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

**Applicant's Representations**

1. Applicant is a closed-end management investment company incorporated in Tennessee. On August 19, 1996, applicant filed a Notification of Registration under section 8(a) of the Act on Form N–8A, which was declared effective on the same date. As of December 31, 1998, applicant's assets totaled $254 million.

2. Applicant is a wholly-owned subsidiary of Sirrom Capital Corporation (''Sirrom Capital''). Sirrom Capital is a closed-end, internally managed investment company that has elected to be treated as a business development company (''BDC'') pursuant to section 54 of the Act.

3. On January 6, 1999 Sirrom Capital entered into a merger agreement under which it will be acquired by the FINOVA Group Inc. (''FINOVA'') pursuant to a merger with a newly formed subsidiary of FINOVA (the ''Parent Merger''). FINOVA is a financial services holding company that is exempt from regulation under the Act in reliance on section 3(c)(5) of the Act. Following the Parent Merger, Sirrom Capital will withdraw its election to be treated as a BDC.

4. The Parent Merger has been approved by the boards of directors, including all of the disinterested directors, of Sirrom Capital and applicant. The Parent Merger also is subject to approval by the shareholders of Sirrom Capital. The shareholders meeting to approve the Parent Merger is expected to take place on March 22, 1999. The proxy materials sent to the shareholders informed them, among other things, that applicant is seeking to deregister under the Act upon consummation of the Parent Merger. The Parent Merger is expected to be consummated on March 22, 1999.

**Applicant's Legal Analysis**

1. Section 8(f) of the Act provides that whenever the SEC, upon application or its own motion, finds that a registered investment company has ceased to be an investment company, the SEC shall so declare by order and upon the taking effect of such order, the registration of such company shall cease to be in effect.

2. Section 3(c)(1) of the Act provides that an issuer is not an investment company within the meaning of the Act if (a) its outstanding securities (other than short-term paper) are beneficially owned by not more than 100 persons, and (b) it is not making and does not presently propose to make a public offering of its securities.

3. Applicant states that, upon consummation of the Parent Merger, applicant will be an indirect wholly-owned subsidiary of FINOVA. Thus, applicant states that its outstanding securities will be beneficially owned by 1 person, FINOVA. FINOVA is not an investment company or a company relying on section 3(c)(1) or section 3(c)(7) of the Act. For purposes of determining the number of beneficial owners of applicant's securities under section 3(c)(1), applicant states that it will not be required to ''look through'' FINOVA to its shareholders. Applicant further states that it is not making and does not presently propose to make a public offering of its securities. Thus, applicant seeks to deregister under the Act and rely on section 3(c)(1) of the Act. Applicant requests that the order of deregistration be issued only after the Parent Merger is consummated as described in the application.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99–6004 Filed 3–10–99; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34–41135; File No. SR–AMEX–99–03]**

## Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 by the American Stock Exchange LLC Relating to Bond Indexed Securities

March 3, 1999.

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 January 12, 1999, 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. On February 16, 1999, the Exchange filed Amendment No. 1.[3] 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

Amex proposes to approve for listing and trading under Section 107 of the Amex *Company Guide* seven bond indexed preferred or debt securities.

### 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*

I. *Purpose*

Under Section 107A of the Amex *Company Guide*, the Exchange may approve for listing and trading securities that cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures and warrants. The Amex now proposes to list for trading under Section 107A of the Company Guide seven different bond index linked term notes, each linked to a different bond index. Each issue of the proposed securities will meet the size and distribution requirements of Section 107A. The issuers of such securities also will be qualified under Section 107A.

Holders of the securities generally will receive interest on the face value of their securities in an amount to be determined at the time of issuance of the securities and disclosed to investors. The frequency and rate of the interest payment will vary from issue to issue based upon prevailing interest rates and other factors, such as a discount factor and interest payments made on the underlying bonds and credit spreads.[4]

In addition, investors will receive at maturity an amount based on the value

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 provided additional details regarding the securities, including the principal factors that will affect the rate of return on the securities and the formula for determining the value of the securities at settlement. *See* Letter from Scott G. Van Hatten, Legal Counsel, Amex, to Richard Strasser, Assistant Director, Division of Market Regulation, Commission, dated February 16, 1999.

[4] *See* Amendment No. 1. The discount factor may reflect prevailing interest rates, commissions and such other amounts as will be disclosed in the prospectus provided to investors.

of the linked bond index at maturity of the securities, which may be more or less than the original principal amount thereof. The securities will be valued at settlement based upon the following formula: principal amount × (ending index value/beginning index value) less a discount factor, which may reflect interest rates, commissions and other such amounts as will be disclosed in the prospectus provided to investors.[5] Returns to investors in the proposed securities are unleveraged with neither a cap nor a floor.

