

**SUPPLEMENTARY INFORMATION:** Following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the SEC.

#### **Applicant's Representations**

1. Applicant is an open-end, diversified management investment company organized as a corporation under Maryland law. On July 27, 1983, Applicant filed a notification of registration as an investment company on Form N-8A and a registration statement on Form N-1 under the 1940 Act and the Securities Act of 1933. The registration statement became effective and the initial public offering of Applicant's shares commenced on June 26, 1984.

2. On September 27, 1996, Applicant's board of directors (the "Board") approved the following agreement and plan of reorganization: (i) The transfer of all assets and liabilities of each of the Applicant's portfolios to a corresponding portfolio of NASL Series Trust ("NASL"), a Massachusetts business trust, in exchange for shares of the corresponding NASL portfolio and the assumption by that NASL portfolio of the liabilities of Applicant's portfolio and (ii) the distribution of the shares received from each NASL portfolio to the shareholders of the corresponding portfolio of Applicant in liquidation of Applicant and each of its portfolios.

3. On or about November 15, 1996, proxy materials relating to the special meeting at which the agreement and plan of reorganization was considered were mailed to contract owners entitled to instruct as to the voting of Applicant's shares. At the special meeting held on December 20, 1996, the agreement and plan of reorganization was approved by the necessary vote of shareholders of each of Applicant's portfolios.

4. On December 19, 1996, Applicant, NASL and other related parties obtained an order pursuant to Section 17(b) of the Act and Rule 17d-1 thereunder to permit certain transactions contemplated by the reorganization.

5. On December 31, 1996, Applicant transferred assets and liabilities of each of its portfolios to a corresponding portfolio of NASL in exchange for shares of the corresponding NASL portfolio and distributed the NASL shares held by each portfolio pro rata to the shareholders of such portfolio in complete liquidation of the portfolio and of Applicant. The aggregate net asset value of the NASL shares received by each of Applicant's portfolios was equal to the aggregate net asset values of such portfolio.

6. The expenses of the reorganization, other than fees payable for the registration of shares of the NASL portfolios in connection with the reorganization, were borne by the Applicant's and NASL's affiliates, other than Applicant and NASL. No brokerage commissions were paid in connection with the reorganization.

7. Within the last 18 months, Applicant has not transferred any of its assets to a separate trust, the beneficiaries of which were or are security holders of Applicant.

8. At the time the application was filed, Applicant had no assets, no liabilities and no security holders. Applicant is not a party to any litigation or administrative proceeding, and is not now engaged, nor does it propose to engage, in any business activities other than those necessary for winding up its affairs.

9. On December 31, 1996, Applicant filed Articles of Transfer with Maryland's Department of Assessments and Taxation. Applicant intends to file Articles of Dissolution with that office upon receipt of the order requested in the application.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-20614 Filed 8-5-97; 8:45 am]

BILLING CODE 8010-01-M

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

[File No. 500-1]

#### **Discovery Zone, Inc., Order of Suspension of Trading**

August 1, 1997.

It appears to the Securities and Exchange Commission that there is a lack of adequate information concerning the cancelled common stock of Discovery Zone, Inc. ("Discovery"), which emerged from Chapter 11 bankruptcy protection on July 29, 1997. On July 18, 1997, the Third Amended Joint Plan of Reorganization ("the Plan") was confirmed by the United States Bankruptcy Court for the District of Delaware. On July 29, 1997, the Plan became effective. Pursuant to the Plan, all of the common stock, common stock options and partnership interests existing as of the date of the bankruptcy petition, March 25, 1996, shall be cancelled, annulled and extinguished as of the effective date of the Plan, July 29, 1997. Accordingly, the common stock, common stock options and partnership

interests cancelled on July 29, 1997 no longer represent an economic or beneficial interest in Discovery.

