

Terms of the Rights

Each Right issued to a registered holder of Common Stock would, after the Right becomes exercisable, entitle the holder to purchase from Conectiv one one-hundredth of one share ("Unit") of a series of junior participating preferred stock, ("Series 1 Preferred Stock"). Each Right issued to a registered holder of Class A Common Stock would, after the Rights becomes exercisable, entitle the holder to purchase from Conectiv one Unit of another series of junior participating preferred stock ("Series 2 Preferred Stock") and together, "Preferred Stock".¹ The purchase price for a share of either series of Preferred Stock ("Purchase Price") will be determined by the Board as representing the long-term value of Conectiv, reflecting a premium consistent with those used by other companies in setting the purchase price for similar rights.²

The Rights will be exercisable upon the earlier to occur ("Distribution Date") of two dates. One date occurs ten days following the date of the public announcement that a person or group ("Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of voting securities of Conectiv. The other date occurs ten business days (unless delayed by the Board) after a person or group commences a tender offer or exchange offer that would result in the offeror becoming a Acquiring Person.

Until the Distribution Date, the Rights will be transferred only with the Common Stock or Class Common Stock, and the Rights will be evidenced by the Common Stock or Class A Common Stock certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights will be mailed to holders of record of Common Stock or Class A Common Stock, as the case may be, as of the close of business on the Distribution Date. Following the distribution of these certificates, the Rights will trade independently of the Common Stock and the Class A Common Stock.

¹ Under certain circumstances, the Class A Common Stock may be convertible to Common Stock. If a conversion occurs before the Rights become exercisable, those Rights attached to the shares of Class A Common Stock will be converted to Rights to purchase Series 1 Preferred Stock. The number of these Rights will be based on the conversion ratio used for converting the Class A Common Stock to Common Stock.

² The Purchase Prices, and the number of Units of Preferred Stock (or other securities, as the case may be) issuable upon exercise of the Rights, are subject to adjustment from time to time to prevent dilution.

Exercise of and Exchange of Rights

The value of one Unit of the Preferred Stock received upon exercise of a Right will be twice the Purchase Price paid for that Preferred Stock. The Rights of any Acquiring Person and certain of its transferees will be null and void. If Conectiv is acquired in a business combination transaction or 50% or more of its consolidated assets or earning power is sold or transferred, exercise of a Right will entitle its holder to receive common stock or other equity of the acquiring company also having a value equal to twice the Purchase Price then in effect.

In addition, the Plan will also provide that under certain circumstances the Board may exchange a Right, in whole or in part, for one Unit of Preferred Stock (subject to adjustment), or for other securities or assets. These circumstances include any time before an Acquiring Person (other than Conectiv and certain related entities) acquires 50% or more of the total voting power of all shares of voting stock in Conectiv then outstanding.

Redemption and Termination of Rights

The Plan will provide that Conectiv may redeem all of the Rights at a price of \$.01 per Right at any time before any person or group becomes an Acquiring Person, subject to adjustment ("Redemption Price"). Immediately upon the action of the Board electing to redeem the Rights, the only right of the holders of Rights will be to receive the Redemption Price. Under the Plan, the Rights will expire at the close of business on the 10 year anniversary of the Record Date, unless earlier redeemed, exchanged or exercised.

Amendments to the Provisions of the Rights Agreement

If the Board adopts the Plan the terms of the Rights will be described in an agreement ("Agreement") between Conectiv and Conectiv Resource Partners, Inc. ("Resources"), as Rights agent ("Rights Agent"). Any of the provisions of the Agreement may be amended by the Board without the consent of the holders of the Rights. However, the Agreement may not be amended on or after the Distribution Date in any manner that would adversely affect the interests of holders of Rights (other than the interests of an Acquiring Person and certain of its transferees).

Terms of the Preferred Stock

The Preferred Stock will rank junior to all other series of Conectiv's preferred stock with respect to payment of dividends and as to distribution of

assets in liquidation. The value of each Unit of Series 1 Preferred Stock is intended to approximate the value of one share of the Common Stock and the value of each Unit of a share of Series 2 Preferred Stock is intended to approximate the value of one share of Class A Common Stock. Accordingly, each share of Preferred Stock will generally have a quarterly dividend rate equal to the greater of \$1.00 or 100 times the per share amount of cash dividends declared on the related voting securities.

