

registered holding company system if rule 53(a), (b), and (c) are met. NU states, for purposes of rule 54, that it meets all of the conditions of rule 53 under the Act, except for rule 53(a)(1). By order dated March 7, 2000 (HCAR No. 27148) ("EWG Investment Order"), the Commission determined that NU's financing of its investment in Northeast Generation Company ("NGC"), NU's only current EWG or FUCO investment, in an amount not to exceed 83% of its "average consolidated retained earnings," would not have the adverse effects set forth in rule 53(c) based on the representations NU set forth at that time. As of December 31, 2000, NU's "aggregate investment," as defined in rule 53(a)(1) ("Aggregate Investment"), in EWGs and FUCOs was approximately \$469.5 million, or about 76.1% of NU's consolidated retained earnings ("CRE"). For the four quarters ending December 31, 2000, NU's CRE was \$617.3 million.

The proposed transactions are subject to rule 54. Under rule 54, because NU does not meet rule 53(a)(1), the Commission must consider the effect of the capitalization and earnings of EWGs and FUCOs. Applicants state the proposed transactions, considered in conjunction with the effect of the capitalization and earnings of NU's EWGs and FUCOs, would not have a material adverse effect on the financial integrity of the NU system, or an adverse impact on NU's public-utility subsidiaries, their customers, or the ability of state commissions to protect such public-utility customers. NU's consolidated capitalization ratio and its retained earnings, both have improved since the date of the EWG Investment Order. NU's consolidated capitalization consists of 36.1% common equity and 63.9% debt (including long- and short-term debt, preferred stock, capital leases and guarantees). NU's consolidated retained earnings have decreased from \$581.8 million as of the December 31, 1999 to 495.9 million as of December 31, 2000. NU's interest in NGC has made a positive contribution to earnings in that time by contributing \$26.4 million to NU's retained earnings with revenues of \$108.5 million and net income of \$26.4 million. The capitalization and earnings attributable to NU's investments in EWGs and FUCOs has not had an adverse impact on NU's financial integrity.

Fees, commissions, and expenses to be incurred in connection with the solicitation of proxies are estimated not to exceed \$70,000. NU states that no state or federal commission, other than this Commission, has jurisdiction over the proposed transactions.

*It Is Ordered*, under rule 62 under the Act, that the declaration to the extent that it relates to the proposed solicitation of proxies is permitted to become effective immediately, subject to the terms and conditions contained in rule 24 under the Act.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27394]

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

May 4, 2001.

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 amendment(s) 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 application(s) and/or declaration(s) should submit their views in writing by May 24, 2001, 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 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 24, 2001, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### Northeast Utilities (70-9853)

Northeast Utilities ("NU"), 174 Brush Hill Road, West Springfield, Massachusetts 01089, a registered holding company, has filed a

declaration under sections 6(a), 7, and 12(b) and rules 45 and 54 under the Act.

By prior Commission orders dated November 9, 1988, December 20, 1990, December 3, 1992, and December 29, 1994 (HCAR Nos. 24742, 25219, 25692, and 26208, respectively) (collectively, "Prior Orders"), Holyoke Water Power Company ("HWP"), a utility subsidiary of NU, was authorized, among other things, to issue and sell notes, in an aggregate outstanding amount not exceeding \$38.3 million, in connection with the issuance and sale of pollution control revenue bonds ("Bonds") and to enter into a series of related reimbursement agreements ("Reimbursement Agreements") with various banking institutions ("Banks") in exchange for the issuance of irrevocable letters of credit ("LOCs"). In addition, in connection with each of the Reimbursement Agreements, NU entered into equity support agreements on behalf of HWP. These agreements were in the nature of contractual undertakings on the part of NU to maintain specified ownership levels in HWP and to cause HWP to maintain a minimum common equity to capitalization ratio.

In accordance with provisions in each of the Reimbursement Agreements, HWP agreed, among other things, that, so long as the LOCs were outstanding, HWP would not allow the ratio of its common equity to total capitalization to fall below 30%. As of December 31, 2000, HWP recognized a reduction in the carrying value of certain of its assets. Accordingly, its common equity ratio failed to meet certain consolidated common equity maintenance covenants contained in each of the Reimbursement Agreements. The Banks have consented to the decline in HWP's common equity ratio provided that NU provide further assurances that HWP will meet its obligations under the Reimbursement Agreements.

