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.

[FR Doc. 99–15482 Filed 6–17–99; 8:45 am]

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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 (''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

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[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).

[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.

[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).

equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. Specifically, the Commission finds that the proposal will facilitate transactions in securities and protect investors and the public interest. The Commission believes that increasing to up to 100 the maximum number of options contracts on the Index executable through RAES should enable the Exchange to more effectively and efficiently manage order flow in options on the Index consistent with its obligations under the Act. Further, the Commission believes that the RAES order size limit of 100 contracts for the Index should result in the efficient and timely execution of customer orders. The Commission notes that it has approved similar proposals by the Exchange increasing the number of option contracts eligible for automatic execution to a maximum of 100 contracts.[8]

Based on representations from the CBOE, the Commission believes that increasing the size of orders on the Index eligible for execution through RAES will not expose the CBOE's options markets to risk of failure or operational breakdown. Specifically, the CBOE represents that the proposal will not impose any significant burden on the operation, security, integrity, or capacity of RAES.

IV. Conclusion

For the foregoing reasons, the Commission believes that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with Section 6(b)(5).[9]

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change (SR–CBOE–99–06) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

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[8] *See* Securities Exchange Act Release No. 38169 (January 14, 1997), 62 FR 3547 (January 23, 1997) (order approving an increase to the maximum size of interest rate option orders eligible for automatic execution to up to 100 contracts); Securities Exchange Act Release No. 39202 (October 3, 1997), 62 FR 53358 (October 14, 1997) (order approving proposal to allow the Exchange discretion to set the eligible order size for RAES orders to up to 100 contracts for options on the Dow Jones Industrial Average).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41519; File No. SR–NASD–99–02]

Self-Regulatory Organizations; Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Application of Certain NASD Rules to Limited Offerings Under SEC Rule 504, Securities Exempted Under the Securities Exchange Act of 1934, and Intra-State-Only Offerings

June 11, 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 13, 1999, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association''), through its wholly-owned subsidiary NASD Regulation, Inc. (''NASD Regulation''), 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 NASD Regulation. NASD Regulation amended the proposed rule change on May 24, 1999.[3] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

[2] 17 CFR 240.19b–4.

[3] *See* Letter from Suzanne Rothwell, Chief Counsel, Corporate Financing Department, NASD Regulation, to Joshua Kans, Attorney, Division of Market Regulation (''Division''), Commission, dated May 21, 1999 (''Amendment No. 1''). Amendment No. 1 modified the proposed rule change to in response to the Commission's recent amendment of Securities Act Rule 504, *See* Securities Act Release No. 7644 (February 25, 1999), 64 FR 11090 (March 8, 1999) (adopting amendment to Rule 504 under Regulation D, 17 CFR 230.504).

The NASD and the Commission clarified the purpose of this proposed rule change, the scope of the rules impacted by the proposed rule change, and the NASD's response to the Commission's amendment of Securities Act Rule 504 during telephone conversations between Suzanne Rothwell, NASD Regulation, and Joshua Kans, Commission, on February 1, February 8, May 12 and June 10, 1999.

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

NASD Regulation is proposing to amend NASD Conduct Rules IM–2110–1, 2710, and 2720 to clarify their application to offerings of securities made in reliance on the SEC's limited offering exemption provided by Rule 504 of Regulation D.[4] The proposed amendments also would modify Rules 2710 and 2720 in other ways, and will affect the interpretation of several other NASD Rules. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

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IM–2110–1. ''Free-Riding and WIthholding''

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(I) Explanation of Terms

The following explanation of terms is provided for the assistance of members. Other words which are defined in the By-Laws and Rules shall, unless the context otherwise requires, have the meaning as defined therein.

(1) Public Offering

The term public offering shall mean any primary or secondary distribution of securities made pursuant to a registration statement or offering circular including exchange offers, rights offerings, offerings made pursuant to a merger or acquisition, straight debt offerings, *offerings pursuant to SEC Rule 504*, and all other securities distributions of any kind whatsoever, except any offering made pursuant to an exemption *from registration* under Sections 4(1), 4(2) or 4(6) of the Securities Act of 1933, as amended, or pursuant to Rule 504 *if the securities are ''restricted securities'' under SEC Rule 144(a)(3)* [(unless considered a public offering in the states where offered)], Rule 505, or Rule 506 adopted under the Securities Act of 1933, as amended. The term public offering shall exclude exempted securities as defined in Section 3(a)(12) of the Act, and debt securities (other than debt securities convertible to common or preferred stock) and financing instrument-backed securities that are rated by a nationally recognized statistical rating organization in one of its four highest generic rating categories. The term public offering shall exclude secondary offerings by an issuer, or any security holder of the issuer, of actively-traded securities

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[4] 17 CFR 230.504.