comments on this matter by October 18, 2002.

Appropriateness of establishing other expedited procedures. The Commission grants the Service's request for expedition to the extent of authorizing settlement procedures; allowing a shorter-than-usual period for intervention; and requiring participants, in their notices of intervention, to state whether they intend to seek a hearing and to identify with particularity any genuine issues of material fact that would warrant a hearing. Decisions on other expedited procedures, such as limiting discovery time limits, will be made at a later time.

Settlement. The Commission authorizes settlement negotiations in this proceeding. It appoints Postal Service counsel as settlement coordinator. In this capacity, counsel for the Service shall file periodic reports on the status of settlement discussions. The Commission authorizes the settlement coordinator to hold a settlement conference on October 22, 2002, at 10 a.m. in the Commission's hearing room. Authorization of settlement discussion does not constitute a finding on the proposal's experimental status or on the need for a hearing.

Representation of the general public. In conformance with section 3624(a) of title 39, the Commission designates Shelley S. Dreifuss, director of the Commission's office of the consumer advocate (OCA), to represent the interests of the general public in this proceeding. Pursuant to this designation, Ms. Dreifuss will direct the activities of Commission personnel assigned to assist her and, upon request, will supply their names for the record. Neither Ms. Dreifuss nor any of the assigned personnel will participate in or provide advice on any Commission decision in this proceeding. The OCA shall be separately served with three copies of all filings, in addition to and at the same time as, service on the Commission of the 24 copies required by Commission rule 10(d) (39 CFR 3001.10(d)).

Intervention; need for hearing. Those wishing to be heard in this matter are directed to file a written notice of intervention with Steven W. Williams, secretary of the Commission, 1333 H Street, NW., suite 300, Washington, DC 20268–0001, on or before October 18, 2002. Notices should indicate whether participation will be on a full or limited basis. See 39 CFR 3001–20 and 3001–20a. No decision has been made at this point on whether a hearing will be held in this case. To assist the Commission in making this decision, participants are directed to indicate, in their notices of intervention, whether they seek a hearing and, if so, to identify with particularity any genuine issues of material facts believed to warrant such a hearing.

Experimental status. Participants may comment on whether the Service's request should be evaluated under Commission rules 67–67d. Comments are due by October 18, 2002. Participants should be prepared to discuss relevant issues at the prehearing conference.

Prehearing conference. A prehearing conference will be held October 23, 2002, at 2 p.m. in the Commission's hearing room. Participants shall be prepared to address matters referred to in this ruling.

Ordering Paragraphs

It is ordered:

1. The Commission establishes docket no. MC2002–3, experimental periodicals co-palletization dropship discounts, to consider the Postal Service request referred to in the body of this order.
2. The Commission will sit en banc in this proceeding.
3. The deadline for filing notices of intervention is October 18, 2002.
4. Notices of intervention shall indicate whether the participant seeks a hearing and identify with particularity any genuine issues of material fact that warrant a hearing.
5. The deadline for answers to the motion of United States Postal Service for waiver is October 18, 2002.
6. The deadline for comments on United States Postal Service request for expedition and establishment of settlement procedures is October 18, 2002.
7. The Commission will make its hearing room available for a settlement conference on Tuesday, October 22, 2002, at 10 a.m., and at such other times deemed necessary by the settlement coordinator.
8. Postal Service counsel is appointed to serve as settlement coordinator in this proceeding.
9. The Postal Service's request for expedition is granted to the extent of allowing a shorter-than-usual intervention period, allowing settlement discussions, and requiring participants' interest in a hearing to be identified in the notice of intervention.
10. A prehearing conference will be held Wednesday, October 23, 2002 at 2 p.m. in the Commission's hearing room.
11. Shelley S. Dreifuss, director of the Commission's office of the consumer advocate, is designated to represent the interests of the general public.
12. The Secretary shall arrange for publication of this notice and order in the **Federal Register**.

By the Commission.

Garry J. Sikora,

Acting Secretary.

[FR Doc. 02–25668 Filed 10–8–02; 8:45 am]

BILLING CODE 7710–FW–P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25762; 812–12682]

The Charles Schwab Family of Funds, et al.; Notice of Application

October 3, 2002.

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

ACTION: Notice of an application under section 6(c) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 15(a) of the Act and rule 18f–2 under the Act, as well as from certain disclosure requirements.

APPLICANTS: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, and Schwab Annuity Portfolios (collectively, the ''Trusts'') and Charles Schwab Investment Management, Inc. (''CSIM'').

SUMMARY OF THE APPLICATION: Applicants request an order to permit them to enter into and materially amend sub-advisory agreements without shareholder approval and to grant relief from certain disclosure requirements.

FILING DATES: The application was filed on November 14, 2001, and amended on October 1, 2002.

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 by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on October 28, 2002, and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549–0609. Applicants, 101 Montgomery Street, San Francisco, CA 94104.

