

MEMO# 7657

February 22, 1996

PROPOSED AMENDMENT TO NYSE RULE REGARDING VOTING OF PROXIES OF AUCTION RATE PREFERRED SHARES

February 22, 1996 TO: CLOSED-END FUND COMMITTEE No. 2-96 RE: PROPOSED
AMENDMENT TO NYSE RULE REGARDING VOTING OF PROXIES OF AUCTION RATE
PREFERRED SHARES

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Securities and Exchange Commission has published for public comment a proposed change to New York Stock Exchange Rule 452 to allow NYSE member firms to vote the shares of auction rate preferred securities (defined as preferred securities pursuant to which the dividend rate is established periodically by auction or remarketing at specified "reset periods") in the absence of client instructions. A copy of the SECs release is attached. The NYSEs proxy rules prohibit member firms from voting, without customer instructions, on non-routine items submitted to a vote of shareholders. The proposed change would allow member firms to vote the shares of auction rate preferred securities with auction reset periods of less than one year, on non-routine matters, in proportion to those votes cast by beneficial holders, so long as: (i) The issuer has transmitted proxy soliciting material to the beneficial owner or its designee; (ii) it has not received voting instructions from the beneficial owner or its designee within the time period specified in the proxy material; (iii) at least 30% of the issue has been voted by beneficial holders or their designees; (iv) less than 10% of the issue has voted against the proposal; (v) for any proposal taken to preferred and common shareholders, proportional voting would not be allowed unless common shareholders have also approved the item; (vi) a majority of the independent directors of the issuers board of directors have approved the item; and (vii) adequate disclosure of proportional voting has been provided. Comments on the proposed change to NYSE Rule 452 are due to the SEC by March 5, 1996. Please provide me with your comments on the proposal by March 1, 1996. My direct number is 202/326-5821. Dorothy M. Donohue Assistant Counsel Attachment