

# SECURITIES AND EXCHANGE COMMISSION

[File No. 1-12242]

## Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (CareMatrix Corporation, Common Stock, \$.05 Par Value Per Share)

May 14, 1999.

CareMatrix Corporation ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the security specified above ("Security") from listing and registration on the American Stock Exchange LLC ("Amex" or "Exchange").

The reasons cited in the application for withdrawing the Security from listing and registration on the Amex include the following:

The Security of the Company has been listed for trading on the Amex and, pursuant to a Registration Statement on Form 8-A which became effective on April 23, 1999, has been designated for quotation on the Nasdaq Stock Market ("Nasdaq"). The Security commenced trading on the Nasdaq at the opening of business on April 23, 1999.

The Company has compiled with the rules of the Amex by filing the Exchange a certified copy of the resolutions adopted by the Company's Board of Directors authorizing the withdrawal of its Security from listing on the Amex and by setting forth in detail to the Exchange the reasons for the proposed withdrawal, and the facts in support thereof. In making the decision to withdraw its Security from listing on the Amex, the Company considered, among other things, the direct and indirect costs of operating in dual markets and the associated concerns resulting from a fractured trading market for its Security. The Amex has informed the Company that it has no objection to the withdrawal of the Company's Security from listing on the Exchange.

The Company's application relates solely to the withdrawal from listing of the Company's Security on the Amex and shall have no effect upon the continued listing of the Security on the Nasdaq. By reason of Section 12(g) of the Act and the rules and regulations of the Commission thereunder, the Company shall continue to be obligated to file reports under Section 13 of the Act with the Commission.

Any interested person may, on or before June 4, 1999, submit by letter to

the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

**Jonathan G. Katz,**

*Secretary.*

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# SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27025]

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

May 14, 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 applications(s) and/or declaration(s) for complete statements of the proposed transactions(s) summarized below. The application(s) and/or declarations(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 **June 8, 1999**, to the Secretary, Securities and Exchange Commission, Washington, DC 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 **June 8, 1999**, the application(s) and/or declaration(s), as

filed or as amended, may be granted and/or permitted to become effective.

## Interstate Energy Corporation, et al. (70-9323)

Interstate Energy Corporation ("IEC"), a registered public utility holding company, Alliant Energy Resources, Inc. ("Alliant"), a wholly owned subsidiary of IEC, and Heartland Properties, Inc. ("HPI"), a wholly owned subsidiary of Alliant (collectively, "Applicants"), located at 222 West Washington Avenue, Madison, Wisconsin, 53703, have filed an application under section 9(c)(3) of the Act.

By order dated April 14, 1998 ("Merger Order")<sup>1</sup> the Commission authorized IES Industries, Inc., IES Utilities, Inc., and Interstate Power Company to become subsidiaries of WPL Holdings, Inc. ("WPLH"). Upon consummation of the merger, WPLH was renamed IEC and IEC was required to register with the Commission under section 5 of the Act.

The Merger Order authorized, among other things, IEC to retain WPLH's housing interests. WPLH indirectly owned HPI; a subsidiary company, established to pursue community development and to qualify for Low Income Housing Tax Credits ("LIHTC") under section 42 of the U.S. Internal Revenue Code ("Code").<sup>2</sup> Through direct and indirect subsidiaries, HPI engaged in the development, ownership and sale of affordable multi-family housing properties, and provided asset management services in connection with those properties. The Commission permitted retention of WPLH's LIHTC properties, reasoning that they were acquired for tax purposes by an exempt holding company, the interests were limited and passive, and by nature, tax credits are self-liquidating. The Commission further found that ownership of WPLH's LIHTC properties by IEC did not appear to involve any potential detriments to investors or consumers nor would any demonstrable benefit be achieved by requiring divestiture of a business that was already winding down.

Applicants now seek authorization to invest up to \$50 million from time to time for a period of five years to acquire additional LIHTC properties in the IEC service territory.<sup>3</sup>

LIHTC are available in the form of equal annual tax credits over a ten-year term payable over eleven years, with the first and last years prorated. Under

<sup>1</sup> Holding Company Act Release No. 26856.

<sup>2</sup> 26 U.S.C. sec. 42.