Despite press releases and notification by the company that Discovery's common stock was cancelled and no longer represented any economic or beneficial value, the daily trading volume of Discovery's common stock was approximately six million shares and four million shares for July 30, 1997 and July 31, 1997, respectively, the two days following the cancellation of the common stock. Trading in Discovery's common stock was continuing today, August 1, 1997.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in Discovery's common stock, common stock options and partnership interests that were cancelled pursuant to the Plan. This order of suspension of trading does not affect any securities issued by Discovery pursuant to the Plan.

Therefore, it is ordered, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the above company is suspended for the period from 3:30 p.m. (EDT), August 1, 1997, through 3:29 p.m. (EDT), on August 15, 1997.

By the Commission.

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. 97-20831 Filed 8-4-97; 12:50 pm]

BILLING CODE 8010-01-M

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

[Release No. 34-38889; File No. SR-NSCC-96-21]

#### **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change to Establish the Annuities Processing Service**

July 30, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 26, 1996, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") and on February 27, 1997, and May 12, 1997, amended the proposed rule change (File No. SR-NSCC-96-21) as described in Items I, II, and III below, which items have been prepared primarily by NSCC. The Commission is publishing this notice to solicit

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

comments on the proposed rule change from interested persons.

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

The proposed rule change will amend NSCC's rules to establish the Annuities Processing Service ("APS").

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

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

The proposed rule change will amend NSCC's rules to establish APS. APS will be a centralized communication link that connects participating insurance carriers with broker-dealers, banks, and the broker-dealers' or banks' affiliated life insurance agencies where appropriate. NSCC believes that APS will reduce the time and costs associated with the processing of annuities by standardizing and automating the processing. Only those annuity plans that are purchased by individuals from insurance carriers through broker-dealers, banks, or their affiliated insurance agencies will be eligible for processing through APS. Initially, NSCC intended to only process variable rate annuity products through APS. As a result of requests by its participants, both variable rate and fixed rate annuity products will be processed through APS.<sup>3</sup>

NSCC proposes to implement APS in phases. Phase I will provide NSCC's participants with the ability to send and receive daily information regarding annuity contract positions, the value of a contract's underlying assets, and settlement of commission monies.<sup>4</sup> This

information will be transmitted through the Phase I "position and valuation," and "commission and charge back" components.

The position and valuation component will permit insurance carriers to transmit information regarding the value of individual annuity contracts and the value of the assets underlying the contracts to broker-dealers and insurance agencies. Insurance carriers will submit position and valuation information to NSCC, which NSCC will forward to the party designated as recipient by the insurance carrier.

The commission and charge back component will permit insurance carriers and agencies to communicate concerning periodic trail or asset-based compensation and transaction-based commission payments, each paid by an insurance carrier to an agency, as well as charge backs paid by an agency to an insurance carrier. Insurance carriers and agencies will settle these payments through NSCC's money settlement system.

Insurance carriers will be able to initiate commission and charge back transactions by submitting instructions to NSCC. On any day prior to settlement, an agency or carrier member may submit a cancel instruction if the member does not recognize the transaction or an exit instruction if the member recognizes the transaction but wants that transaction to be processed outside of APS. A properly submitted exit or cancellation will cause the payment transaction to which it relates to be deleted from APS.

Unless NSCC receives a cancellation or exit instruction, the commission and charge back transaction will settle in the three-day settlement cycle following their completion unless the parties have agreed that the transaction will settle on an extended basis. However, no transaction will be allowed to settle more than five business days after the day on which the last instruction pertaining to the transaction was submitted to NSCC.

The proposed rule change provides that NSCC will not be responsible for the completeness or accuracy of any APS data or for any errors, omissions, or delays that may occur relating to the APS data. The proposed rule change also states that the processing of any transaction through APS will not relieve a party from its legal or regulatory rights or its obligations relating to a transaction.

beyond position and valuation information. NSCC will be required to make the appropriate rule filings with the Commission at such times as NSCC is ready to implement these additional components.

