

protection of investors and burdensome to those required to make them.

Applicant's Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Each proposed transaction described in the application otherwise prohibited by section 17(a) or section 17(d) of the Act and rule 17d-1 under the Act (the "Section 17 Transactions") will be effected only if the board of directors of the General Partner determines that: (a) The terms of the transaction, including the consideration to paid or received, are fair and reasonable to the Limited Partners and do not involve overreaching with respect to the Investment Partnership or its Limited Partners on the part of any person concerned; and (b) the transaction is consistent with the interests of the Limited Partners, the Investment Partnership's organizational documents, and the Investment Partnership's reports to its Limited Partners.

In addition, the board of directors of the General Partner will record and preserve a description of the Section 17 Transactions, their findings, the information or materials upon which their findings are based and the basis thereof. All such records will be maintained for the life of the Investment Partnerships and at least two years thereafter, and will be subject to examination by the SEC and its staff. Each Investment Partnership will preserve the accounts, books, and other documents required to be maintained in an easily accessible place for the first two years.

2. In connection with the Section 17 Transactions, the board of directors of the General Partners will adopt, and periodically review and update, procedures designed to ensure that reasonable inquiry is made, prior to the consummation of any such transaction, with respect to the possible involvement in the transaction of any affiliated person or promoter of or principal underwriter for the Investment Partnerships, or any affiliated person or such person, promoter, or principal underwriter.

3. A General Partner will not invest the funds of any Investment Partnership in any investment in which an "Affiliated Co-Investor," as defined below, has or proposes or acquire the same class of securities of the same issuer, where the investment involves a joint enterprise or other joint arrangement within the meaning of rule 17d-1, in which the Investment Partnership and an Affiliated Co-

Investor are participants, unless any such Affiliated Co-Investor, prior to disposing of all or part of its investment, (a) gives the General Partner sufficient, but not less than one day's, notice of its intent to dispose of its investment, and (b) refrains from disposing of its investment unless the Investment Partnership has the opportunity to dispose of the Investment Partnership's investment prior to or concurrently with, on the same terms as, and pro rata with the Affiliated Co-Investor. The term "Affiliated Co-Investor" means the Company, and any person who is (a) an "affiliated person" (as such term is defined in section 2(a)(3) of the Act) of the Investment Partnership; (b) a shareholder of the Company, or other entity controlled by a shareholder of the Company; or (c) any entity with respect to which a General Partner of such Investment Partnership or another shareholder of the Company acts as a general partner or in a similar capacity or has a similar capacity to control the sale or other disposition of such entity's securities. The restrictions contained in this condition, however, shall not be deemed to limit or prevent the disposition of an investment by an Affiliated Co-Investor: (a) to its direct or indirect wholly-owned subsidiary, to any company (a "parent") of which the Affiliated Co-Investor is a direct or indirect wholly-owned subsidiary, or to a direct or indirect wholly-owned subsidiary of its parent; (b) to immediate family members of the Affiliated Co-Investor or a trust established for any Affiliated Co-Investor or any such family members; (c) when the investment is comprised of securities that are listed on any exchange registered as a national securities exchange under section 6 of the Exchange Act; or (d) when the investment is comprised of securities that are national market system securities pursuant to section 11A(a)(2) of the Exchange Act and rule 11Aa2-1 under the Exchange Act.

4. Each Investment Partnership and its General Partner will maintain and preserve, for the life of each such Investment Partnership and at least two years thereafter, such accounts, books, and other documents as constitute the record forming the basis for the financial statements that are to be provided to the partners, and each annual report of such Investment Partnership required by the terms of the applicable Investment Partnership agreement to be sent to the partners, and agree that all such records will be subject to examination by the SEC and its staff. Each Investment Partnership

will preserve the accounts, books, and other documents required to be maintained in an easily accessible place for the first two years.

