

**SECURITIES AND EXCHANGE
COMMISSION**

[Release No. IC-23611]

**Notice of Applications for
Deregistration Under Section 8(f) of the
Investment Company Act of 1940**

December 18, 1998.

The following is a notice of applications for deregistration under section 8(f) of the Investment Company Act of 1940 for the month of December, 1998. A copy of each application may be obtained for a fee at the SEC's Public Reference Branch, 450 Fifth St., NW, Washington, DC 20549 (tel. 202-942-8090). An order granting each application will be issued unless the SEC orders a hearing. Interested persons may request a hearing on any application by writing to the SEC's Secretary at the address below and serving the relevant 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 January 12, 1999, and should be accompanied by proof of service on the 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 who wish to be notified of a hearing may request notification by writing to the Secretary, SEC, 450 Fifth Street, NW, Washington, DC 20549. For Further Information Contact: Diane L. Titus, at (202) 942-0564, SEC, Division of Investment Management, Office of Investment Company Regulations, Mail Stop 5-6, 450 Fifth Street, NW, Washington, DC 20549.

Inventor Funds, Inc. [File No. 811-8486]

Summary: Applicant requests an order declaring that it has ceased to be an investment company. On or before May 31, 1996, all of the outstanding shares of two series of applicant, the Prime Obligations Money Market Fund and the Treasury Securities Money Market Fund, were liquidated at their net asset value ("Liquidation"). On September 6, 1996, the remaining series of applicant were acquired by certain series of The Armada Funds ("Reorganization"). The Armada Funds and its investment adviser bore the expenses of the Reorganization, which were approximately \$470,000. Applicant did not incur any expenses in connection with the Liquidation or Reorganization.

Filing Dates: The application was filed on June 4, 1997, and amended on September 26, 1997, September 1, 1998 and December 8, 1998.

Applicant's Address: 32 South Street, Baltimore, MD 21202.

**First ING of New York Separate
Account A1 [File No. 811-8700]**

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. Applicant has previously redeemed all outstanding securities and has no existing security holders.

Filing Dates: The application was filed on September 24, 1998, and amended and restated on November 16, 1998.

Applicant's Address: 225 Broadway, Suite 1901, New York, New York 10007.

**MuniYield Insured Fund II, Inc. [File
No. 811-7158]**

Summary: Applicant requests an order declaring that it has ceased to be an investment company. On January 27, 1997, applicant transferred all of its assets and liabilities to MuniYield Insured Fund, Inc. ("Insured I") in exchange for shares of common stock and shares of auction market preferred stock ("AMPS") of Insured I. Each holder of applicant's common stock received the number of shares of Insured I common stock with a net asset value ("NAV") equal to the NAV of applicant's common stock held by such shareholder, and each holder of applicant's AMPS received the number of shares of Insured I AMPS with an aggregate liquidation preference equal to the aggregate liquidation preference of applicant's AMPS owned by such shareholder. The approximate expenses related to the transaction, which were borne by Insured I, were \$217,000. Applicant and Insured I each have been named as a defendant in *Green, et al. v. Fund Asset Management, L.P., et al.*, CA. No. 96-11276NG. Applicant's investment adviser, Fund Asset Management, L.P. has agreed to indemnify the named defendant funds for any liabilities or expenses that they may incur in connection with this litigation.

Filing Dates: The application was filed on April 15, 1997, and amended on September 9, 1997, and November 24, 1998.

Applicant's Address: 800 Scudders Mill Road, Plainsboro, NJ 08536.

The Fontaine Trust [811-5835]

Summary: Applicant seeks an order declaring that it has ceased to be an

investment company. On May 18, 1998, each of applicant's three series, Fontaine Capital Appreciation Fund, Fontaine Global Growth Fund, and Fontaine Global Income Fund (collectively, the "Acquired Funds"), transferred substantially all of its assets and liabilities to a corresponding series of Nicholas-Applegate Mutual Funds ("NA Funds"), in exchange for shares of the corresponding NA Fund based on net asset value. Nicholas-Applegate Capital Management, investment adviser to the NA Funds, paid approximately \$65,000, each NA Fund paid \$12,500, and Richard Fontaine Associates, Inc., investment adviser to the Acquired Funds, paid approximately \$10,000 in expenses in connection with the reorganization.

Filing Dates: The application was filed on October 30, 1998, and amended on December 17, 1998.

Applicant's Address: 210 West Pennsylvania Avenue, Suite 240, Towson, Maryland 21204.

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

Margaret H. McFarland,*Deputy Secretary*

[FR Doc. 98-34129 Filed 12-23-98; 8:45 am]

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**SECURITIES AND EXCHANGE
COMMISSION**

[Release No. 34-40803; File No. SR-AMEX-98-45]

**Self-Regulatory Organizations; Notice
of Filing of Proposed Rule Change by
the American Stock Exchange LLC
Relating to the Margin Treatment of
Grand Exchange-Traded Fund Share
Options Contracts**

December 17, 1998.

