

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by May 25, 2001, 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 the 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 May 25, 2001, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

**Alliant Energy Corporation, et al. (70-9323)**

Alliant Energy Corporation ("Alliant Energy"), a registered holding company, and its subsidiary nonutility holding company, Alliant Energy Corporation ("AER"), both located at 222 West Washington Avenue, Madison, Wisconsin 53703, and AER's indirect nonutility subsidiary, Heartland Properties, Inc. ("Heartland") (together, "Applicants"), 122 West Washington Avenue, 6th Floor, Madison, Wisconsin 53703 have filed a post-effective amendment to their application under section 9(c)(3) of the Act and rule 54 under the Act.

By Commission order dated April 14, 1998 (HCAR No. 26856) ("1998 Order"), the Applicants, through Heartland, were authorized to retain passive, limited partnership interest ("Investments") in 84 in low-income, multi-family housing projects that were located primarily in Alliant Energy's service territory and qualified for Low Income Housing Tax Credits ("LIHTC") under section 42 of the Internal Revenue Code ("Code").<sup>1</sup> By subsequent order dated August 13, 1999 (HCAR No. 27060) ("1999 Order"), the Applicants were authorized to make additional Investments in LIHTC properties in the Alliant Energy service territory in an aggregate amount of up to \$50 million from time to time, through August 13, 2004.<sup>2</sup> The 1999 Order

<sup>1</sup> Specifically, the Commission determined that the Investments were retainable under section 9(c)(3) of the Act, because the interests were acquired to generate tax credits under the Code and they were being converted into passive investments, which would wind down as the credits expired.

<sup>2</sup> An intervening order dated July 10, 1999 (HCAR No. 27198) authorized the Applicants to reacquire the limited partnership interest in a fund holding seventeen LIHTC properties, which the Commission determined to be retainable under the 1998 Order.

provided that the Applicant's Investments in LIHTC properties would be undertaken for the sole purpose of obtaining the related tax credits and that all Investments would be self-liquidating as the LIHTCs expired.<sup>3</sup> As of December 31, 2000, Heartland had invested approximately \$15.5 million of the amount authorized in the 1999 Order.

The Applicants now request that the Commission modify the authority granted in the 1999 Order. In particular, Applicants request that the Commission eliminate the restriction in the 1999 Order limiting new LIHTC investments to properties located in Alliant Energy's service territory,<sup>4</sup> and permit the Applicants to acquire membership units in limited liability companies ("LLCs") formed to invest in LIHTC properties.<sup>5</sup> The Applicants state that each LLC will be managed by an unaffiliated manager and that the rights of an Applicant as a member of the LLC will be equivalent to those of a limited partner in a limited partnership. The Applicants are not requesting any other modifications to the authority granted in, or the limitations imposed by, the 1999 Order.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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Nine of the LIHTC properties held in that fund were located outside of the Alliant Energy service territory.

<sup>3</sup> LIHTCs are available in the form of equal annual tax credits that are earned over a ten-year period in the first eleven years of the project, with the first and last years prorated. However, in order for the tax credits to vest, the term of the investment must be for at least fifteen years. Once the credits are vested, an investments is fully recovered; that is, the Applicants' economic return is not dependent upon cash flow from the project or any residual value of the asset.

<sup>4</sup> See *Exelon Corp.*, (HCAR No. 27256; October 19, 2000) (The Commission allowed a registered public utility holding company to retain limited partnership interests in nine different LIHTC funds holding properties in housing projects located throughout the United States. The Commission concluded that these investments were retainable under the standards of section 11(b)(1) of the Act, because they were passive in nature, made solely for the purpose of obtaining tax credits and would self-liquidate when the terms of the tax credit expired).

<sup>5</sup> See *NiSource, Inc.*, (HCAR No. 27263; October 30, 2000) (The Commission allowed a registered public utility holding company to retain passive investments in LIHTC ventures organized as LLCs).

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of May 7, 2001.

A closed meeting will be held on Thursday, May 10, 2001, at 11 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), (9)(A), (9)(B), and (10) and 17 CFR 200.402(a)(3), (5), (7), (9)(i), (9)(ii) and (10), permit consideration of the scheduled matters at the closed meeting.

The subject matters of the closed meeting scheduled for Thursday, May 10, 2001 will be:

institution and settlement of injunctive actions; and  
institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: May 3, 2001.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44236; File No. SR-CBOE-00-22]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Automatic Execution of Certain Orders on the Electronic Limit Order Book

April 30, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 1, 2000, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange"), 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 the CBOE. On February 23, 2001, the Exchange filed Amendment No. 1 to the proposed rule change. On April 10, 2001, the Exchange filed Amendment No. 2 to the proposed rule change.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange hereby proposes to amend its rules to provide for the automatic execution of certain orders resting in the Exchange's electronic limit order book when they become marketable. Below is the text of the proposed rule change. Proposed new language is *italicized*. Proposed deletions are in [brackets].