FOR FURTHER INFORMATION CONTACT: Christine Y. Greenlees, Senior Counsel,

at (202) 942–0581, or Mary Kay Frech, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549–0102 (telephone (202) 942–8090).

Applicants' Representations

1. Each Trust is organized as a Massachusetts business trust and is registered under the Act as an open-end management investment company. Each Trust currently offers multiple series, each with its own investment objectives, policies and restrictions. CSIM, registered under the Investment Advisers Act of 1940 (''Advisers Act''), serves as the investment adviser to certain series of the Trusts that use or may use the multi-manager structure described in the application (together, the ''Funds,'' and each a ''Fund''). CSIM has entered into an investment advisory agreement with each Trust (each an ''Advisory Agreement'' and collectively, the ''Advisory Agreements'') that was approved by the board of trustees of each Trust (the ''Board''), including a majority of the trustees who are not ''interested persons,'' as defined in section 2(a)(19) of the Act (''Independent Trustees''), and the sole shareholder or shareholders of each Fund.[1]

2. Under the terms of the Advisory Agreement, CSIM serves as investment adviser to each Fund and provides investment sub-adviser selection, monitoring and asset allocation services to the Funds and may hire one or more sub-advisers (''Sub-Advisers'') to exercise day-to-day investment discretion over all or a portion of the assets of a Fund pursuant to separate investment sub-advisory agreements. Each Sub-Adviser is or will be either registered or exempt from registration under the Advisers Act. Sub-Advisers are recommended to the Board by CSIM and selected and approved by the Board, including a majority of the Independent Trustees. Each Sub-Adviser's fee is paid by CSIM out of the management fee received by CSIM from the respective Fund.

3. Applicants request relief to permit CSIM, subject to the Board's approval, to enter into and materially amend sub-advisory agreements without shareholder approval. The requested relief will not extend to a Sub-Adviser that is an affiliated person, as defined in section 2(a)(3) of the Act, of a Fund or CSIM, other than by reason of serving as a Sub-Adviser to one or more of the Funds (an ''Affiliated Sub-Adviser'').

4. Applicants also request an exemption from the various disclosure provisions described below that may require the Funds to disclose the fees paid by CSIM to the Sub-Advisers. An exemption is requested to permit a Fund to disclose (as both a dollar amount and as a percentage of a Fund's net assets): (a) Aggregate fees paid to CSIM and any Affiliated Sub-Adviser; and (b) aggregate fees paid to Sub-Advisers other than Affiliated Sub-Advisers (''Aggregate Fees''). If a Fund employs an Affiliated Sub-Adviser, the Fund will provide separate disclosure of any fees paid to the Affiliated Sub-Adviser.

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except pursuant to a written contract that has been approved by the vote of the majority of the company's outstanding voting securities. Rule 18f–2 under the Act provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Form N–1A is the registration statement used by open-end investment companies. Item 15(a)(3) of Form N–1A requires disclosure of the method and amount of the investment adviser's compensation.

3. Rule 20a–1 under the Act requires proxies solicited with respect to an investment company to comply with Schedule 14A under the Securities Exchange Act of 1934 (the ''Exchange Act''). Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8), and 22(c)(9) of Schedule 14A, taken together, require a proxy statement for a shareholder meeting at which the advisory contract will be voted upon to include the ''rate of compensation of the investment adviser,'' the ''aggregate amount of the investment adviser's fees,'' a description of ''the terms of the contract to be acted upon,'' and, if a change in the advisory fee is proposed, the existing and proposed fees and the difference between the two fees.

4. Form N–SAR is the semi-annual report filed with the Commission by registered investment companies. Item 48 of Form N–SAR requires investment companies to disclose the rate schedule for fees paid to their investment advisers, including the Sub-Advisers.

5. Regulation S–X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholder reports filed with the Commission. Sections 6–07(2)(a), (b), and (c) of Regulation S–X require that investment companies include in their financial statements information about investment advisory fees.

6. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provision of the Act, or from any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants believe that the requested relief meets this standard for the reasons discussed below.

7. Applicants assert that by investing in a Fund, shareholders, in effect, will hire CSIM to manage the Fund's assets by selecting and monitoring Sub-Advisers rather than by hiring its own employees to manage assets directly. Applicants state that investors will purchase Fund shares to gain access to CSIM's expertise in overseeing Sub-Advisers. Applicants further assert that the requested relief will reduce Fund expenses and permit the Funds to operate more efficiently. Applicants note that the Advisory Agreement will remain subject to the shareholder approval requirements of section 15(a) of the Act and rule 18f–2 under the Act.