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 November 25, 1998, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Amex. 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.

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

The Amex proposes to permit each "Grand" Exchange-Traded Fund Share³ (Fund Share) option contract to be recognized to the same extent that 10 ordinary Fund Share option contracts would be recognized under Amex Rule 462-Minimum Margins.

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 Amex 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

On July 1, 1998, the Exchange approval to trade options overlying Exchange-Traded Fund Shares and to trade an option contract overlying 1000 Exchange-Traded Fund Shares (the "Grand") option contract.⁴ The Exchange now proposes to permit each "Grand" Exchange-Traded Fund Share option contract to be recognized to the same extent as 10 ordinary Fund Share option contracts under Amex Rule 462-Minimum Margins.⁵ The Grand contract

overlies 1,000 of the underlying Fund Shares, the same number of shares of the underlying security represented by 10 of the ordinary Fund Share option contracts (each of which overlies 100 shares of an underlying Fund Share). Accordingly, holding the Grand option contract is the economic equivalent of holding 10 ordinary option contracts. The only difference is that upon exercise, the Grand requires delivery of the 1,000 Fund Shares underlying the contract; a position in 10 ordinary contracts may be exercised incrementally, resulting in delivery of as few as 100 Fund Shares at a time.

Currently, Amex Rules 462(d)(2)(F) and (G) recognize the reduced risk associated with an account holding a "straddle" or a "spread" position by providing for margin requirements specific to the particular strategy (a straddle or spread). For example, in the case of a spread strategy (i.e., where an account holding a short call also holds a long call, or where an account holding a short put also holds a long put (provided the long positions expire on or after the expiration of the short positions)), Amex Rule 462(d)(2)(G) requires margin for a call spread equal to the lesser of (1) 100% of the option premium plus 15% of the market value of the equivalent number of shares of the underlying security value if the Exchange-Traded Fund Share holds securities based upon a broad-based index or portfolio; or 20% of the market value of the equivalent number of shares of the underlying security value if the exchange-Traded Fund Share holds securities based upon a narrow-based index or portfolio, reduced by any excess of the exercise price over the current market price of the underlying

security in the case of a call, or any excess of the current market price of the underlying security over the exercise price in the case of a put or (2) the amount, if any, by which the exercise price of the "long" call exceeds the exercise price of the "short" call. And in the case of a put spread, Amex Rule 462(d)(2)(G) requires margin equal to the lesser of (1) 100% of the option premium plus 15% of the market value of the equivalent number of shares of the underlying security value if the Exchange-Traded Fund Share holds securities based upon a broad-based index or portfolio; or 20% of the market value of the equivalent number of shares of the underlying security value if the Exchange-Traded Fund Share holds securities based upon a narrow-based index or portfolio, reduced by any excess of the exercise price over the current market price of the underlying security in the case of a call, or any excess of the current market price of the underlying security over the exercise price in the case of a put or (2) the amount, if any, by which the exercise price of the "short" put exceeds the exercise price of the "long" put. In these contexts, the Exchange proposed that the required margin under Amex Rule 462(d)(2)(G) be applicable for each short Grand Fund Share call (put) option contract offset by 10 long ordinary Fund Share call (put) option contracts.

In the case of a straddle (i.e., where an account holding both a put and a call for the same number of shares of the same equity security), guaranteed or carried "short" for a customer, the amount of margin required under Amex Rule 462(d)(2)(F) is the margin on the put or the call whichever is greater (under Amex Rule 462(d)(2)(D)), plus 100% of the premium on the other option. In this context, the Exchange proposes that the reduced margin under Amex Rule 462(d)(2)(D) be applicable for each Grand Fund Share call (put) option contract offset by 10 ordinary Fund Share put (call) option contracts. The Exchange believes the proposed margin offsets are appropriate given that the Grand contract is the economic equivalent of 10 ordinary Fund Share option contracts. In addition, the Exchange believes that by providing the same margin treatment for Grand Fund Share option contracts and 10 ordinary Fund Share option contracts, any potential investor confusion concerning the margin treatment of Grand contracts will be eliminated.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of

³ The term Exchange-Traded Fund Share includes securities representing interests in opened unit investment trusts or open-end management investment companies that hold securities based on an index or portfolio of securities. Currently, the Exchange trades unit investment trust securities known as Portfolio Depository ReceiptsSM ("PDRs") based on the Standard & Poor's 500[®] Composite Stock Price Index, the Standard & Poor's MidCap 400 Index, and the Dow Jones Industrial Average. In addition, the Exchange trades Fund Shares which are issued by an open-end management investment company consisting of seventeen separate series known as World Equity Benchmark SharesSM (WEBs) based on seventeen foreign equity market indexes. PDRs and WEBs are listed on the Amex pursuant to Rule 1000, *et seq.* and Rule 1000A *seq.*, respectively, and trade like shares of common stock.

