and operations in an aggregate amount of up to $12.5 billion at any one time outstanding, during the Authorization Period.[27] The $12.5 billion represents approximately 420% of the ScottishPower system's consolidated retained earnings. As of September 30, 2003, 100% of the ScottishPower system consolidated retained earnings on a U.S. GAAP basis was $3.14 billion.[28]

[27] As noted above, most of ScottishPower's FUCO investments are held through SPUK Holdings.

[28] Converting at £1.00: $1.661, the closing exchange rate at September 30, 2003.

F. Tax Allocation Agreement

The Applicants ask the Commission to approve an amended agreement for the allocation of consolidated tax among PHI, PacifiCorp and the PHI Nonutility Subsidiary Companies (''Tax Allocation Agreement'').

The proposed Tax Allocation Agreement requires approval because it now provides for cash payment to certain associate companies and provides for the retention by the U.S. parent of the U.S. tax filing group of certain tax attributes resulting from payments it has made, rather than the allocation of these losses to the subsidiaries in the U.S. tax filing group without compensation. PHI seeks to retain only the benefits of tax losses that have been generated by it in connection with the merger of ScottishPower with PacifiCorp. As a result of the merger with PacifiCorp, PHI now generates tax benefits from the interest expense on the acquisition-related debt that is non-recourse to PacifiCorp and is unrelated to the financing of operations.

VIII. Service Company Approvals

PacifiCorp has been providing administrative, management, technical, legal and other support services to its subsidiaries for many years. In addition, there have been occasions when subsidiaries of PacifiCorp have provided services to PacifiCorp or to other PHI Nonutility Subsidiary Companies. PacifiCorp now proposes to continue these arrangements, with PacifiCorp providing services to the PHI Nonutility Subsidiary Companies and other associate companies in the holding company system pursuant to rule 87 under the Act. PHI Nonutility Subsidiary Companies propose to provide services to PacifiCorp pursuant to section 13(b). All service transactions, as explained above, will be priced at cost in accordance with section 13 of the Act and the rules under the Act. In the event that the market rate of the services is less than cost, neither PacifiCorp nor the PHI Nonutility Subsidiary Companies will provide such services. PacifiCorp also proposes to engage in service activities with SPUK and certain members of the SPUK Holdings Group.

In addition, SPUK or another member of the SPUK Holdings Group proposes to perform services for PacifiCorp and the PHI Nonutility Subsidiary Companies. All service transactions will be priced at cost in accordance with section 13 of the Act and the rules thereunder.

PacifiCorp and the PHI Nonutility Subsidiary Companies request authorization under section 13(b) of the Act to provide services and sell goods to its members and the SPUK Holdings Group at fair market prices determined without regard to cost, and request an exemption under section 13(b) from the cost standards of rules 90 and 91 as applicable to these transactions, in any case in which the non-utility subsidiary purchasing these goods or services is:

(i) A FUCO or foreign EWG which derives no part of its income, directly or indirectly, from the generation, transmission, or distribution of electric energy for sale within the United States;

(ii) An EWG which sells electricity at market-based rates which have been approved by the FERC, provided that the purchaser is not PacifiCorp;

(iii) A QF that sells electricity exclusively (a) at rates negotiated at arms' length to one or more industrial or commercial customers purchasing the electricity for their own use and not for resale, and/or (b) to an electric utility company at the purchaser's ''avoided cost'' as determined in accordance with PURPA regulations;

(iv) A domestic EWG or QF that sells electricity at rates based upon its cost of service, as approved by FERC or any state public utility commission having jurisdiction, provided that the purchaser is not PacifiCorp; or

(v) A Rule 58 Company or any other non-utility subsidiary that (a) is partially owned by a member of the PHI Nonutility Subsidiary Companies or the SPUK Holdings Group, provided that the ultimate purchaser of such goods or services is not PacifiCorp, (b) is engaged solely in the business of developing, owning, operating and/or providing services or goods to the nonutility subsidiaries described in clauses (i) through (iv) immediately above, or (c) does not derive, directly or indirectly, any material part of its income from sources within the United States and is not a public-utility company operating within the United States.

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

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 04–5587 Filed 3–11–04; 8:45 am]

BILLING CODE 8010–01–U

SECURITIES AND EXCHANGE COMMISSION

[File No. 500–1]

Verdisys, Inc.; Order of Suspension of Trading

March 10, 2004.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Verdisys, Inc. (''Verdisys'') because of questions regarding the accuracy and adequacy of assertions by Veridsys, and by others, in periodic and current filings and press releases to investors, concerning, among other things: (1) The company's business operations related to its lateral drilling services; and (2) the company's anticipated and actual revenues.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in securities related to the above company.