8. Applicants assert that many Sub-Advisers charge their customers for advisory services according to a ''posted'' rate schedule. Applicants state that while Sub-Advisers are willing to negotiate fees lower than those posted in the schedule, particularly with large institutional clients, they are reluctant to do so where the fees are disclosed to other prospective and existing customers. Applicants submit that the relief will encourage Sub-Advisers to negotiate lower advisory fees with

[1] Applicants also request relief with respect to future Funds, and any other registered open-end management investment companies or series thereof (a) that are advised by CSIM or any entity controlling, controlled by, or under common control with CSIM, and (b) use the multi-manager structure described in the application (''Future Funds,'' and together with the Funds, the ''Funds''). Any Fund that relies on the requested order will do so only in accordance with the terms and conditions contained in the application. The Trusts are the only existing investment companies that currently intend to rely on the order. If the name of any Fund contains the name of a Sub-Adviser (as defined below), the name Schwab, CSIM, or the name of the entity controlling, controlled by, or under common control with CSIM that serves as the primary adviser to such Fund will precede the name of the Sub-Adviser.

CSIM, the benefits of which are likely to be passed on to Fund shareholders.

Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Before a Fund may rely on the requested order, the operation of the Fund in the manner described in the application will be approved by a majority of the Fund's outstanding voting securities, as defined in the Act, or, in the case of a Fund whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the sole shareholder prior to offering shares of the Fund to the public.

2. Each Fund will disclose in its prospectus the existence, substance and effect of any order granted pursuant to this application. In addition, each Fund will hold itself out to the public as employing the ''manager of managers'' approach described in this application. The prospectus will prominently disclose that CSIM has ultimate responsibility (subject to oversight by the Board) for the investment performance of a Fund due to its responsibility to oversee Sub-Advisers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of any new Sub-Adviser, CSIM will furnish shareholders of the affected Fund with all of the information about the new Sub-Adviser that would be contained in a proxy statement, except as modified by the order to permit the disclosure of Aggregate Fees. This information will include the disclosure of Aggregate Fees and any change in such disclosure caused by the addition of a new Sub-Adviser. CSIM will meet this condition by providing shareholders with an information statement meeting the requirements of Regulation 14C, Schedule 14C and Item 22 of Schedule 14A under the Exchange Act, except as modified by the order to permit the disclosure of Aggregate Fees.

4. CSIM will not enter into a sub-advisory agreement with any Affiliated Sub-Adviser without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the Fund.

5. At all times, a majority of the Board will be Independent Trustees and the nomination of new or additional Independent Trustees will be placed within the discretion of the then-existing Independent Trustees.

6. When a change of Sub-Adviser is proposed for a Fund with an Affiliated Sub-Adviser, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board minutes, that the change is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which CSIM or an Affiliated Sub-Adviser derives an inappropriate advantage.

7. CSIM will provide general management services to each Fund, and, subject to review and approval by the Board, will: (a) Set the Fund's overall investment strategies; (b) evaluate, select and recommend Sub-Advisers to manage all or a part of the Fund's assets; (c) when appropriate, allocate and reallocate the Fund's assets among multiple Sub-Advisers; (d) monitor and evaluate the Sub-Advisers' investment performance; and (e) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the Fund's investment objective, policies, and restrictions.

8. No trustee or officer of the Trusts, or director or officer of CSIM will own directly or indirectly (other than through a pooled investment vehicle over which such person does not have control) any interest in a Sub-Adviser except for (a) ownership of interests in CSIM or an entity that controls, is controlled by or is under common control with CSIM; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

9. Each Fund will disclose in its registration statement the Aggregate Fees.

10. Independent legal counsel, as defined in rule 0–1(a)(6) under the Act, will be engaged to represent the Independent Trustees. The selection of such counsel will be within the discretion of the then-existing Independent Trustees.

11. CSIM will provide the Board, no less frequently than quarterly, with information about CSIM's profitability on a per-Fund basis. The information will reflect the impact on profitability of the hiring or termination of any Sub-Adviser during the applicable quarter.

12. Whenever a Sub-Adviser is hired or terminated, CSIM will provide the Board information showing the expected impact on CSIM's profitability.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–25676 Filed 10–8–02; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94–409, that the Securities and Exchange Commission will hold the following meetings during the week of October 7, 2002: a closed meeting will be held on Thursday, October 10, 2002, at 2:30 p.m.

Commissioner Atkins, as duty officer, determined that no earlier notice thereof was possible.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(5), (7), (9)(B) and (10) and 17 CFR 200.402(a), (5), (7), (9)(ii) and (10), permit consideration of the scheduled matters at the closed meeting.

The subject matter of the Closed Meeting scheduled for Thursday, October 10, 2002 will be:

Institution and settlement of injunctive actions; and

Institution of administrative proceedings of an enforcement nature.

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: October 4, 2002.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–25739 Filed 10–4–02; 4:53 pm]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–46588; File No. SR–Amex–2002–77]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC To Amend the Account Type Codes Under Exchange Rule 719

October 2, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934