Bond index values for the purpose of determining the payment to holders at maturity will be determined by reference to prices for a linked index on a business day shortly prior to maturity. The securities will provide for maturity within a period of not less than one nor more than ten years from the date of issues.[6] The securities will not be callable or redeemable prior to maturity and will be cash settled in U.S. currency.[7] Holders of the securities will have no claim to the bonds included in the indices. The Exchange anticipates that the issuer will link distinct issues of such securities to the following seven bond indices sponsored and calculated by Merrill Lynch, Pierce, Fenner & Smith Incorporated (''MLPF&S''): the U.S. Domestic Master, Mortgage Master, U.S. Corporate/Government Master, U.S. Corporate Master, U.S. Treasury/Agency Master, U.S. Treasury Master and U.S. Agency Master Indices. The Mortgage Master, U.S. Corporate/Government Master, U.S. Corporate Master, U.S. Treasury/Agency Master, U.S. Treasury Master and U.S. Agency Master Indices are all subindices of the U.S. Domestic Master Index.

In structure, the proposed bond indexed debt securities are, in part, similar to previously approved commodity preferred securities[8] and stock index linked term notes,[9] however, the proposed linked indices comprise bond indices as opposed to commodity futures or equity securities indices. Accordingly, the Exchange proposes to provide for the listing and trading of the bond index linked term notes where the bonds included in each of the seven indices meet the Exchange's Bond and Debenture Listing Standards set forth in Section 104 of the Amex *Company Guide*.[10]

Each index is rebalanced on the last calendar day of the month. For a bond to qualify for inclusion in an index, it must meet the pre-established and defined list of objective criteria. Bonds meeting the index's inclusion criteria on the last calendar day of the month are included in such index for the following month. Issues that no longer meet the criteria during the course of the month remain in the index until the next month-end rebalancing at which point they are dropped from the index. Bonds included in the indices are held constant throughout the month until the following monthly rebalancing. Bond eligibility criteria for each of the subindices is set forth below.

*U.S. Domestic Master Index.* The U.S. Domestic Master Index,[11] established in 1975, is MLPF&S's indicator of the performance of the investment grade U.S. domestic bond market. The index currently captures over $5 trillion of the outstanding debt of the U.S. Treasury Note and Bond, U.S. Agency, Mortgage Pass-through and U.S. Investment Grade Corporate Bond markets. Current bond criteria for the Domestic Master Index include all of the criteria set forth below for each of the subindices.

*U.S. Treasury Master Index.* As of December 31, 1998, the U.S. Treasury Master Index, established in 1977, was comprised of 163 issues with a market value equal to $2.32 trillion.[12] U.S. Treasury Notes and Bonds included in the U.S. Treasury Master Index have a remaining term to maturity equal to or greater than one year with at least $1 billion face value outstanding. U.S. Treasury STRIPS are not included in the index, however, the outstanding face value of the underlying notes and bonds from which these securities are created are not reduced by the amount stripped. The U.S. Treasury Master Index contains no inflation-indexed securities.

*U.S. Agency Master Index.* As of December 31, 1998, the U.S. Agency Master Index, established in 1977, contained 1,628 issues with a market value equal to $429 billion.[13] U.S. agency issues included in the U.S. Agency Master Index have a remaining term to final maturity equal to or greater than one year, including medium term notes, with at least $100 million face value outstanding. The issues are payable in U.S. Dollars. The index contains no inflation-indexed securities, structured notes or other forms of variable coupon securities. Securities must have a fixed coupon schedule. Step-up coupons are included in the index provided the coupon schedule is fixed at the time of issuance.

*U.S. Corporate Master Index.* As of December 31, 1998, the U.S. Corporate Master Index, established in 1972, was comprised of 4,670 issues with a market value equal to $1.16 trillion.[14] U.S. corporate issues included in the U.S. Corporate Master Index are limited to securities that are issued in the U.S. domestic markets, including yankees, global bonds and medium term notes, with remaining terms to maturity equal to or greater than one year and at least $100 million face value outstanding. The issuances are payable in U.S. Dollars. Securities must have a fixed coupon schedule. Step-up coupons are included in the index provided the coupon schedule is fixed at the time of issuance. Rule 144A securities issued with registration rights are included in the index only after they are exchanged for registered securities. Taxable securities issued by municipalities are included in the index. Issues included in the index must have a credit rating of investment grade (BBB3 or above) based on a composite of Moody's and S&P. The calculation of composite rating is based on an averaging that is biased to the lower of the two ratings. For example.

Baa3/BB+=BB1 composite rating
Baa2/BB+=BBB3 composite rating
Baa3/BB−=BB2 composite rating

If an issue is rated by only one of the services, the rating will equal that individual rating. Issues that are not rated by either Moody's or S&P are

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[5] *See* Amendment No. 1.

[6] *Id.*

[7] *Id.*

[8] *See* Securities Exchange Act Release No. 39402 (December 4, 1997), 62 FR 65459 (December 12, 1997), granting immediate effectiveness to an Exchange proposal to list and trade commodity preferred securities (ComPS).

[9] *See* Securities Exchange Act Release No. 38940 (August 15, 1997), 62 FR 44735 (August 22, 1997), approving an Exchange proposal to list and trade indexed term notes linked to the Major 11 International Index.

