made therein, which are summarized below, and to the Act for the relevant provisions thereof.

According to the application, Applicant is incorporated under Maryland state law and is qualified to do business as a foreign corporation in the state of Colorado. Applicant states that it filed Form N-1A under the Act on November 1, 1984, and that its registration became effective and its initial offering commenced on February 22, 1985.

Applicant states that on May 31, 1985, its Income Fund Series had 33,032.017 shares outstanding having a total net asset value of $336,926 and that its Short-term Intermediate Fund Series had 24,800.810 shares outstanding having a total net asset value of $250,736. Applicant further states that on June 20, 1985, its Board of Directors adopted a resolution approving and directing the dissolution of Applicant. Applicant represents that all securityholders of Applicant redeemed their shares on June 25, 1985, and received the net asset value attributable to their shares upon redemption. Applicant further represents that immediately prior to the dissolution there were a total of eight shareholders of Applicant.

Applicant states that it is not a party to any pending litigation or administrative proceedings, that it does not propose to engage in any business activities other than those necessary to effectuate the winding-up of its business and affairs and that it has no securityholders, assets, debts or liabilities. Applicant further states that it intends to file Articles of Dissolution with the State of Maryland and an Application for Withdrawal with the State of Colorado.

Notice is further given that any interested person wishing to request a hearing on the application may, not later than July 7, 1986, at 5:30 p.m., do so by submitting a written request setting forth the nature of his interest, the reasons for his request, and the specific issues, if any, of fact or law that are disputed, to the Secretary, Securities and Exchange Commission, Washington, DC 20549. A copy of the request should be served personally or by mail upon Applicant at the address stated above. Proof of service (by affidavit or, in the case of an attorney-at-law, by certificate) shall be filed with the request. After said date an order disposing of the application will be issued unless the Commission orders a hearing upon request or upon its own motion.

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

Shirley E. Hollis,

*Acting Secretary.*

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[Release No. 34-23319; File No. SR-Amex-86-14]

## Self-Regulatory Organizations; Proposed Rule Change by American Stock Exchange, Inc. Relating to a Proposed Amendment To Implement a Three-Month Pilot Program Under Rule 126(g)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on June 2, 1986, the American Stock Exchange, Inc. ("Amex") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit 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 Amex is proposing to implement a three-month pilot program under Rule 126(g) during which orders to cross blocks of significant size will have precedence over other bids and offers. The text of the proposed rule change is available at the Office of the Secretary, Amex, and at the Commission.

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

(1) Purpose

Exchange Rule 126 relating to bids and offers generally provides that the highest bid and lowest offer have priority in execution. When bids or offers are made at the same price, priority is determined by the time order in which they were made. If bids or offers are made simultaneously at the same price, they are on parity, entitled to share equally in an execution at the specified price. The rules provide in detail for the ordering of bids and offers based on price and time after subsequent transactions, and also based on the status of the bidder or offeror. However, unlike the New York Stock Exchange (NYSE), the Annex rules do not provide for precedence based on the size of the order. Under current Exchange rules, size is not a factor in determining the sequence in which bids and offers will be executed.

Rule 126(g) provides that the Exchange may grant exceptions from the normal priority procedures, based on size. This provision has not been invoked in recent memory either as to particular securities or on a broader basis.

In recent years, an increasing number of block transactions in Amex listed securities are being effected on regional exchanges. In many cases it appears that the reason an order is routed to a regional exchange is not cost-related but rather that the member found it was unable to effect a cross transaction of large size on the Amex without losing an excessive number of shares due to the priority rules. Adoption of a size precedence policy for block cross transactions would lessen this disincentive to effecting large trades on the Amex and would facilitate their execution. This in turn would lessen the erosion of order flow to other exchanges, and bring the Amex's rules more in line with those of the NYSE.

The Exchange proposes to implement size precedence for block cross transactions in a three-month pilot program, during which orders to cross 50,000 shares or more would be permitted to establish precedence based on size pursuant to Rule 126(g). Confining the pilot to orders to cross in very large size will initially limit its effect primarily to active, liquid issues and thus provide a controlled experiment in size precedence. At the end of the three-month pilot period, the pilot will be reviewed and, if judged successful, consideration will be given to decreasing the size of eligible blocks.[1]

[1] Any extension of the proposed pilot program beyond the initial period or material change in the terms of the pilot would have to be submitted for Commission consideration pursuant to section 19(b) of the Act.

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