the Act. Applicants believe that the requested relief meets this standard.

5. Applicants note that the timing of the Merger was determined in response to a number of business concerns substantially unrelated to the Funds or the Adviser. Applicants state that the pending Effective Date and the form of transaction deemed most appropriate by Piper Jaffray and USB do not permit an opportunity to secure prior approval of the Interim Agreements by the Funds' shareholders. Applicants state that, in addition, because it is likely that many of the Funds will be merged into corresponding funds of the First American family of funds during the Interim Period (''Family Fund Combination''), the granting of the requested order will allow the Funds to undertake a single proxy solicitation for obtaining shareholder approval of the Merger, the Interim Agreements, and any Family Fund Combination. Applicants believe a single proxy solicitation will, by eliminating unnecessary burdens and reducing shareholder confusion, be in the best interests of the Funds and their shareholders.

6. Applicants submit that they will take all appropriate actions to prevent any diminution in the scope or quality of services provided to the Funds during the Interim Period.

Applicants state that the Existing Agreements were approved by the Board and the shareholders of the Funds. Applicants represent that the Interim Agreements will have the same terms and conditions as the Existing Agreements, except for the dates of commencement and termination and the inclusion of escrow arrangements. Accordingly, applicants assert that each Fund will receive, during the Interim Period, substantially identical investment advisory and/or sub-advisory services, provided in the same manner, as it received prior to the Effective Date. Applicants state that, in the event there is any material change in the personnel of the Adviser or Sub-Adviser providing services under the Interim Agreements during the Interim Period, the Adviser or Sub-Adviser, as the case may be, will apprise and consult the Boards to assure that the Boards, including a majority of Independent Directors, are satisfied that the services provided by the Adviser or Sub-Adviser will not be diminished in scope or quality.

7. Applicants contend that to deprive the Adviser and the Sub-Advisers of their customary fees during the Interim Period would be an unduly harsh and unreasonable penalty. Applicants note that the fees payable to the Adviser and the Sub-Advisers under the Interim Agreements will not be released to the Adviser or, if applicable, any Sub-Adviser, by the escrow agent without the approval of the Fund shareholders.

Applicants' Conditions

Applicants agree as conditions to the issuance of the exemptive order requested by this application that:

1. Each Interim Agreement will have the same terms and conditions as the respective Existing Agreement, except for the effective and termination dates and the inclusion of the escrow arrangements.

2. Fees earned by the Adviser or any Sub-Adviser during the Interim Period in accordance with an Interim Agreement will be maintained in an interest-bearing escrow account with an unaffiliated bank, and amounts in such account (including interest earned on such paid fees) will be paid to the Adviser and, if applicable, any Sub-Adviser, only upon approval of the related Fund shareholders or, in the absence of such approval, to the related Fund.

3. Each Fund will hold a meeting of shareholders to vote on approval of the related Interim Agreement or Interim Agreements on or before the 120th day following termination of the Existing Agreements, but in on event later than August 31, 1998.

4. Piper Jaffray, USB and/or one or more subsidiaries of the foregoing, but not the Funds, will pay the costs of preparing and filing the application and the costs relating to the solicitation of the approval of the Funds' shareholders of the Interim Agreements.

5. The Adviser and the Sub-Advisers will take all appropriate actions to ensure that the scope and quality of advisory and other services provided to the Funds under the Interim Agreements will be at least equivalent, in the judgment of the respective Boards, including a majority of the Independent Directors, to the scope and quality of services provided under the Existing Agreements. In the event of any material change in personnel providing services pursuant to the Interim Agreements, the Adviser or a Sub-Adviser, as the case may be, will apprise and consult the Boards of the affected Funds to assure that such Boards, including a majority of the Independence Directors, are satisfied that the services provided by the Adviser or such Sub-Adviser will not be diminished in scope or quality.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39794; File No. SR–NASD–98–17]

Self-Regulatory Organizations; Notice of Extension of the Comment Period for the Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to an Integrated Order Delivery and Execution System

March 25, 1998.

On February 19, 1998, the National Association of Securities Dealers, Inc. (''NASD''), through its wholly-owned subsidiary, The Nasdaq Stock Market, Inc. (''Nasdaq''), filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') a series of proposed rule changes.[1] The NASD is proposing new rules and amendments to existing NASD rules to establish an integrated order delivery and execution system (''System'').

As proposed, the new System will have three types of registered executing participants (as it does currently): market makers, electronic communication networks (''ECNs''), and UTP exchange specialists. Executing participants' quotes will be displayed on Nasdaq workstations, disseminated through information vendors, and accessible by System participants. Registered NASD members, and certain customers they sponsor, will be able to deliver various sized orders (up to 999,999 shares, if the Actual Size Rule is expanded to all Nasdaq stocks[2] through the new System to electronically access the displayed quotations.