Therefore, it is ordered, pursuant to section 12(k) of the Securities Exchange Act of 1934, that trading in all securities, as defined in section 3(a)(10) of the Securities Exchange Act of 1934, issued by the above company, is suspended for the period from 9:30 a.m. e.s.t. on Wednesday, March 10, 2004, and terminating at 11:59 p.m. e.s.t. on Tuesday, March 23, 2004.

By the Commission.

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 04–5783 Filed 3–10–04; 2:49 pm]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–49371; File No. SR–Amex–2004–12]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange LLC Relating to Audit Committee Meeting Requirements Applicable to Registered Closed-End Management Investment Companies

March 5, 2004.

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 February 13, 2004, the American Stock Exchange LLC (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'')

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

[2] 17 CFR 240.19b–4.

the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Amex proposes to amend section 121 of the Amex *Company Guide* to modify the audit committee meeting requirements applicable to registered closed-end management investment companies. Proposed new language is in *italics;* proposed deletions are in brackets.

* * * * *

American Stock Exchange Company Guide

Section 121. INDEPENDENT DIRECTORS AND AUDIT COMMITTEE

A.—No change.

B (1) and (2)—No change.

(3) Meeting Requirements.

The Audit Committee of each listed company must meet on at least a quarterly basis[.], *except that with respect to listed registered closed-end management investment companies, the Audit Committee must meet on a regular basis as often as necessary to fulfill its responsibilities, including at least annually in connection with issuance of the company's audited financial statements.*

* * * * *

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 Amex 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 III below. The Amex 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

In December 2003, the Commission approved a broad array of enhancements to the corporate governance requirements applicable to listed companies.[3] Included within those changes is a revision to section 121 of the Amex *Company Guide* to explicitly require listed company audit committees to meet on at least a quarterly basis. This change was intended to codify the existing practice of virtually all operating companies.

The Exchange is proposing to modify this requirement with respect to closed-end funds to specify that the audit committee of a closed-end fund must meet on a regular basis as often as necessary to fulfill its responsibilities, including at least annually in connection with issuance of the fund's audited financial statements. This change will more closely align the Amex requirement to the customary practices of most closed-end funds. In particular, while there is some variation in practice with respect to the frequency of closed-end fund audit committee meetings, most funds hold one or more audit committee meetings in connection with the preparation, review and issuance of their audited financial statements. While closed-end funds are subject to the pervasive federal regulation pursuant to the Investment Company Act of 1940 (which imposes specific corporate governance requirements), Commission rules do not require them to file quarterly reports with the Commission. The Exchange therefore does not believe it is necessary or appropriate to impose a quarterly audit committee meeting requirement. However, the proposed rule would require closed-end fund audit committees to meet as often as necessary, even if more frequently than quarterly, depending on the unique circumstances facing a particular fund.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6 of the Act[4] in general and furthers the objectives of section 6(b)(5)[5] in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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

The Exchange 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 the 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 proposed rule change, including whether the proposed rule change 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. Comments may also be submitted electronically at the following e-mail address: *rule-comments@sec.gov.* All comment letters should refer to File No. SR–Amex–2004–12. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, comments should be sent in hardcopy or by e-mail but not by both methods. 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

[3] *See* Securities Exchange Act Release No. 48863 (December 1, 2003), 68 FR 68432 (December 8, 2003) (order approving File No. SR–Amex–2003–65).

[4] 15 U.S.C. 78f(b).

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

available for inspection and copying at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Amex.

All submissions should refer to the File No. SR–Amex–2004–12 and should be submitted by April 2, 2004.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 04–5651 Filed 3–11–04; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–49373; File No. SR–FICC–2003–09]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change to Establish a Comprehensive Standard of Care and Limit the Mortgage-Backed Securities Division's Liability to its Participants

March 8, 2004.