\* \* \* \* \*

Chicago Board Options Exchange, Inc.,  
Rules

\* \* \* \* \*

Chapter VI—Doing Business on the  
Exchange Floor, Section A: General,  
RAES Operations

\* \* \* \* \*

#### **Rule 6.8.**

(a)–(c) No change.

(d) Execution on RAES.

(i) When RAES receives an order, the system automatically will attach to the order its execution price, determined by the prevailing market quote at the time of the order's entry to the system, except as otherwise provided in this Rule 6.8 and the Interpretations to this Rule. A buy order will pay the offer, a sell order will sell at the bid. Marketable limit orders will not be executed to sell for less or buy for more than the specified price, but the order can be executed to

sell for a higher price or buy for a lower price. However, if the order's limit price is under \$3, RAES will execute the order only if the necessary bid or offer is ½ point or less from the limit price. If the order's limit price is \$3 or more, RAES will execute the order only if the necessary bid or offer is one dollar or less from the limit price.

(ii) A Market-Maker logged on to participate in RAES (a "Participating Market-Maker") will be designated as contra-broker on the trade.

(iii) A trade executed on RAES at an erroneous quote should be treated as a trade reported at an erroneous price and adjusted to reflect the accurate market after receiving a Floor Official's approval.

(iv) When the best bid or offer on the Exchange's book constitutes the best bid or offer on the Exchange and is for a size less than the RAES order eligibility size for that class, such fact shall be denoted in the Exchange's disseminated quote by a "Book Indicator". It is possible that the best bid or offer on the Exchange's book constitutes the prevailing market bid or offer. In those instances, a RAES order will be executed against the order in the book. In the event, the order in the book is for a smaller number of contracts than the RAES order, the balance of the RAES order will be assigned to participating market-makers at the same price at which the initial portion of the order was executed up to an amount prescribed by the appropriate Floor Procedure Committee on a class-by-class basis (the "Book Price Commitment Quantity"). Any remaining balance thereafter shall be (i) routed to the crowd PAR terminal if Autoquote is not in effect for that series; (ii) assigned to participating market-makers at the Autoquote price if Autoquote constitutes the new prevailing market bid or offer; or (iii) executed against any order in the book that constitutes the new prevailing market bid or offer with the balance of the RAES order being assigned to participating market-makers at that price up to the Book Price Commitment Quantity. Any additional remaining balance of a RAES order shall be handled in accordance with (ii) or (iii) of this paragraph.

(v) Notwithstanding sub-paragraph (d)(iv), [for a six month pilot program ending August 21, 2001.] *for classes of options as determined by the appropriate Floor Procedure Committee*, for any series of options where the bid or offer generated by the Exchange's Autoquote system (or any Exchange approved proprietary quote generation system used in lieu of the Exchange's Autoquote system) *is equal to or crosses*

[or locks] the Exchange's best bid or offer as established by an order in the Exchange's [customer] limit order book, *orders in the book for options of that series will be automatically executed against participants on RAES up to the number of contracts equal to the applicable maximum size of RAES-eligible orders for that series of options ("Trigger"). In the event the order in the book is for a larger number of contracts than the applicable RAES contract limit, the balance of the book order will be executed manually by the trading crowd. In the limited circumstance where contracts remain in the book after an automatic execution of a book order up to the applicable RAES contract limit, and the disseminated quote remains crossed or locked with the Autoquote bid or offer, or for any series where Trigger has not yet been implemented by the appropriate Floor Procedure Committee*, orders in RAES for options of that series will not be automatically executed but instead will be rerouted on ORS to the crowd PAR terminal or to another location in the event of system problems or contrary firm routing instructions.

(e)–(g) No change.

. . . Interpretations and Policies:

.01–.08 No change.

\* \* \* \* \*

Chapter VII—Order Book Officials and  
Board Brokers, Section A: General

RULE 7.4 (a)–(g) No change.

. . . Interpretations and Policies

.01–.06 No change.

.07 Electronic execution of certain orders on the Exchange's electronic limit order book is provided for under sub-paragraphs (d) (iv) and (v) of Rule 6.8.