<sup>3</sup> IEC's service territory includes areas of Iowa, Minnesota, Illinois, and Wisconsin.

section 42 of the Code, no credit is allowed for any taxable year unless an agreement between the housing project owner and the applicable state housing credit agency ("Agreement") is in effect as of the end of the taxable year. Additionally, section 42 of the Code requires that the Agreement prohibit any increase in gross rent for a period ending on the latter of (a) the date specified by the agency in the Agreement or (b) fifteen years after the date when the building is placed in service. Housing credit agencies in IEC's service territory, may, in their agreement with LIHTC property owners, prohibit any increase in gross rents on LIHTC property for up to thirty years.<sup>4</sup>

Through its subsidiaries, IEC will continue to own LIHTC properties and will continue to provide investment management services in connection with those properties. HPI will continue the oversight of the low-income properties (previously performed by Heartland Asset Management prior to its dissolution on December 31, 1998) consistent with the role of a passive investor. HPI will focus its investment management role on maintaining financial statistics for each property, ensuring compliance with LIHTC restrictions and conducting on-site inspections to review management operations. Applicants state that HPI would not serve as the developer of the properties, but would be a passive investor with due diligence oversight.

Applicants state that acquisition of new LIHTC properties would be accomplished through the acquisition of limited partnership units in limited partnerships that are organized specifically to invest in low-income, multi-family housing projects throughout the IEC service area ("Acquisition Procedure").<sup>5</sup> The limited partnerships are designed to ensure that the properties qualify for LIHTC and remain in compliance under section 42 of the Code. Separate limited partnerships would be established for each qualifying housing development thereby insulating each investment property from any liabilities that may occur in the development of the other properties and facilitating compliance with section 42 of the Code. Prior to investment, each property would be approved by the Heartland Investment Committee. Applicants have identified

five properties for investment that have already been awarded tax credits.<sup>6</sup>

Applicant propose to invest in approximately four to eight affordable housing limited partnerships per year, as a limited partner. It is stated that rural communities in the IEC service territory could support new construction of LIHTC properties averaging 40 units with a total development cost ranging from \$2 million to \$4 million. Half of the total development cost would be supported by community grants, long-term debt in the form of permanent mortgages, or other debt financing. The balance of the development cost would be funded by equity, which would range from approximately \$1 million to \$2 million per development. Applicants state that IEC's predominately rural service territory would benefit from these investments and there will be a corresponding increase in the demand for utility services. Further, obtaining tax credits would enable IEC to manage and lower its income tax expense.

Applicants state that limited partnership agreements ("Partnership Agreements") for prospective investments have not been negotiated or executed, but, are typically negotiated with the third-party developer in the 30-60 days immediately preceding the time of the investment. Applicants represent that they would not be the general partner in the Partnership Agreements, but would only be a limited partner.<sup>7</sup>

#### **Sierra Pacific Resources, et al. (70-451)**

Sierra Pacific Resources ("Sierra Pacific"), 6100 Neil Road, Reno, Nevada 89511, a Nevada public utility holding company exempt from registration under section 3(a)(1) of the Act from all provisions of the Act except section 9(a)(2), and Nevada Power Company ("Nevada Power"), 6226 West Sahara Avenue, Las Vegas, Nevada 89146, an electric utility company (together, "Applicants"), have filed an application under sections 9(a)(2) and 10 of the Act.

Sierra Pacific proposes to merge with Nevada Power, with Nevada Power to become a wholly owned subsidiary of Sierra Pacific ("Transaction"). The Applicants request an order under section 3(a)(1) of the Act granting Sierra Pacific an exemption from all provisions

of the Act except section 9(a)(2) following consummation of the Transaction.

The merger will be carried out in a two-step process under the terms of an Agreement and Plan of Merger dated as of April 29, 1998 ("Merger Agreement"), among Sierra Pacific, Nevada Power, and two Nevada wholly owned special purpose subsidiary corporations of Sierra Pacific, Desert Merger Sub, Inc. ("Desert Merger Sub"), and Lake Merger Sub, Inc. ("Lake Merger Sub"). First, Lake Merger Sub will be merged into Sierra Pacific, with Sierra Pacific as the surviving corporation.<sup>8</sup> Then, Nevada Power will be merged into Desert Merger Sub, with Desert Merger Sub as the surviving corporation, after which Desert Merger Sub will change its name to Nevada Power Company. The purpose of this two-step process is to allow Nevada Power to become a first-tier subsidiary of Sierra Pacific without generating any adverse tax consequences for any of the parties.

