members or affiliates of members and proposes revising the definition of ''actively-traded securities'' to extend the exemption to securities issued by a distribution participant or an affiliate of the distribution participant. Paragraph (1)(7)(A), as amended, is set forth below. Language to be deleted from the paragraph appears in brackets.

Actively-traded securities means securities that have an ADTV value of at least $1 million and are issued by an issuer whose common equity securities have a public float value of at least $150 million[; provided, however, that such securities are not issued by the distribution participant or an affiliate of the distribution participant].

Finally, Sullivan Cromwell notes that Paragraph (l)(1) refers to secondary distributions ''by an issuer.'' Sullivan and Cromwell asks whether secondary distributions by an existing security holder are subject to the Interpretation. If not, Sullivan and Cromwell recommends amending the text of proposed Paragraph (l)(1) to extend the exemption to such distributions. NASD Regulation did not intend to exclude from the exemption secondary offerings by security holders. Accordingly, it has revised Paragraph (l)(1) as set forth below. New language is italicized. Language to be deleted from the paragraph appears in brackets.

The term public offering shall exclude secondary distributions by an issuer *or any security holder of the issuer, of* [whose securities are] actively-traded securities.

IV. Conclusion

The Commission has carefully considered the comments set forth in the Sullivan and Cromwell letter. As discussed in detail above, the NASD Regulation has made a number of technical amendments to the proposal in response to the Sullivan and Cromwell letter, which the Commission believes are consistent with the spirit of the Interpretation. Indeed, the Commission believes the changes to the proposal which were made pursuant to Amendment No. 1 and No. 2 will facilitate the ability of NASD member firms to comply with the Interpretation, because the amendments further clarify the intent of the proposed rule change. For example, in response to the Sullivan and Cromwell letter, the Interpretation was amended to clarify that the exemption in paragraph (b)(9)(B) for sales to the accounts of restricted persons established for the benefit of bona fide public customers was intended to apply across all industries, as opposed to life insurance companies exclusively. Similarly, Amendment No. 1 to the proposal facilitates member firm compliance by amending the paragraph (b)(9)(A)(ii) exemption for shares of a member traded on an exchange or Nasdaq to include an exemption for shares of a member traded as a part of a holding company. This amendment fosters member firm compliance with the Interpretation by recognizing that many of the largest broker-dealers are subsidiaries of publicly traded holding companies and are not themselves publicly traded.

NASD Regulation has determined not to revise the proposal in response to Sullivan and Cromwell's suggestion that paragraph (b)(9) of the Interpretation, which with certain exceptions, prohibits sales of hit issue securities to any person who owns or has contributed capital to a broker-dealer, be revised such that it only applies to institutions engaged ''principally in the broker-dealer business.'' The Commission agrees with NASD Regulation that such an amendment is inconsistent with the scope and intent of the proposal, because the modification would leave open a substantial possibility of self-dealing between broker-dealers and owners of broker-dealers. Accordingly, the Commission believes NASD Regulation has a sound investor protection basis for its decision not to narrow the scope of paragraph (b)(9) of the Interpretation as requested by Sullivan and Cromwell.

The Commission believes the proposed rule change, as amended, is consistent with the provisions of section 15(A)(b)(6) of the Act,[9] which provides in pertinent part that the rules of a national securities association be designed to prevent fraudulent and manipulative acts, promote just and equitable principles of trade and protect investors and the public interest. Specifically, the proposal preserves public confidence in the fairness of the investment banking and securities business by ensuring that members of the investment banking community do not unfairly benefit from public offerings by virtue of their positions as insiders, to the detriment of public investors. Preservation of investor confidence in the fairness of the markets is critical to the continued participation of all classes of securities marked participants. The Commission believes, moreover, that the proposed rule change is consistent with section 15A(b)((9)[10] in that it will alleviate certain inequities caused by the Interpretation, which imposed burdens on competition not necessary or appropriate in furtherance of the purposes of the Act.

In approving this proposal, the Commission notes that it is has considered the proposal's impact on efficiency, competition, and capital formation.[11] The Commission believes the proposal will facilitate the capital raising process by removing restrictions and compliance burdens imposed by the Interpretation with respect to certain transactions where application of the Interpretation does not enhance investor protection or the public interest. For example, the proposal excludes from the definition of public offering secondary offerings by an issuer whose securities are actively traded securities. At the same time, the Interpretation continues to apply to those securities allocations that pose a risk of undercutting the Interpretation's objective of ensuring a bona fide distribution of hot issue securities to the public.

It is therefore ordered, pursuant to Section 19(b)(2)[12] of the Act, that the proposed rule change SR–NASD–97–95 be and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010–01–M

[9] 15 U.S.C. 78*o*-3.

[10] 15 U.S.C. 78o-3.

[11] 15 U.S.C. 78c(f).

[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

SMALL BUSINESS ADMINISTRATION

Notice of Action Subject to Intergovernmental Review Under Executive Order 12372

AGENCY: U.S. Small Business Administration.

ACTION: Notice of Action Subject to Intergovernmental Review Under Executive Order 12372.

SUMMARY: The Small Business Administration (SBA) is notifying the public that it intends to grant the pending applications of 22 existing Small Business Development Centers (SBDCs) for refunding on October 1, 1998, subject to the availability of funds. Four states do not participate in the EO 12372 process, therefore, their addresses are not included. A short description of the SBDC program follows in the supplementary information below.

The SBA is publishing this notice at least 90 days before the expected refunding date. The SBDCs and their mailing addresses are listed below in the addresses section. A copy of this notice also is being furnished to the

respective State single points of contact designated under the Executive Order. Each SBDC application must be consistent with any area-wide small business assistance plan adopted by a State-authorized agency.