The proposed rule change will amend NSCC's Rule 2 to permit a corporation, partnership, or agency, including a registered broker-dealer, bank, or trust company, that is licensed to sell insurance products and is subject to supervision or regulation pursuant to the provisions of state insurance laws to become a member of the NSCC. If the entity agrees to limit their activities to APS services only, the entity would be classified as an "annuities agency member."

The proposed rule change would permit broker-dealers to join NSCC as agency members regardless of whether they conduct their insurance business in-house or through an affiliated or subsidiary insurance agency. The proposed rule change provides that NSCC may restrict the activities of the broker-dealers' insurance agency affiliates and subsidiaries who become agency members and require them to enter into agreements for operational support services with an entity that is acceptable to NSCC. The entity can be, but is not required to be, another agency member and cannot be replaced without the prior approval of NSCC. In addition, broker-dealers and banks who are not currently NSCC members that sell annuity products also will be permitted to join NSCC for the purpose of using APS.

The proposed rule change amends NSCC's rules to establish the "annuities carrier member" category. As proposed, NSCC Rule 2 will define carrier member as a company, partnership, limited liability corporation, or other organization or entity that is not a member of NSCC but is subject to the supervision or regulation pursuant to state insurance laws. Carrier members will not be required to make a deposit to the clearing fund.<sup>5</sup>

The proposed rule change also will create NSCC Rule 56 to establish the financial and operational standards for carrier members. Carrier members will be required to have an A.M. Best rating of "A-" if rated by (i) Standard & Poor's, the carrier member must have a claims paying ability rating of not less than "AAA;" (ii) Moody's, the carrier member must have a long-term debt rating of not less than "Aaa;" or (iii) Duff & Phelps, the carrier member must

<sup>5</sup> Although no clearing fund deposit will be required from agency members and carrier members, NSCC has amended Rule 4 of its rules to state that an agency member or carrier member may be required to make a deposit in the clearing fund in the event that in the future NSCC determines that a clearing fund deposit should be required.

<sup>2</sup> The Commission has modified the text of the summaries prepared by NSCC.

<sup>3</sup> Letter from Julie Beyers, Associate Counsel, NSCC (February 26, 1997).

<sup>4</sup> NSCC intends to implement additional phases in the future to include the processing of annuity contract applications and the settlement of premium payments. In addition, the scope of information included in APS may be expanded

have a long-term debt rating of not less than "A-."<sup>6</sup>

Alternately, if the carrier member does not satisfy the above-mentioned criteria, Rule 56 will require that the carrier member have an A.M. Best rating of not less than "B+" and if rated by (i) Standard & Poor's, the carrier member must have a claims-paying ability rating of not less than "BBB;" (ii) Moody's, the carrier member must have a long-term debt rating of not less than "A;" or (iii) Duff & Phelps, the carrier member must have a long-term debt rating of not less than "BBB-." In this case, Rule 56 also will require that the carrier member demonstrate to NSCC's Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from access to APS, and NSCC must determine that the financial condition of such carrier member does not pose an undue risk to NSCC or its members.

The proposed rule change will amend NSCC Rule 15 to require that all agency members and carrier members file certain financial information with NSCC. In addition to some of the financial information required of full NSCC members, Rule 15 as proposed will require agency member's and carrier member's to file with NSCC reports filed with relevant state insurance departments as may be determined by NSCC from time to time.

The proposed rule change amends Addendum B of NSCC's rules ("Standards of Financial Responsibility & Operational Capability") to include membership standards for applicants that will use only APS. The proposed rule change will require a broker-dealer whose membership is limited to the use of APS to have \$25,000 in excess net capital over the minimum net capital requirement imposed by the Commission or such higher minimum capital requirement imposed by the broker-dealer's designated examining authority. In addition, the broker-dealer must have a capital ratio or percentage that would not require it to be placed on immediate surveillance at NSCC and must not be on "closer-than-normal" surveillance by its designated examining authority. If the applicant is a bank or trust company, it must have \$100,000 minimum excess capital over the capital requirement imposed by its state or federal regulatory authority. A bank or trust company must not be operating at a loss at the time of its

application and not have operated at a loss in any of its previous three fiscal quarters. All others which apply for use of APS only must have the operational capability for membership or have an agreement concerning the provision of operational support services to such applicant with an entity acceptable to NSCC and which may not be replaced without prior approval by NSCC and must agree to restrict its business activities as NSCC may require.