Under the Merger Agreement, each share of pre-merger Sierra Pacific and Nevada Power common stock will be converted into the right to receive cash or post-merger Sierra Pacific common stock ("SP Common Stock"). Each owner of Sierra Pacific common stock prior to the first merger will be entitled to receive either 1.44 shares of SP Common Stock or \$37.55 in cash in exchange for each share of Sierra Pacific common stock it owns. Each owner of Nevada Power common stock prior to the second merger will be entitled to receive either one share of SP Common Stock or \$26.00 in cash in exchange for each share of Nevada Power common stock it owns. The cash consideration for Sierra Pacific common stock and Nevada Power common stock represents a five percent premium per share, respectively, based on the ten-day average share price of each company's common stock prior to the boards of directors of Sierra Pacific and Nevada Power approval of the Merger Agreement on April 29, 1998.

The Merger Agreement provides for special treatment of shareholders of less than 100 shares. Applicants state that Sierra Pacific will finance the approximately \$460 million necessary to fund the cash consideration provided for under the Merger Agreement. The exact sources and precise methods of

<sup>4</sup> Applicants state that given the requirements of section 42 of the Code and the limitations imposed by state housing credit agencies on LIHTC properties, they may need to maintain investment interest in each LIHTC property for a period of up to thirty years.

<sup>5</sup> The Commission authorized the Acquisition Procedure in the Merger Order.

<sup>6</sup> No other specific properties have been identified for future investment because it is unknown which properties would be awarded tax credits through the annual competitive tax credit allocation process.

<sup>7</sup> The general partner would manage the day-to-day operations of each property including leasing activities, rent collection and property maintenance.

<sup>8</sup> This step is necessary because, as discussed below, each share of pre-merger Sierra Pacific common stock may be exchanged for \$37.55 in cash or 1.44 shares of Sierra Pacific common stock. The exchange of pre-merger stock for cash or stock occurs as a result and at the time of this first merger.

financing this amount have yet to be determined.

The boards of directors of Sierra Pacific and Nevada Power approved the Transaction on April 29, 1998. A majority of both the Sierra Pacific and Nevada Power common shareholders approved the Transaction at separate meetings held on October 9, 1998.

Sierra Pacific owns all of the common stock of Sierra Pacific Power Company ("SPPC"), an electric and gas utility subsidiary company incorporated in Nevada. SPPC provides electric service to approximately 287,000 retail customers in northern Nevada and northern California. SPPC also sells electric power at wholesale. In addition, SPPC distributes natural gas at retail to approximately 101,000 customers in the Reno/Sparks area of northwestern Nevada. For the year ended December 31, 1997, SPPC's electric and gas operating revenues totaled \$611 million, comprised of \$540.3 million in electric business and \$70.7 million in natural gas business.

SPPC is subject to the retail ratemaking jurisdiction of the Nevada Public Utilities Commission ("Nevada PUC") with respect to its rates for retails sales of electricity and gas, and to the California Public Utilities Commission ("CPUC") with respect to its rates for retail sales of electricity. Nevada Power is also subject to the jurisdiction of the Nevada PUC and the CPUC with respect to its terms of service, issuance of certain securities, siting of and necessity for generation and certain transmission facilities, accounting and other matters. In addition, SPPC is subject to regulation by the Federal Energy Regulatory Commission ("FERC") under the Federal Power Act with respect to wholesale electricity sales, the terms and conditions for providing interstate electric transmission service, and other matters. SPPC is also subject to applicable federal and state environmental regulations.

Sierra Pacific is engaged in nonutility business through the following subsidiaries: Tuscarora Gas Pipeline Company ("Tuscarora"); Sierra Energy company d/b/a e-three ("e-three"); Lands of Sierra, Inc. ("LOS"); and Sierra Pacific Energy Company ("SPEC"). Tuscarora was formed to enter into a partnership with a subsidiary of TransCanada, a nonaffiliated Canadian natural gas transportation company, to develop, construct and operate a natural gas pipeline to serve Reno, northern Nevada and northeastern California. e-three provides energy related products and services both inside and outside SPPC's service territory. LOS develops and manages nonutility property in

Nevada and California. SPEC is developing a customer information system for the energy industry, and provides certain products and services in Nevada through a partnership.

For the year ended December 13 1997, Sierra Pacific's operating revenues on a consolidated basis were approximately \$663 million, of which approximately \$52 million were attributable to nonutility activities. Consolidated assets of Sierra Pacific and its subsidiaries at December 31, 1997, were approximately \$1.9 billion, of which approximately \$1.4 billion consisted of net utility plant and equipment.

