division, Commission, dated December 1, 1999 (''Amendment No. 2''). Amendment No. 2 states that the exchange will issue a circular prior to trading any new index warrant pursuant to Rule 19b–4(e) to (i) highlight specific risks associated with warrants on new indexes and remind members that index warrants are direct obligations of the issuer, which are not subject to a clearing house guarantee, (ii) clarify that index warrants may only be sold to accounts approved for standardized options trading, and (iii) clarify that the Exchange's options suitability standards apply to index warrants. Amendment No. 2 also states that Amex Rules 1100 through 1110, which govern issuer eligibility, margin requirements, discretionary accounts, supervision of accounts, position and exercise limits, reportable positions, and trading halts and suspensions, will apply to index warrants. Finally, Amendment No. 2 states that the Exchange's enhanced surveillance procedures will continue to apply to surveillance of index warrants traded pursuant to Rule 19b–4(e).

[5] *See* Securities Exchange Act Release No. 40761 (Dec. 8, 1998), 63 FR 70952 (Dec. 22, 1998).

[6] Amex Rule 900C defines ''Stock Index Industry Group'' as a stock index group relating to a stock index which reflects representative stock market values or prices of a particular industry or related industries (also referred to as a ''narrow based index'').

[7] The Commission granted approval to list and trade narrow-based index warrants pursuant to Section 19(b)(3)(A) in Securities Exchange Act Release No. 37007 (March 21, 1996), 61 FR 14165 (March 29, 1996).