5. In any case where purchases or sales are made from or to an entity affiliated with an Investment Partnership by reason of a 5% or more investment in such entity by a director, officer, or shareholder of the Company or any of its affiliates, such individual will not participate in the applicable General Partner's determination of whether or not to effect the purchase or sale.

6. The General Partner of each Investment Partnership will send audited financial statements for that Investment Partnership to each of the partners of the Investment Partnership who had an interest in that Investment Partnership at any time during the fiscal year then ended. At the end of each fiscal year, the General Partner will make a valuation or have a valuation made of all of the assets of the Investment Partnership as of the fiscal year end in a manner consistent with customary practice with respect to the valuation of assets of the kind held by the Investment Partnership. In addition, within 90 days after the end of fiscal year of each of the Investment Partnerships or as soon as practicable thereafter, the General Partner shall send a report to each person that was a partner of such Investment Partnership at any time during such fiscal year, setting forth such tax information as shall be necessary for the preparation by such partner of his federal and state income tax returns and a report of the investment activities of the Investment Partnership during such year.

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. 35-27036]

Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

June 11, 1999.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. all interested persons are referred to the application(s) and/or declaration(s) for

complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the applications(s) and/or declaration(s) should submit their views in writing by July 6, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After July 6, 1999, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

AES Corporation (70-9465)

The AES Corporation ("AES"), Arlington, Virginia, a Delaware corporation not currently subject to the Act, has filed an application under section 3(a)(5) of the Act. AES requests an order exempting it from all provisions of the Act except section 9(a)(2) upon consummation of the transaction described below.

AES is a United States-based multinational electric power generation and energy distribution company with operations in 16 countries worldwide. AES is engaged principally in the development, ownership and operation of electric generating plants and electric and gas distribution companies, all of which are, or are owned by, exempt wholesale generators as defined in section 32 of the Act, foreign utility companies as defined in section 33 of the Act, or qualifying facilities under the Public Utility Regulatory Policies Act. Revenues from electric generation and distribution activities accounted for over 95% of revenues in 1997 and in 1998. Other activities include the sale of steam and other commodities related to AES' cogeneration operations, as well as operational, construction and project development services, and gas and power marketing.¹ AES does not

currently have any public-utility subsidiary or affiliate.

Since AES was founded in 1981, it has grown to become one of the largest, if not the largest, global electricity suppliers. AES currently owns and/or operates, entirely or in part, a diverse international portfolio of electric power plants with a total project capacity of 26,466 megawatts ("MW"), including plants that are part of distribution companies in which AES has an interest. On a total project basis, 20,017 MW of this generating capacity is located outside the United States. On a net equity basis, *i.e.*, pro-rated to reflect AES' actual ownership interests, AES has 17,618 of capacity, of which 11,194 is foreign-based.

AES also owns partial interests (both majority and minority) in companies that distribute and sell electricity directly to commercial, industrial, governmental and residential customers. AES has majority ownership in three distribution companies in Argentina, one in Brazil, one in the country of Georgia, one in Kazakhstan and one in El Salvador; and less than majority ownership in three additional distribution companies in Brazil. AES also recently acquired the right to purchase a 50% interest in a distribution company in the Dominican Republic and expects to close on the purchase soon. These eleven companies serve a total of approximately 13.6 million foreign customers with sales of nearly 107,000 gigawatt hours. On a net equity basis, AES' ownership in these companies will represent approximately 3.6 million foreign customers following the closing of the Dominican Republic acquisition and sales of approximately 29,000 gigawatt hours by the end of 1999.

The application states that AES has grown rapidly throughout this decade.² In 1990, the year before it went public, AES had total assets of \$1.1 billion, operating revenues of \$190.2 million and net income of \$15.5 million, all determined in accordance with Generally Accepted Accounting Principles ("GAAP"). By the end of 1998, AES' total assets, gross revenues and net income, determined in accordance with GAAP, were \$10.8 billion, \$2.4 billion and \$311 million, respectively.