Nevada Power is a public utility company incorporated in Nevada, that provides retail electric service to more than 1.3 million customers predominately in Clark County, Nevada, with limited service provided to the Federal Department of Energy in Nye County, Nevada. Both Clark County and Nye County are located in southern Nevada. Nevada Power also sells electric power at wholesale.<sup>9</sup>

Nevada Power is subject to the retail ratemaking jurisdiction of the Nevada PUC for retail sales of electricity as well as terms of service, issuance of certain securities, siting of and necessity for generation and certain transmission facilities, and accounting and other matters. Nevada Power is also subject to regulation by FERC under the Federal Power Act with respect to wholesale electricity sales, the terms and conditions for providing interstate electric transmission service, and other matters. Nevada Power is also subject to applicable federal and state environmental regulations. Nevada Power is engaged in nonutility businesses through subsidiaries that do not generate any material revenue.<sup>10</sup>

<sup>9</sup> Nevada Power currently has a total generating capacity of 1,964 MW of power. Applicants have committed to the Nevada PUC that upon consummation of the Transaction they will divest their generation assets. Applicants state that they expect to complete the divestiture in the year 2000 after they receive all of the necessary regulatory approvals, including FERC approval of rate schedules for the sale of power by the new owners of the divested generation units.

<sup>10</sup> These subsidiaries include: Commonsite, Inc., NVP Capital I and II, Nevada Electric Investment Company ("NEICO"), Northwind Las Vegas L.L.C. ("LV"), Northwind Aladdin, LLC ("Aladdin"), e-three CES, Genwal Coal Co., and Castle Valley Resources, Inc. Commonsite Inc. is a Nevada corporation which owns real estate occupied by Reid Gardner 4. a coal fired plant owned jointly by Nevada Power and the California Department of Water Resources. NVP Capital I and II are Delaware corporations that issue Quarterly Income Preferred Securities. NEICO is a subsidiary that has conducted energy-related activities. LV and Aladdin are joint ventures fifty percent and twenty-five percent owned, respectively, by NEICO with UTT Nevada, Inc., a nonaffiliate, owning the remaining percentages. LV now develops

For the year ended December 31, 1997, Nevada Power's utility operating revenues on a consolidated basis were approximately \$799 million. Consolidated assets of Nevada Power and its subsidiaries at December 31, 1997, were approximately \$2.3 billion, of which approximately \$1.7 billion consisted of net electric plant and equipment.

Applicants state that the Transaction is expected to provide efficiencies and economies which will benefit the public, investors and consumers. Among other things, Applicants state that, following the Transaction, the combined company will have the ability to compete more effectively in unregulated markets and serve customers more cost-effectively in regulated markets. Applicants also note that they will be better positioned to take advantage of operating economies and efficiencies through, among other measures, joint development and marketing of competitive new products and services, provision of integrated energy solutions for wholesale and retail customers, joint management and optimization of their respective corporate functions, programs, retail services, customer support functions, and inventories and purchasing economies.

Applicants have requested an order under section 3(a)(1) granting Sierra Pacific, after consummation of the Transaction, an exemption from all sections of the Act except section 9(a)(2). In support of the request, Applicants contend that, after the Transaction, Sierra Pacific will remain predominately an intrastate (i.e., Nevada) holding company that will not derive any material part of its income from non-Nevada public utility operations.

opportunities for district heating and cooling within Nevada. Aladdin will construct, own and operate district heating and cooling facilities at the Aladdin casino complex, currently under construction, e-three CES is a joint venture fifty percent owned by NEICO, with e-three, a wholly owned subsidiary of Sierra Pacific, owning the other fifty percent, e-three CES was formed to enter into performance contracts and similar energy-related services in southern Nevada. Genwal Coal Co., formerly involved in coal mining activities, whose assets were sold on January 1, 1995, and Castle Valley Resources, Inc., which was the sales arm of Genwal Coal Co., are both inactive.

Nevada Power also owns the following limited liability company subsidiaries which Nevada power states have not yet engaged in any business activities: Alkan Mining Company, a Nevada corporation wholly owned by NEICO; Nevada Power Services, LLC; Nevada Power Choices, LLC; Nevada Power Solutions, LLC; Las Vegas Energy LLC; Nevada Solutions, LLC, Power Choice, LLC; Nevada Power Energy Services, LLC; and Nevada Choices, LLC.