\* \* \* \* \*

### **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 CBOE 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 CBOE has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, the CBOE modified the proposed rule change to provide that the appropriate Floor Procedure Committee would determine its application to a particular option class. In Amendment No. 2, the CBOE modified the proposed rule change to reflect recent changes relating to the recent re-organization and re-numbering of certain provisions of CBOE Rule 6.8. See letters from Jaime Galvin, Attorney, CBOE, to Andrew Shipe, Attorney, Division of Market Regulation, SEC, dated February 22 and April 10, 2001.

*A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

1. Purpose

The Exchange is developing a system enhancement to its electronic limit order book ("EBook"), called AutoQuote Triggered EBook Execution ("Trigger"), that will allow certain orders resting in the book to be automatically executed in the limited situation where the bid or offer for a series of options generated by the Exchange's Autoquote system (or any Exchange approved proprietary quote generation system used in lieu of the Exchange's AutoQuote system) is equal to or crosses the Exchange's best bid or offer for that series as established by a booked order.

The Trigger enhancement to EBook will provide for more timely and efficient execution of book orders. Currently, when the AutoQuote bid or offer crosses a booked order, the disseminated quote is changed to reflect the order in the book, due to book priority, and will not change unless the booked order is traded. A ticket is printed which alerts the book staff and the crowd that one or more orders in the book are inverted with the quote and that a trade should take place to take the order out of the book. This situation can occur for several series within the same class and can continue undetected for some time, particularly since many classes are on call-up displays which can make it difficult for the Designated Primary Market Maker ("DPM") staff to identify such situations. By providing for the automatic execution of book orders in this situation, Trigger will significantly reduce the burden on DPMs to execute book orders, particularly in fast markets.<sup>4</sup>

Only series in which AutoQuote (or any Exchange approved quote generation system) is employed are eligible for Trigger. If Trigger has been activated for a particular class of options, as Autoquote changes and the quote either touches or crosses an order in the book, the Trigger process will be initiated and the book order(s) will be automatically traded up to the RAES contract limit applicable for that particular class of options. The booked order will be immediately taken out of the book and a last sale will be disseminated. A ticket will be printed on the book printer notifying the book

clerk that a trade has been executed and an endorsement is required. After the book clerk verifies with the DPM that the trade is valid based on movements in the underlying security, the trade will be endorsed by the book clerk.<sup>5</sup> In most instances, the trade will be endorsed to the RAES "wheel" up to the applicable RAES contract limit, however, the Trigger system will have the functionality to allow the trade to be endorsed manually (as is done today) when appropriate.

The Trigger will execute, at most, a quantity equal to the applicable RAES contract limit. If a number of contracts greater than the applicable RAES contract limit exist in the book, the crowd will manually execute the remaining contracts in the book. In the limited circumstance where contracts remain in the book after a Trigger execution and the out-of-line disseminated quote has not changed, orders in RAES for options of that series will be "kicked-out" of RAES and will be immediately and automatically routed to a broker's PAR terminal in the trading crowd (absent contrary instructions of the firm), where they will be represented by the broker and, if executable, will ordinarily be executed in seconds. Because these orders remain RAES eligible, they will be entitled to receive firm quote treatment when they are represented in the crowd.

The following examples illustrate the operation of the Trigger process. Assume that there is a 10 contract buy order in the book for \$5. Assume that the disseminated quote for the particular series is 5-5 $\frac{1}{8}$  and the RAES limit is 50 contracts. When the underlying moves, the Exchange's AutoQuote system will also update the quotes for the options overlying that stock. Now assume that the underlying stock ticks down, causing AutoQuote to go down to 4 $\frac{7}{8}$ -5. In this instance, the Trigger process will initiate and the following sequence of events will occur. The CBOE's disseminated quote will remain 5-5 $\frac{1}{8}$  because of the order in the book. Trigger will be activated and the book order will be automatically executed for 10 contracts. The quote will change to 4 $\frac{7}{8}$ -5, if that is still the current quote from AutoQuote.

Normally, the Trigger process will involve the execution of small orders, such as in the above example. If in the above example, the order in the book is 100 contracts instead of 10 contracts,

the following sequence of events will occur. Trigger will automatically execute the book order up to 50 contracts, the RAES contract limit. CBOE's disseminated quote will still be 5-5 $\frac{1}{8}$ , because of the remaining 50 contracts in the book. A ticket will be printed on the book printer notifying the clerk that 50 contracts were executed at \$5 and that 50 contracts remain in the book. The remaining 50 contracts will be handled manually by the crowd. Once the remaining 50 contracts are executed, the quote will change to 4 $\frac{7}{8}$ -5, if that is still the current quote from AutoQuote. If prior to execution of the remaining contracts, the AutoQuote subsequently ticks back to 5-5 $\frac{1}{8}$ , the Trigger will be re-set and the remaining 50 contracts will be automatically executed if the AutoQuote returns to 4 $\frac{7}{8}$ -5. If prior to the execution of the remaining contracts, orders are entered into RAES for the particular series of options, and AutoQuote remains unchanged at 4 $\frac{7}{8}$ -5 (i.e., AutoQuote remains out-of-line with CBOE's disseminated quote), the RAES orders will be kicked-out of RAES and automatically routed to the trading crowd.