⁴ Securities Exchange Act Release No. 40157 (July 1, 1998), 63 FR 37426 (July 10, 1998).

⁵ Amex Rule 462 states: "In the case of a put or call dealt in on a registered national securities exchange or a registered securities association and issued by The Options Clearing Corporation, and representing options on equity securities, 100% of the option premium plus 20% of the market value of the equivalent number of shares of the

underlying security, reduced by any excess of the exercise price over the current market price of the underlying security in the case of a call, or any excess of the current market price of the underlying security over the exercise price in the case of a put, (except that in the case of such options on Exchange-Traded Fund Shares or other securities that represent an interest in a registered investment company that satisfies the criteria set forth in Rule 915; Commentary .06, margin must equal at least 100% of the current market value of the contract plus (1) 15% of the market value of equivalent units of the underlying security value if the Exchange-Traded Fund Share holds securities based upon a broad-based index or portfolio; or (2) 20% of the market value of equivalent units of the underlying security value if the Exchange-Traded Share holds securities based upon a narrow-based index or portfolio." Amex Rule 462(d)(2)(D)(ii); Securities Exchange Act Release No. 40157 (July 1, 1998), 63 FR 37426 (July 10, 1998). The current rule proposal clarifies that these are the margin requirements for "Grand" Exchange-Traded Fund Share option contracts. The Commission notes that, specifically, the provisions of Amex Rule 462(d)(2)(D)(ii) have applicability to an account holding a "Straddle" or a "spread" position, as discussed below. See Amex Rules 462(d)(2)(F) and (G).

Section 6(b)(5),⁶ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Amex does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Amex has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to within 90 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 the Exchange consents, the Commission will:

(A) By order approve the 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, including whether the proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-AMEX-98-45 and should be submitted by January 14, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40795; File No. SR-AMEX-98-43]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc. Relating to Exercise Price Intervals and Exercise Prices for FLEX Equity Call Options

December 15, 1998.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 2, 1998, the American Stock Exchange, Inc. ("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 Exchange. 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 proposes to remove paragraph (c)(3) from Exchange Rule 903G which limits exercise price intervals and exercise prices for FLEX Equity call options to those that apply to Non-FLEX Equity call options.²

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 Amex included statements concerning the purpose of, and basis for, the

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Paragraph (c)(3) of Rule 903G was approved by the Commission in 1996. Securities Exchange Act Release No. 37726 (September 25, 1996), 61 FR 51474 (October 2, 1996).

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

On June 19, 1996, the Exchange received approval to list and trade flexible options on individual stocks known as FLEX Equity options.³ Although the exercise prices and price intervals of FLEX Equity call options were among the terms that could be specified, the Exchange enacted paragraph (c)(3) of Exchange Rule 903G to limit the exercise price intervals and exercise prices for FLEX Equity call options to those that apply to Non-FLEX Equity call options due to a concern that the flexible exercise price feature could result in an available call option that would not be eligible to be a qualified covered call ("QCC") under section 1092(c)(4) of the Internal Revenue Code ("IRC") and thus would jeopardize a modest tax benefit enjoyed by writers of standardized Non-FLEX Equity call options.⁴ The Exchange notes that currently, under section 1092(c)(4)(B) of the IRC, certain covered short positions in call options—or QCCs—qualify for advantageous tax treatment if the options are not "deep in the money." Under certain conditions, a "deep in the money" call option is defined to mean an option having an exercise price lower than the highest available exercise price that is less than the applicable stock price.⁵

The Internal Revenue Service ("IRS") has reviewed this issue and has proposed rulemaking that would not require that strike prices established by equity options with flexible terms be taken into account in determining

³ Securities Exchange Act Release No. 37336 (June 19, 1996), 61 FR 33558 (June 27, 1996).

⁴ It was unclear, for example, whether the existence of a series of FLEX Equity call options with a strike price of 58, when the price of the underlying stock is 59, would jeopardize a Non-FLEX Equity call option's (with a strike price of 55) characterization as a QCC.

⁵ For instance, using standardized options and a \$5 price interval, if stock XYZ closed yesterday at \$54 and opened at that price today, the standardized exercise price of \$50 for a call option would not be "deep in the money" because \$50 would be the highest available exercise price that is less than the applicable stock price. A standardized exercise price of \$45 would be "deep in the money" and would not be a QCC.

⁶ 15 U.S.C. 78f(b)(5).