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. 34-41392; File No. S7-24-89]

### Joint Industry Plan; Solicitation of Comments and Approval of Request To Increase the Number of Securities Eligible for Trading Pursuant to the Reporting Plan for Nasdaq/National Market Securities Traded on an Exchange on an Unlisted or Listed Basis, Submitted by the Chicago Stock Exchange, Inc.

May 12, 1999.

#### I. Introduction

On November 6, 1998, the Chicago Stock Exchange, Inc. ("CHX"), submitted to the Securities and Exchange Commission ("Commission" or "SEC") a request to increase the number of Nasdaq National Market ("Nasdaq/NM") securities eligible for trading<sup>1</sup> pursuant to the Joint Transaction Reporting Plan for the National Market Securities Traded on an Exchange on an Unlisted or Listed Basis ("Plan").<sup>2</sup> The Commission is approving the request to expand the number of

eligible securities that may be traded by the CHX pursuant to the Plan from 500 to 1000.

#### II. Background

The Commission originally approved the Plan on June 26, 1990.<sup>3</sup> The Plan governs the collection, consolidation and dissemination of quotation and transaction information for Nasdaq/NM securities listed on an exchange or traded on an exchange pursuant to unlisted trading privileges.<sup>4</sup> The Commission originally approved trading pursuant to the Plan on a one-year pilot basis, with the pilot period to commence when transaction reporting pursuant to the Plan commenced. Accordingly, the pilot period commenced on July 12, 1993. The Plan has been in operation on a pilot basis since that time.<sup>5</sup>

#### III. Discussion

Prior to 1985, the Commission generally did not permit exchanges to extend unlisted trading privileges to non-exchange listed securities such as Nasdaq/NM securities. However, in 1985, the Commission began to permit exchanges, on a temporary basis and subject to certain limitations, to extend

<sup>3</sup> See Securities Exchange Act Release No. 28146 (June 26, 1990), 55 FR 27917 (July 6, 1990) ("1990 Approval Order"). See also 1994 Extension Order, *infra* note 5 (providing a detailed discussion of the history of unlisted trading privileges in OTC securities, and the events that led to the plan and pilot program).

<sup>4</sup> See Section 12(f) of the Act. See also December 1998 Extension Order, *infra* note 5, for a more in depth description of the Plan.

<sup>5</sup> See Stock Exchange Act Release No. 34371 (July 13, 1994), 59 FR 37103 (July 20, 1994) ("1994 Extension Order"), Securities Exchange Act Release No. 35221 (January 11, 1995), 60 FR 3886 (January 19, 1995); Securities Exchange Act Release No. 36102 (August 14, 1995), 60 FR 43626 (August 22, 1995); Securities Exchange Act Release No. 36226 (September 13, 1995), 60 FR 49029 (September 21, 1995); Securities Exchange Act Release No. 36368 (October 13, 1995), 60 FR 54091 (October 19, 1995); Securities Exchange Act Release No. 36481 (November 13, 1995), 60 FR 58119 (November 24, 1995); Securities Exchange Act Release No. 36589 (December 13, 1995), 60 FR 65696 (December 20, 1995); Securities Exchange Act Release No. 36650 (December 28, 1995), 61 FR 358 (January 4, 1996); Securities Exchange Act Release No. 36934 (March 6, 1996), 61 FR 10408 (March 13, 1996); Securities Exchange Act Release No. 36985 (March 18, 1996), 61 FR 12122 (March 25, 1996); Securities Exchange Act Release No. 37689 (September 16, 1996), 61 FR 50058 (September 24, 1996); Securities Exchange Act Release No. 37772 (October 1, 1996), 61 FR 52980 (October 9, 1996); Securities Exchange Act Release No. 38457 (March 31, 1997), 62 FR 16880 (April 8, 1997); Securities Exchange Act Release No. 38794 (June 30, 1997), 62 FR 36586 (July 8, 1997); Securities Exchange Act Release No. 39505 (December 31, 1997), 63 FR 1515 (January 9, 1998); Securities Exchange Act Release No. 40151 (July 1, 1998), 63 FR 36979 (July 8, 1998) ("July 1998 Extension Order"); and Securities Exchange Act Release No. 40896 (December 31, 1998), 64 FR 1834 (January 12, 1999) ("December 1998 Extension Order").

unlisted trading privileges to a maximum of twenty five securities. These limitations, to required the NASD and the exchanges to enter into a plan for consolidated transaction and quotation dissemination of the UTP securities.<sup>6</sup> In 1986, the Midwest Stock Exchange (now the CHX) entered into an interim plan which subsequently was superseded by the Plan, which is currently operating on a pilot basis. In 1990, the Commission expanded the maximum number of eligible securities to 100,<sup>7</sup> and in 1995, the Commission approved a request by the CHX<sup>8</sup> to further increase the number to 500.<sup>9</sup> Accordingly, CHX today trades up to 500 Nasdaq/NM securities pursuant to unlisted trading privileges.