The Exchange believes that by providing for orders resting in the book to be automatically executed in the limited situation where the AutoQuote bid or offer touches or crosses the bid or offer of a booked order, customer orders in the book will be executed in a more timely manner. Eliminating manual execution of these orders will also significantly reduce the burden on DPMs to execute book orders, particularly in fast moving markets. The number of book trade-throughs should also be reduced. It should be noted that the Exchange expects that Trigger will eliminate the vast majority of RAES kick-outs currently provided for in paragraph (c) of Exchange Rule 6.8. To protect the integrity of the Trigger system, the Exchange will gradually roll out the Trigger enhancement to all options classes throughout the floor.

The Exchange also proposes to add an interpretation .08 to Exchange Rule 7.4, that references the electronic execution of certain orders on the electronic limit order book that is provided for by paragraphs (b) and (c) of Exchange Rule 6.8.

2. Statutory Basis

The proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act,<sup>6</sup> in that it is designed to remove impediments to a free and open market

<sup>4</sup> It is expected that the implementation of Trigger will also eliminate the vast majority of orders "kicked-out" of RAES in the situation where firms seeking out pricing anomalies detect the skewed quote and submit a RAES eligible order(s) to trade at the book price.

<sup>5</sup> If the DPM determines that the trade is not valid, such as if the trade was based on an erroneous print in the underlying, the order will be re-booked and the last sale will be canceled.

<sup>6</sup> 15 U.S.C. 78f(b)(5).

and to protect investors and the public interest.

*B. Self-Regulatory Organization's Statement on Burden on Competition*

The CBOE does not believe that the proposed rule change will impose any burden on competition.

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

No written comments were solicited or received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. CBOE-00-22 and should be submitted by May 29, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-44226; File No. SR-GSCC-2001-02]**

**Self-Regulatory Organizations; The Government Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Inclusion of Netting-Eligible Federal Home Loan Mortgage Corporation Securities in Auction Takedown Service**

April 26, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 5, 2001, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") and on March 12, 2001, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change would allow GSCC to expand its auction takedown service to include netting-eligible Federal Home Loan Mortgage Corporation ("Freddie Mac") securities.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>2</sup>

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission has modified the text of the summaries prepared by GSCC.

*(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

GSCC introduced its auction takedown service in 1994.<sup>3</sup> The service enables GSCC to accept data on a locked-in basis with respect to proprietary purchases of Treasury notes, bills, and bonds made at auction by members of GSCC's netting system; to net the purchases with when-issued trades of such members in these securities; and to deliver the purchased securities through GSCC's settlement mechanism. In its approval of GSCC's rule filing, the Commission noted, "By including auction securities in GSCC's netting system, the level of potential netting is increased and the number of required movements of securities are reduced. Netting of auction securities also may have the effect of increasing a member's liquidity. Previously, a GSCC member with a short position would have its required margin payments calculated based on its short position, even if it had an offsetting long position in auction purchases. Once the positions are netted, the member's margin payments will be calculated based on the position after taking into account the auction purchases, perhaps creating a lower margin payment. The additional liquidity may assist in the prompt and accurate clearance and settlement of securities transactions. In this manner, the proposal removes impediments to the national system for the prompt and accurate clearance and settlement of securities transactions, and fosters cooperation and coordination with persons engaged in clearance and settlement of securities transactions."<sup>4</sup> The auction takedown service also reduces the counterparty risk to the Department of the Treasury and makes the information that GSCC maintains on the net settlement position of its members more complete for risk management purposes.

GSCC has recently been approached by Freddie Mac to extend GSCC's comparison and netting services to include netting-eligible Freddie Mac securities purchased at auction commencing in February 2001. Agency securities are steadily constituting an increasing portion of GSCC's processing activity.<sup>5</sup> Including Freddie Mac

<sup>3</sup> Securities Exchange Act Release No. 33984 (May 2, 1994), 59 FR 24491 (order authorizing GSCC to include in its comparison and netting services U.S. Treasury securities purchases at auction).

<sup>4</sup> *Id.*

<sup>5</sup> In 2000, GSCC processed 88 percent more agency security transactions than in 1999, and, in 2000, the par value of agency security transactions