The System features a voluntary central limit order file that all market participants will be able to access either directly or through a System participant. System participants will be able to send

[1] Exchange Act Release No. 39718 (March 4, 1998) 63 FR 12124 (March 12, 1998) (File No. SR–NASD–98–17). As originally noticed, the comment period ran through April 2, 1998.

[2] The Actual Size Rule allows market makers to quote their actual size by reducing the minimum quotation size requirement to one normal unit of trading (*i.e.*, 100 shares). The Actual Size Rule currently applies to 150 Nasdaq stocks on a pilot basis. The NASD has filed a proposal to expand the pilot program to cover all Nasdaq stocks permanently. *See* Exchange Act Release No. 39760 (March 16, 1998) 63 FR 13894 (March 23, 1998).

directed (*i.e.*, to a particular market maker) or non-directed orders. Orders will remain anonymous until they are executed. The System will replace the Small Order Execution System (''SOES'') and SelectNet (and related NASD rules), while maintaining features of each. Primary market makers will be able to sponsor other firms (*e.g.*, institutions), giving them System access.

As proposed, the System would operate differently depending on whether the Commission approves the NASD's request to permit Market Makers to quote their actual size for all Nasdaq stocks.[3] If the Actual Size Rule is not extended to all Nasdaq stocks, the Nasdaq proposes that nonmarket makers will not be permitted to enter orders larger than 1,000 shares for non-directed orders, and that the SOES prohibition on splitting orders and the Five Minute Rule (*i.e.*, any orders sent within a five minute period are considered part of one order) will be retained. Also, if Actual Size is not expanded to cover all Nasdaq stocks, the NASD proposes that non-market makers be prohibited from entering principal orders. Finally, if Actual Size is approved for all Nasdaq stocks, the order splitting and Five Minute Rules will not apply.

Under the proposal, market makers will no longer be ''SOESed-Out-of-the-Box'' when they allow their quote size to be diminished to zero.[4] Instead, the NASD proposes that after three (rather than the current five) minutes, a firm that is effectively out of the market (*i.e.*, has not refreshed its quote) will be automatically reestablished at the lowest ranked bid and offer for 1,000 shares.

Given the proposal's complexity and the Commission's desire to give the public sufficient time to consider the proposal, the NASD has consented to extend the comment period to May 8, 1998.[5]

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange 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 ruld 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. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR–NASD–98–17 and should be submitted by May 8, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

Margaret H. McFarland,

Deputy Secretary.

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[3] *Id.*

[4] See Exchange Act Release No. 39423 (December 10, 1997) 62 FR 66160 (December 17, 1997).

[5] See letter from Richard G. Ketchum, President and Chief Operating Officer, Nasdaq, to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated March 24, 1998.

[6] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39787; File No. SR–PCX–98–14]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval, of Proposed Rule Change by the Pacific Exchange, Inc. and Amendment No. 1 Thereto, Relating to a Supervisory Specialist Pilot Program

March 24, 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 March 3, 1998, the Pacific Exchange, Inc. (''PCX'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. On March 12, 1998, the PCX filed an amendment to the proposal.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended.

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

[2] 17 CFR 240.19b–4.

[3] See letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, PCX, to Marc McKayle, Attorney, Division of Market Regulation, Commission (March 12, 1998) (''Amendment No. 1''). In Amendment No. 1 PCX provides a basis for accelerated effectiveness of the proposal pursuant to Section 19(b)(2) of the Act. PCX explains that seats are trading at record prices making it increasingly difficult to operate a specialist post on the equities floor. PCX maintains that accelerated effectiveness of the proposed rule will permit specialist firms greater control over the impact of seat prices, and preserve the quality of the Exchange's markets and services provided to the public and its members.

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

PCX is proposing to adopt a temporary program, effective ninety days, under which PCX specialist firms may operate two specialist posts based upon one Exchange membership.[4] The text of the proposed rule change is available at the Office of the Secretary, PCX 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 III 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

In an effort to streamline the way business is conducted on the Exchange's Equities Floors, and to provide Exchange Specialist Firms with greater control over the management and costs of their operations, the Exchange is proposing to adopt the Supervisory Specialist Pilot Program (''Program''). Under the Program, the Exchange's Executive Committee will permit qualified specialist Firms to participate in the Program during a limited, ninety day period. Throughout the course of the Program, the Executive Committee will seek to assure an orderly transition of Specialist Firms into the Program. The Program will apply to trading on the Equities Floors only and will not apply to trading on the Options Floor.

Under the Program, a Specialist Firm may operate two specialist posts based upon one Exchange membership, provided that both posts will be staffed by Specials who have been qualified by the Exchange as Register Specialists

[4] The Commission notes that the Exchange also has filed a proposed rule change to implement a one year Supervisory Specialist Pilot Program to become effective upon the termination of the instant ninety day program (''Companion Filing''). See SR–PCX–98–13.