The Series 1 Preferred Stock will not be redeemable. Units of Series 2 Preferred Stock will be redeemable in certain instances upon substantially the same terms and conditions that shares of Class A Common Stock may be redeemed, in accordance with Conectiv's restated certificate of incorporation. In the event of liquidation, each share of the Preferred Stock generally will entitle its holder to receive an amount equal to the greater of \$1.00 plus accrued and unpaid dividends or 100 times the payment to be made for a share of the related voting security. Generally, each share of Preferred Stock will vote together with the Common Stock, the Class A Common Stock, and any other series of preferred stock entitled to vote in a manner and will be entitled to 100 votes. In the event of any merger or other transaction in which shares of the Common Stock and/or Class A Common Stock are exchanged for or changed into other property, each share of Preferred Stock will be entitled to receive 100 times the amount of the property received on the related voting security.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39761; File No. SR-DTC-97-09]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving a Proposed Rule Change Regarding the Custody Service for Securities That Are Not Depository Eligible

March 16, 1998.

On June 4, 1997, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change

(File No. SR-DTC-97-09) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on September 19, 1997.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

DTC currently operates a custody service which offers custodian, transaction, and related processing services to participants in connection with certain securities that are not depository eligible (e.g., securities with certain transfer restrictions).³ The rule change permits DTC to enter into contracts with individual participants to provide customized processing services under the custody service. Under the rule change, DTC will not be obligated to enter into any such contracts with participants or to offer the same terms under any such contracts to all participants. DTC has advised the Commission that it will charge fees for customization of custody service based on a consistently applied methodology.

II. Discussion

Section 17A(b)(3)(F) of the Act⁴ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes that DTC's proposed rule change is consistent with DTC's obligations under Section 17A of the Act because the rule change will allow DTC participants to remove certain certificates that are not depository eligible from their vaults and to deposit them into DTC's custody service. Depositing certificates into the custody service along with use of the custody service's securities processing services should help to reduce the costs, inefficiencies, and risks associated with the physical safekeeping of securities outside of DTC and thereby should promote the prompt and accurate

clearance and settlement of transactions in securities. Moreover, the Commission believes that the proposal is consistent with DTC's obligations to safeguard securities and funds under its control because securities deposited into the custody services will be under DTC's usual procedures for the safekeeping of securities.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-97-09) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39760; File No. SR-NASD-98-21]

Self-Regulatory Organizations; Notice of Proposed Rule Change by the National Association of Securities Dealer, Inc., Relating to an Expansion of the NASD's Rule Permitting Market Makers To Display Their Actual Quotation Size

March 16, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 5, 1998, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), 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 Nasdaq. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 17 CFR 200.30-3(a)(12).

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

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

The NASD proposes to amend NASD Rule 4613(a)(1)(C) to allow permanently market makers to quote their actual size by reducing the minimum quotation size requirement for market makers in all securities listed on Nasdaq to one normal unit of trading ("Actual Size Rule"). As discussed below, the Actual Size Rule presently applies to a group of 150 Nasdaq securities on a pilot basis. The text of the proposed rule change is as follows (additions are italicized; deletions are bracketed).

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NASD Rule 4613 Character of Quotations

(a) Two-Sided Quotations.

(1) No change.

(A)-(B) No change.

(C) [As part of a pilot program implemented by The Nasdaq Stock Market, during the period January 20, 1997 through at least March 27, 1998, a] A registered market maker in a security listed on The Nasdaq Stock Market [that became subject to mandatory compliance with SEC Rule 11Ac1-4 on January 20, 1997 or identified by Nasdaq as being otherwise subject to the pilot program as expanded and approved by the Commission,] must display a quotation size for at least one normal unit of trading (or a larger multiple thereof) when it is not displaying a limit order in compliance with SEC Rule 11Ac1-4, provided, however, that a registered market maker may augment its displayed quotation size to display limit orders priced at the market maker's quotation.

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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 NASD 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 NASD 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. Summary of Proposal

Currently, quotations in most Nasdaq securities are required to be displayed in a minimum size of 1,000 shares (200 or 500 shares for less active stocks). The

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 39071 (September 12, 1997), 62 FR 49279.

³ For a more detailed description of DTC's custody service, refer to Securities Exchange Act Release Nos. 38561 (April 30, 1997), 62 FR 25008 [File No. SR-DTC-97-01] (order approving proposed rule change implementing the dividend processing phase of DTC's custody service) and 37314 (June 14, 1996) 61 FR 31989 [File No. SR-DTC-96-08] (order approving proposed rule change establishing DTC's custody service).

⁴ 15 U.S.C. 78q-1(b)(3)(F).