Addendum B also will require that all agency members file certain prescribed information annually. Such information includes, among other things, general information concerning the member's corporate organizational structure and licensing, the nature of its business, bonding, pending investigations, and litigation.

The proposed rule change explicitly sets forth that, like NSCC's Mutual Fund Services and New York Window Service, APS will not be a guaranteed service. An additional paragraph has been added to Addendum K (Interpretation of the Board of Directors—Application of Clearing Fund) to make it clear that APS is a non-guaranteed service. Furthermore, NSCC states that it has not yet determined the fees for APS. NSCC will make the appropriate rule filing pursuant to Section 19(b)(3)(A) of the Act at such time as NSCC determines the fees to be charged for APS services.

The proposed rule change amends NSCC's Rule 3 (Lists to be Maintained) to indicate that NSCC will maintain a list of annuity plans that may be the subject of orders processed through APS. The proposed rule change amends NSCC's Rule 57 (Annuities Processing Service) to clarify what governs these Phase I aspects of APS.

The proposed rule change also makes technical amendments to the following NSCC rules to accommodate the APS service, agency members, and carrier members: Rule 1 (Definitions and Descriptions), Rule 5 (General Provisions), Rule 6 (Distribution Facilities), Rule 12 (Settlement), Rule 17 (Fine Payments), Rule 18 (Procedures For When the Corporation Declines or Ceases to Act), Rule 20 (Insolvency), Rule 22 (Suspension of Rules), Rule 24 (Charges for Services Rendered), Rule 26 (Bills Rendered), Rule 27 (Admission to Premises of the Corporation—Powers of Attorney, Etc.), Rule 29 (Qualified Securities Depositories), Rule 32 (Facsimile Signatures), Rule 33 (Procedures), Rule 34 (Insurance), Rule 35 (Financial Reports), Rule 36 (Rule Changes), Rule 37 (Hearing Procedures), Rule 39 (Special Representative/Index Receipt Agent), Rule 45 (Notices), Rule

46 (Restrictions on Access to Services), Rule 48 (Disciplinary Proceedings), Rule 55 (Settling Banks), Procedure VIII (Money Settlement Service), Procedure XV (Clearing Fund Formula and Other Matters), Addendum D (Statement of Policy—Envelope Settlement Service), and Addendum F (Statement of Policy—In Relation to Same Day Funds Settlement).<sup>7</sup>

NSCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>8</sup> and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions and, in general, protect investors and the public interest.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

NSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

**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 longer 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 NSCC 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W.,

<sup>7</sup> The full text of each of these technical rule changes is set forth in Exhibit A of NSCC's filing and subsequent amendments thereto, each of which is available for inspection and copying at the Commission's Public Reference Room or through NSCC.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> It should be noted that applicants will not be required to be rated by any rating agency other than A.M. Best in order to qualify as carrier members. The standards set forth for the other rating agencies apply only if a carrier member determines to utilize a rating agency in addition to A.M. Best.

Washington, DC 20549. Copies of the submission, 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 5 U.S.C. § 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of NSCC. All Submissions should refer to the file number SR-NSCC-96-21 and should be submitted by August 27, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-20615 Filed 8-5-97; 8:45 am]

BILLING CODE 8010-01-M

**SMALL BUSINESS ADMINISTRATION**

[Declaration of Disaster #2970]

**State of Idaho**

As a result of the President's major disaster declaration on June 13, 1997 for Public Assistance only, and an amendment thereto on July 22 adding Individual Assistance, I find that Bingham and Jefferson Counties in the State of Idaho constitute a disaster area due to damages caused by severe storms, snowmelt, land and mud slides, and flooding which occurred March 14 through July 3, 1997. Applications for loans for physical damages may be filed until the close of business on September 22, 1997, and for loans for economic injury until the close of business on April 22, 1998 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, P.O. Box 13795, Sacramento, CA 95853-4795.