AES has continued its fast-paced growth in 1999. Combining 101 power plants currently in operation or projected to begin operations and plants

to be acquired, AES expects to have a minimum of 27,798 MW of total project generating capacity by the end of 1999, of which 20,017 MW will be foreign. On a net equity basis, AES is expected to have a generating capacity of 18,950 MW by year end 1999, of which 11,194 MW will be foreign. As a result, the power generation capacity of companies in which AES has an interest will have grown by 3,027% on a total project basis and 2,093% on a net equity basis in the eight years from 1991 to 1999.

The growth of AES' distribution business in 1999 also has been fast-paced. In 1996, AES purchased its first interests in a distribution company. By the end of 1998, companies in which AES had an interest served approximately 13 million customers and sold over 102,000 gigawatt-hours of power (approximately 3.1 million customers and 25,000 gigawatt-hours on a net equity basis). Thus far in 1999, AES has acquired the interests or rights to acquire interests in distribution companies in Georgia and the Dominican Republic, mentioned above, and the right to increase its ownership interests in two Brazilian distribution companies.

AES' market capitalization has mirrored its growth over the decade. AES' public offering in 1991 valued the company at \$750 million. At present, AES' market capitalization has risen to approximately \$10 billion, an increase of 1,233% in approximately eight years.

As part of this growth, AES intends to acquire CILCORP Inc. ("CILCORP"), an Illinois public-utility holding company exempt from registration under section 3(a)(1) of the Act by rule 2. Through the acquisition, AES would acquire CILCORP's Illinois public-utility subsidiary, Central Illinois Light Company ("CILCO").³

CILCORP had consolidated assets, revenues and net income for the year ending December 31, 1997 of \$1.335 billion, \$558 million and \$16.4 million, respectively. For 1998, CILCORP's consolidated assets, revenues and net income were \$1.313 billion, \$559 million and \$16.3 million, respectively.

CILCO is engaged in the generation, transmission, distribution and sale of electric energy in an area of approximately 3,700 square miles in central and east-central Illinois, and the

¹ AES Power, a wholly owned subsidiary that engages in power marketing, generated less than 1% of AES' 1998 net income.

² In the eight-year period between year end 1990 and 1998, AES' growth in total assets, revenues and net income was 882%, 1,162% and 1,906%, respectively.

³ CILCORP is also the parent of three first-tier nonutility subsidiaries: QST Enterprises Inc., a company formed to facilitate CILCORP's expansion into nonregulated energy and related services businesses; CILCORP Investment Management Inc., which invests in leveraged leases, energy-related projects and affordable residential housing; and CILCORP Ventures Inc., which primarily invests in energy-related products and services.

purchase, distribution, transportation and retail sale of natural gas in an area of approximately 4,500 square miles in central and east-central Illinois. As of December 31, 1998, CILCO served approximately 253,000 customers: 189,000 retail electric customers and 197,000 gas customers, including 837 industrial, commercial and residential gas transportation customers.⁴ CILCO is subject to regulation by the Illinois Commerce Commission ("Illinois Commission").

For the year ended December 31, 1997, CILCO had total assets, operating revenues and net income of \$1.023 billion, \$546.9 million and \$50.3 million, respectively. Electric utility assets were \$723.8 and gas utility assets were \$290.5. In 1997, electric utility revenues were \$338.1 million (625% of total operating revenues) and gas utility revenues were \$208.8 million (38% of total operating revenues).

At the end of 1998, CILCO had total assets, operating revenues and net income of \$1.024 billion, \$532.3 million and \$41 million, respectively. Electric utility assets were \$729.1 million and gas utility assets were \$286.2 million. In 1998, CILCO earned \$360 million in electric utility revenues (68% of total operating revenues) and \$172.3 million in gas utility revenues (32% of total operating revenues).

Under a Merger Agreement dated November 22, 1998 between AES and CILCORP, Midwest Energy, Inc. ("Midwest Energy"), a wholly owned Illinois subsidiary of AES, will be merged with and into CILCORP, with CILCORP as the surviving corporation (the "Transaction"). Following the Transaction, CILCORP will be a direct subsidiary of AES and CILCORP's subsidiaries will maintain their current structure as direct or indirect subsidiaries, as the case may be, of CILCORP.