I. Introduction

On August 19, 2003, the Fixed Income Clearing Corporation (''FICC'')[1] filed with the Securities and Exchange Commission (''Commission'') proposed rule change SR–FICC–2003–09 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[2] Notice of the proposal was published in the **Federal Register** on January 15, 2004.[3] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

FICC is establishing a comprehensive standard of care and limitation of liability for the participants of MBSD that is identical to that of FICC's Government Securities Division (''GSD'').[4] Historically, the Commission has left to user-governed clearing agencies the question of how to allocate losses associated with, among other things, clearing agency functions.[5] In past considerations, the Commission has reviewed clearing agency services on a case-by-case basis and in determining the appropriate standard of care has balanced the need for a high degree of clearing agency care with the effect the resulting liabilities may have on a clearing agency's operations, costs, and ability to safekeep securities and funds.[6] Because standards of care limitations of liability represent an allocation of rights and liabilities between a clearing agency and its participants, which are generally sophisticated financial entities, the Commission has refrained from establishing a unique federal standard of care and has allowed clearing agencies and other self-regulatory organizations and their participants to establish their own standard of care.[7]

MBSD rules already provide for a standard of care similar to that now provided for in the GSD rules. The proposed rule changes make the MBSD standard of care provision in its rules identical to the provision in GSD's rules. Thus, in addition to being responsible to participants for gross negligence and willful misconduct, MBSD will be liable for direct losses caused by its violation of Federal securities laws for which there is a private right of action. MBSD will not be liable for the acts or omissions of third parties unless MBSD was grossly negligent, engaged in willful misconduct, or in violation of Federal securities laws for which there is a private right of action in selecting such third party. Moreover, MBSD will be relieved of any liability for consequential and other indirect damages. By making these changes to MBSD rules, both GSD and MBSD rules will be identical, lending consistency to FICC's approach to these issues.

FICC believes that adopting a uniform rule[8] limiting MBSD's liability to its participants to direct losses caused by MBSD's gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action: (a) Memorializes an appropriate commercial standard of care that will protect MBSD from undue liability; (b) permits the resources of MBSD to be appropriately utilized for promoting the accurate clearance and settlement of securities; and (c) is consistent with similar rules adopted by other self-regulatory organizations and approved by the Commission.[9]

III. Discussion

Section 19(b) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.[10] The Commission believes that approval of FICC's rule change is consistent with this Section because it will permit the resources of MBSD to be appropriately utilized for promoting the prompt and accurate clearance and settlement of securities.

Although the Act does not specify the standard of care that must be exercised by registered clearing agencies, the Commission has determined that a gross negligence standard of care is acceptable for noncustodial functions where a

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[6] 17 CFR 200.30–3(a)(12).

[1] On January 1, 2003, MBS Clearing Corporation (''MBSCC'') was merged into the Government Securities Clearing Corporation (''GSCC''), and GSCC was renamed the Fixed Income Clearing Corporation (''FICC''). The functions previously performed by GSCC are now performed by the Government Securities Division (''GSD'') of FICC, and the functions previously performed by MBSCC are now performed by the Mortgage-Backed Securities Division (''MBSD'') of FICC. Securities Exchange Act Release No. 47015 (December 17, 2002), 67 FR 78531 [File Nos. SR–GSCC–2002–09 and SR–MBSCC–2002–01].

[2] 15 U.S.C. 78s(b)(1).

[3] Securities Exchange Act Release No. 49048 (January 9, 2004), 69 FR 2375.

[4] The Commission has approved identical rule language for GSD establishing a comprehensive standard of care and limitation of liability to its members. Securities Exchange Act Release No. 48201 (July 21, 2003), 68 FR 44128 [File No. SR–GSCC–2002–10].

[5] Securities Exchange Act Release Nos. 20221 (September 23, 1983), 48 FR 45167 and 22940 (February 24, 1986), 51 FR 7169.

[6] *Id.*

[7] *Id.*

[8] MBSD Clearing Rules Article V, Rule 6, Sections 1(a) and (b) and MBSD EPN Rulebook Article X, Rule 6, Sections 1(a) and (b) now read as follows:

(a) The Corporation will not be liable for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Corporation's obligations to its Participants [EPN users and Participants], other than for losses caused directly by the Corporation's gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action. Under no circumstances will the Corporation be liable for the acts, delays, omissions, bankruptcy, or insolvency, of any third party, including, without limitation, any depository, custodian, sub-custodian, clearing or settlement system, transfer agent, registrar, data communication service or delivery service (''Third Party''), unless the Corporation was grossly negligent, engaged in willful misconduct, or in violation of Federal securities laws for which there is a private right of action in selecting such Third Party; and

(b) Under no circumstances will the Corporation be liable for any indirect, consequential, incidental, special, punitive or exemplary loss or damage (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of whether the Corporation has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.

[9] *See, e.g.*, Securities Exchange Act Release Nos. 37421 (July 11, 1996), 61 FR 37513 [SR–CBOE–96–02] and 37563 (August 14, 1996), 61 FR 43285 [SR–PSE–96–21].

[10] 15 U.S.C. 78q–1(b)(3)(F).