DATES: A State single point of contact and other interested State or local entities may submit written comments regarding an SBDC refunding on or before June 25, 1998.

ADDRESSES:

Addresses of Relevant SBDC State Directors

Mr. Robert McKinley, Region Director, Univ. of Texas at San Antonio, 1222 North Main Street, San Antonio, TX 78212, (210) 458-2450

Mr. Dennis Gruell, State Director, University of Connecticut, 2 Bourn Place, U–94, Storrs, CT 06269-5094, (860) 486–4135

Dr. Elizabeth Gatewood, Region Director, University of Houston, 1100 Louisiana, Suite 500, Houston, TX 77002, (713) 752–8444

Ms. Hazel Kroesser Palmer, State Director, West Virginia Development Office, 950 Kanawha Boulevard, East, Charleston, WV 25301, (304) 558–2960

Mr. Clinton Tymes, State Director, University of Delaware, Suite 005—Purnell Hall, Newark, DE 19711, (302) 831–2747

Ms. Janet Holloway, State Director, University of Kentucky, 225 Business & Economics Bldg., Lexington, KY 40506–0034, (606) 257–7668

Ms. Liz Klimback, Region Director, Dallas Community College, 1402 Corinth Street, Dallas, TX 75212, (214) 860–5833

Mr. Craig Bean, Region Director, Texas Tech University, 2579 South Loop 289, Suite 114, Lubbock, TX 79423–1637, (806) 745–3973

Mr. Doug Gurley, State Director, University of Mississippi, Old Chemistry Building, University, MS 38677, (601) 232–5001

Mr. James L. King, State Director, State University of New York, SUNY Plaza, S–523, Albany, NY 12246, (518) 443–5398

Ms. Diane Wirth, Acting State Director, Univ. of Maryland/College Park, 7100 Baltimore Avenue, Suite 401, Baltimore, MD 20740, (301) 403–8163

Ms. Diane Wolverton, State Director, University of Wyoming, P.O. Box 3622, Laramie, WY 82071–3622, (307) 766–3505

Mr. Max Summers, State Director, University of Missouri, Suite 300, University Place, Columbia, MO 65211, (314) 882–0344

Ms. Holly Schick, State Director, Ohio Department of Development, 77 South High Street, Columbus, OH 43226–1001, (614) 466–2711

Mr. Donald L. Kelpinski, State Director, Vermont Technical College, P.O. Box 422, Randolph Center, VT 05060, (802) 728–9101

Ms. Carmen Marti, SBDC Director, Inter American University, Ponce de Leon Avenue, #416, Edificio Union Plaza, Suite 7–A, Hato Rey, PR 00918, (787) 763–6811

Mr. Chester Williams, SBDC Director, University of the Virgin Islands, 8000 Nisky Center, Suite 202, St. Thomas, US V. Islands 00802, (809) 776–3206

Mr. Ronald Manning, State Director, Iowa State University, 137 Lynn Avenue, Ames, IA 50010, (515) 292–6351

FOR FURTHER INFORMATION CONTACT: Johnnie L. Albertson, Associate Administrator for SBDCs, U.S. Small Business Administration, 409 Third Street, SW., Suite 4600, Washington, DC 20416.

SUPPLEMENTARY INFORMATION:

Description of the SBDC Program

A partnership exists between SBA and an SBDC. SBDCs offer training, counseling and other business development assistance to small businesses. Each SBDC provides services under a negotiated Cooperative Agreement with SBA, the general management and oversight of SBA, and a state plan initially approved by the Governor. Non-Federal funds must match Federal funds. An SBDC must operate according to law, the Cooperative Agreement, SBA's regulations, the annual Program Announcement, and program guidance.

Program Objectives

The SBDC program uses Federal funds to leverage the resources of states, academic institutions and the private sector to:

(a) Strengthen the small business community;

(b) Increase economic growth;

(c) Assist more small businesses; and

(d) Broaden the delivery system to more small businesses.

SBDC Program Organization

The lead SBDC operates a statewide or regional network of SBDC subcenters. An SBDC must have a full-time Director. SBDCs must use at least 80 percent of the Federal funds to provide services to small businesses. SBDCs use volunteers and other low cost resources as much as possible.

SBDC Services

An SBDC must have a full range of business development and technical assistance services in its area of operations, depending upon local needs, SBA priorities and SBDC program objectives. Services include training and counseling to existing and prospective small business owners in management, marketing, finance, operations, planning, taxes, and any other general or technical area of assistance that supports small business growth.

The SBA district office and the SBDC must agree upon the specific mix of services. They should give particular attention to SBA's priority and special emphasis groups, including veterans, women, exporters, the disabled, and minorities.

SBDC Program Requirements

An SBDC must meet programmatic and financial requirements imposed by statute, regulations or its Cooperative Agreement. The SBDC must:

(a) Locate subcenters so that they are as accessible as possible to small businesses;

(b) Open all subcenters at least 40 hours per week, or during the normal business hours of its state or academic Host Organization, throughout the year;

(c) Develop working relationships with financial institutions, the investment community, professional associations, private consultants and small business groups; and

(d) Maintain lists of private consultants at each subcenter.

Dated: May 18, 1998.

Johnnie L. Albertson,

Associate Administrator, for Small Business Development Centers.

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SMALL BUSINESS ADMINISTRATION

Heartland States Regional Fairness Board; Public Hearing

The Heartland States Regional Fairness Board Hearing, to be held on June 8, 1998, starting at 10:00 a.m. at the Junior League, 10435 Clayton, Frontenac, Missouri, in space being provided by the Junior League, to receive comments from small businesses concerning regulatory enforcement or compliance taken by Federal agencies. Transcripts of these proceedings will be posted on the Internet. These transcripts are subject only to limited review by the National Ombudsman.