CILCORP's shareholders approved the Merger Agreement at a special meeting held on May 20, 1999. The merger also requires approval by the Federal Energy Regulatory Commission and is subject to the notification and reporting requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The Transaction does not require approval under section 9(a)(2) of the Act, because AES will acquire only one public-utility company through the Transaction.⁵

The Illinois Commission approved the reorganization with respect to the gas

utility operations of CILCO by order dated March 10, 1999.⁶ As contemplated by section 33(a)(2) of the Act, the Illinois Commission has informed the Commission, by letter dated March 10, 1999, that it has the authority and resources to protect Illinois consumers in accordance with Illinois law, and intends to exercise its authority.

AES request an exemption from registration under section 3(a)(5) of the Act following the Transaction. AES states that it will be a holding company that "is not, and derives no material part of its income, directly or indirectly, from any one or more subsidiary companies which are, a company or companies the principal business of which within the United States is that of a public-utility company." The application further states that CILCORP will continue to qualify for exemption under section 3(a)(1) of the Act following the Transaction because both it and CILCO will be "predominantly intrastate in character" and will "carry on their business substantially in" Illinois, the state in which both are organized.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41509; File No. SR-CBOE-99-06]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Board Options Exchange, Inc. Increasing the Maximum Order Size on the Dow Jones High Yield Select 10 Index Eligible for Automatic Execution

June 10, 1999.

I. Introduction

On February 10, 1999, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission

⁶ *Central Illinois Light Co.*, order approving petition pursuant to section 16-111(g) of the Public Utilities Act, Dkt. No. 98-0882 (Mar. 10, 1999). Under the Illinois Public Utilities Act, the Illinois Commission does not have pre-approval jurisdiction over the Transaction with respect to CILCO's electric operations. Illinois restructuring legislation removed the state commission's authority over the sale or other transfer of electric assets to affiliated or unaffiliated entities until January 1, 2005.

("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to increase the maximum size of orders on the Dow Jones High Yield Select 10 Index eligible for automatic execution. Notice of the proposed rule change appeared in the **Federal Register** on May 10, 1999.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to add an interpretation to CBOE Rule 6.8 allowing the appropriate Floor Procedure Committee ("FPC") to increase the maximum size of orders on the Dow Jones High Yield Select 10 Index ("Index")⁴ eligible for execution through the CBOE's Retail Automated Execution System ("RAES") from 20 to 100 contracts.

The Exchange believes that the proposal will enhance the depth and liquidity of the market for options on the Index.⁵ Additionally, the Exchange believes that the proposal will increase the number of timely and cost-effective executions, enhance information gathering through the audit trail, enhance fill reporting and price reporting, increase customer confidence, and increase the efficiency in handling non-RAES orders by reducing the number of transactions executed manually on the trading floor.

III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁶ In particular, the Commission believes that the proposal is consistent with Section 6(b)(5),⁷ in that it is designed to promote just and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 41357 (April 30, 1999), 64 FR 25091.

⁴ The Index is comprised of the ten highest yielding stocks from the Dow Jones Industrial Average. See Securities Exchange Act Release No. 39453 (December 6, 1997), 62 FR 67101 (December 23, 1997).

⁵ The Exchange expects that increasing the order size limit to up to 100 contracts for Index options will enhance liquidity by accommodating through RAES larger institutional and public customer orders for Index options. Telephone conversation between Debora E. Barnes, Senior Attorney, CBOE, and John C. Roeser, Attorney, Division of Market Regulation, Commission, on March 16, 1999.

⁶ In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f(b)(5).

⁴ Of the 253,000 individual customers served by CILCO, some take electric service only, some take gas service only, and some take both.

⁵ See *Coral Petroleum, Inc.*, Holding Co. Act Release No. 21632 (June 19, 1980).