Consequently, NU now proposes, through June 30, 2004 ("Authorization Period") to issue guarantees and other forms of credit support (collectively, "Guarantees"), in an aggregate amount not to exceed \$45 million, in order to guarantee HWP's obligations under the Reimbursement Agreements. NU states that the Guarantees may take the form of NU agreeing to undertake reimbursement obligations or to assume liabilities or other obligations with respect to the LOCs. NU also states that the Guarantees will be without recourse to any other operating company in the NU system.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44249; File No. SR-NASD-2001-22]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers Regulation, Inc. Revising the Investment Company Products/Variable Contracts Limited Principal (Series 26) Examination

May 3, 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 March 27, 2001, 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.<sup>3</sup> NASD Regulation has designated this proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization under section 19(b)(3)(A)(i) of the Act<sup>4</sup> and Rule 19b-4(f)(1),<sup>5</sup> which renders the rule effective upon filing with the Commission. 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

NASD Regulation is proposing revisions to the Investment Company

Products/Variable Contracts Limited Principal (Series 26) examination.<sup>6</sup> The proposed revisions consist of general revisions to update the examination to reflect changes in the rules, regulations, and practices covered by the examination. The text of the Study Outline for the Series 26 examination is available at NASD Regulation and at the Commission.

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

In its filing with the Commission, NASD Regulation 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. NASD Regulation has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

Pursuant to section 15A(g)(3) of the Act,<sup>7</sup> which requires the NASD to prescribe standards of training, experience, and competence for persons associated with NASD members, the NASD has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with NASD members have attained specified levels of competence and knowledge. NASD Regulation periodically reviews the contents of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The NASD's Series 26 Limited Principal examination qualifies individuals to function as a principal in a member's securities business limited to investment company products and variable contracts. This examination tests a candidate's knowledge of securities industry rules and regulations pertinent to such products.

A committee of industry representatives, in conjunction with NASD Regulation staff, recently

undertook a review of the Series 26 examination. As a result of this review, NASD Regulation is proposing revisions to the Series 26 test selection specifications, study outline, and question bank to reflect changes in relevant laws, rules, and regulations and the development of new products, and to more accurately reflect the duties and responsibilities of a Series 26 principal. The examination also has been revised to focus more closely on the supervision of sales activities. In addition, the material has been reorganized into five substantive categories of critical functions that a Series 26 principal may be required to perform. These categories are: hiring and qualification; training of representatives; supervision; sales practices; and business processing and record-keeping. In order to adequately test the material on the revised Series 26 examination, the number of questions will be increased to 110 questions from 100 questions. The allowed testing time will change to 2½ hours from 2 hours. The passing score for the examination will continue to be 70 percent.<sup>8</sup>

###### 2. Statutory Basis

NASD Regulation believes that the proposed revisions are consistent with the provisions of sections 15A(b)(6)<sup>9</sup> and 15A(g)(3) of the Act,<sup>10</sup> which authorize the NASD to prescribe standards of training, experience, and competence for persons associated with NASD members.

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

NASD Regulation does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act.

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

Written comments were neither solicited nor received.

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

The proposed rule change has become effective pursuant to section 19(b)(3)(A)(i) of the Act<sup>11</sup> and subparagraph (f)(1) of Rule 19b-4

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

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

<sup>3</sup> See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. Revisions to the Series 26 Examination were originally filed with the Commission in SR-NASD-99-51. NASD Regulation has withdrawn SR-NASD-99-51 and refiled the revisions in the instant proposed rule change.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>5</sup> 17 CFR 240.19b-4(f)(1).

<sup>6</sup> The revised examination specifications were filed with the Commission under separate cover pursuant to a request by NASD Regulation for confidential treatment. See 17 CFR 240.24b-2.

<sup>7</sup> 15 U.S.C. 78o-3(g)(3).

<sup>8</sup> See telephone conversation between Rebekah Liu, Special Counsel, SEC, Cyndi Nguyen, Attorney, SEC and Eric Moss, Office of General Counsel, NASD Regulation on May 3, 2001.

<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>10</sup> 15 U.S.C. 78o-3(g)(3).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(i).