The CHX would now like to raise the number of UTP-eligible securities from 500 to 1000. In commenting on the Commission's July 1998 Extension Order, the CHX asked the Commission to expand the number of Nasdaq stocks eligible for unlisted trading from 500 to 1000 issues.<sup>10</sup> In support of the proposal, the CHX cited to the Commission's approval of the previous increase. Further, the Exchange believes that investors directly benefit from the proposal because the CHX is the only auction-based market for Nasdaq securities. In the December 1998 Extension Order, the Commission solicited comment regarding the CHX's request.<sup>11</sup>

The Commission received two comment letters addressing the CHX's proposal, as well as two letters from the CHX responding to the NASD's letter.<sup>12</sup>

<sup>6</sup> See Securities Exchange Act Release No. 22412 (September 16, 1985), 50 FR 38640.

<sup>7</sup> See 1990 Approval Order, *supra* note 3.

<sup>8</sup> See letter from George T. Simon, Foley and Lardner, to Katherine England, Assistant Director, Commission, dated January 9, 1995.

<sup>9</sup> See Release No. 34-36102, *Supra* note 5.

<sup>10</sup> See letter from George T. Simon, Foley and Lardner, to Robert Colby, Commission, dated November 6, 1998. In response to a request by the Commission for additional information, the CHX submitted a second letter regarding its proposal. See letter from Patricia L. Levy, CHX, to Mariane H. Duffy, SEC, dated January 27, 1999. In this letter, the CHX represented that 485 Nasdaq stocks are currently assigned to its specialists and due to the 500 issue limit, it had to drop 18 Nasdaq stocks. Additionally, the Exchange represented its capacity to handle the increase to 1000 issues and, further noted that despite a recent increase in volume, excess capacity remains. The CHX also represented that it is in the process of expanding its capacity. *Id.*

<sup>11</sup> See December 1998 Extension Order, *supra* note 5.

<sup>12</sup> See letter from Robert E. Aber, Senior Vice President and General Counsel, NASD, to Jonathan G. Katz, Secretary, Commission, dated February 12, 1999 ("NASD Letter"); letter from Gene L. Finn, Finn Associates, to Jonathan G. Katz, Secretary, Commission, dated February 11, 1999; letter from

Continued

<sup>1</sup> Section 12(f) of the Securities Exchange Act of 1934 ("Act") describes the circumstances under which an exchange may trade a security that is not listed on the exchange, *i.e.*, by extending unlisted trading privileges ("UTP") to the security. See 15 U.S.C. 781(f). Section 12(f) required exchanges to apply to the Commission before extending UTP to any security. In order to approve an exchange UTP application for a registered security not listed on any exchange ("OTC/UTP"), Section 12(f) required the Commission to determine that various criteria had been met concerning fair and orderly markets, the protection of investors, and certain national market initiatives. Section 12(f) was amended on October 22, 1994; the amendment removed the application requirement. OTC/UTP is now allowed only pursuant to a Commission order or rule, which is to be issued or promulgated under essentially the same standards that previously applied to Commission review of UTP applications. The present order fulfills these Section 12(f) requirements.

<sup>2</sup> The signatories to the Plan, *i.e.*, the National Association of Securities Dealers, Inc. ("NASD"), the CHX (previously, the Midwest Stock Exchange, Inc.), the Philadelphia Stock Exchange, Inc. ("Phlx"), and the Boston Stock Exchange, Inc. ("BSE"), are the "Participants." The BSE, however, joined the Plan as a "Limited Participant," and reports quotation information and transaction reports only in Nasdaq/National Market (previously referred to as "Nasdaq/NMS") securities listed on the BSE. Originally, the American Stock Exchange, Inc., was a Participant to the Plan, but did not trade securities pursuant to the Plan, and withdrew from participation in the Plan in August 1994.