In addition, applications for economic injury loans from small businesses located in the following contiguous Idaho counties may be filed until the specified date at the above location: Bannock, Blaine, Bonneville, Butte, Caribou, Clark, Fremont, Madison, and Power.

<sup>9</sup> 17 CFR 200.30-3(a)(12).

	Percent
For Physical Damage:	
Homeowners with credit available elsewhere .....	7.625
Homeowners without credit available elsewhere .....	3.875
Businesses with credit available elsewhere .....	8.000
Businesses and non-profit organizations without credit available elsewhere .....	4.000
Others (including non-profit organizations) with credit available elsewhere .....	7.250
For Economic Injury:	
Businesses and small agricultural cooperatives without credit available elsewhere .....	4.000

The number assigned to this disaster for physical damage is 297006 and for economic injury the number is 955700.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: July 25, 1997.

**Herbert L. Mitchell,**

*Acting Associate Administrator for Disaster Assistance.*

[FR Doc. 97-20624 Filed 8-5-97; 8:45 am]

BILLING CODE 8025-01-P

**SMALL BUSINESS ADMINISTRATION**

[Declaration of Disaster #2971]

**State of Louisiana**

Plaquemines and Jefferson Parishes and the contiguous Parishes of Lafourche, Orleans, St. Bernard, and St. Charles in the State of Louisiana constitute a disaster area as a result of damages caused by severe thunderstorms, rain, and tornadoes produced by Hurricane Danny on July 17 and 18, 1997. Applications for loans for physical damage may be filed until the close of business on September 25, 1997 and for economic injury until the close of business on April 27, 1998 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 3 Office, 4400 Amon Carter Blvd., Suite 102, Fort Worth, TX 76155.

The interest rates are:

	Percent
For Physical Damage:	
Homeowners with credit available elsewhere .....	8.000
Homeowners without credit available elsewhere .....	4.000
Businesses with credit available elsewhere .....	8.000
Business and non-profit organizations without credit available elsewhere .....	4,000

	Percent
Others (including non-profit organizations) with credit available elsewhere .....	7.250
For Economic Injury:	
Businesses and small agricultural cooperatives without credit available elsewhere .....	4.000

The number assigned to this disaster for physical damage is 297108 for economic injury the number is 956500.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008.

Dated: July 25, 1997.

**Aida Alvarez,**

*Administrator.*

[FR Doc. 97-20618 Filed 8-5-97; 8:45 am]

BILLING CODE 8025-01-M

**SMALL BUSINESS ADMINISTRATION**

[Declaration of Disaster # 2969]

**State of Washington**

As a result of the President's major disaster declaration on July 21, 1997, I find that Pend Oreille County in the State of Washington constitutes a disaster area due to damages caused by snowmelt and flooding which occurred April 10 through June 30, 1997. Applications for loans for physical damages may be filed until the close of business on September 19, 1997, and for loans for economic injury until the close of business on April 21, 1998 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, P. O. Box 13795, Sacramento, CA 95853-4795.

In addition, applications for economic injury loans from small businesses located in the contiguous Counties of Spokane and Stevens in Washington and Bonner and Boundary in Idaho may be filed until the specified date at the above location.

	Percent
For Physical Damage:	
Homeowners with credit available elsewhere .....	8.000
Homeowners without credit available elsewhere .....	4.000
Businesses with credit available elsewhere .....	8.000
Businesses and non-profit organizations without credit available elsewhere .....	4.000
Others (including non-profit organizations) with credit available elsewhere .....	7.250