[10] The Exchange's Bond and Debenture Listing Standards provide for the listing of individual bond or debenture issuances provided the issue has an aggregate market value or principal amount of at least $5 million and either: the issuer of the debt security has equity securities listed on the Exchange (or on the New York Stock Exchange); an issuer of equity securities listed on the Exchange (or on the New York Stock Exchange) directly or indirectly owns a majority interest in, or is under common control with, the issuer of the debt security; an issuer of equity securities listed on the Exchange (or on the New York Stock Exchange) has guaranteed the debt security; a nationally recognized statistical rating organization (an ''NRSRO'') has assigned a current rating to the debt security that is no lower than an S&P Corporation ''B'' rating or equivalent rating by another NRSRO; or if no NRSRO has assigned a rating to the issue, an NRSRO has currently assigned; (i) an investment grade rating to an immediately senior issue; or (ii) a rating that is no lower than an S&P Corporation ''B'' rating, or an equivalent rating by another NRSRO, to a pari passu or junior issue. All of the underlying bonds in each of the proposed indices exceed these listing standards.

[11] As of December 31, 1998, the U.S. Domestic Master Index is comprised of 6,911 issues with a market value of $5.52 trillion—Bloomberg L.P.

[12] Data as of December 31, 1998—Bloomberg L.P.

[13] Data as of December 31, 1998—Bloomberg L.P.

[14] Data as of December 31, 1998—Bloomberg L.P.

excluded. Capital trust preferred securities are included in the index *Mortgage Master Index.*

As of December 31, 1998, the Mortgage Master-Index, established in 1975, comprised 450 issues with a market value equal to $1.60 trillion.[15] Mortgage-backed securities in the Mortgage Master Index include single-family 30-year, 15-year and balloon mortgages. GNMA II, mobile home and GPM mortgages are excluded in the index must have at least $600 million current face outstanding. Individual pools are aggregated into generic securities based on issuer, type (30-year, 15-year, etc.), coupon and production year. Asset-backed securities (other than MBS) are not included in this index or any of the Domestic Master sub-indices.

*U.S. Corporate/Government Master Index.* The U.S. Corporate/Government Master Index,[16] established in 1972, comprises a combination of the U.S. Corporate Master, U.S. Treasury Master and U.S. Agency Master Indices.

*U.S. Treasury/Agency Master Index.* The U.S. Treasury/Agency Index,[17] established in 1972, comprises a combination of the U.S. Treasury Master and U.S. Agency Master Indices.

Each of the above indices are calculated by Merrill Lynch Research's Portfolio Strategy Group based on the prices of the underlying bonds determined each business day. All securities in the indices are priced at approximately 3:00 p.m. New York time each business day. The vast majority of the prices of the underlying securities comprising the indices are determined by the Merrill Lynch desks. These prices are determined in accordance with all applicable statutory rules, self-regulatory organization rules and generally accepted accounting principles regarding valuation of security positions. In addition to using these prices in calculating the indices and valuing client portfolios, MLPF&S simultaneously distributes these prices electronically to hundreds of mutual fund customers who use these prices to determine the value of their positions in accordance with applicable regulations. When a security price is not available, the Portfolio Strategy Group will use a security price from a third party vendor that, in its best judgment, will provide the most accurate market price thereof.

The resulting index values are disseminated to, and published by Bloomberg L.P. and Reuters at the end of each business day. MLPF&S, in its rule as calculation agent for the bond index linked term notes, will use the index values as published on Bloomberg L.P. In conjunction with the issuance of the bond index linked term notes, the Exchange intends to publish the index value associated with the previous day's close.

Bond weightings for each of the indices are based on a bond's total outstanding capitalization (total face value currently outstanding times price plus accrued interest). Returns and weighted average characteristics are published daily.

The Exchange will require members, member organizations and employees thereof recommending a transaction in the securities: (1) To determine that such transaction is suitable for the customer and (2) to have a reasonable basis for believing that the customer can evaluate the special characteristics of, and is able to bear the financial risks of, such transaction. The Exchange will distribute a circular to its membership prior to trading such securities providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in such securities and highlighting the special risks and characteristics thereof.

The securities will be subject to the equity margin and trading rules of the Exchange except that, where the securities are traded in thousand dollar denominations as debt, they will be traded subject to the Exchange's debt trading rules.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act, in general, and further the objectives of Section 6(b)(5),[18] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest.

*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*

No written comments were either solicited or received with respect to 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 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 submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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–99–03 and should be submitted by April 1, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[19]

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99–6046 Filed 3–10–99; 8:45 am]

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[15] Data as of December 31, 1998–Bloomberg L.P.

[16] As of December 31, 1998, the U.S. Corporate and Government Master Index contained 6,461 issues with a market value equal to $3.92 trillion—Bloomberg L.P.

[17] As of December 31, 1998, the U.S. Treasury/Agency Master Index contained 1,791 issues with a market value equal to $2.75 trillion—Bloomberg L.P.

[18] 15 U.S.C. 78f(b)(5).

[19] 17 CFR 200.30–3(a)(12).