made for that year. The net long-term capital gains in excess of the periodic distributions permitted by rule 19b–1 then must either be added to one of the permitted capital gains distributions resulting in the total distributions for the year in excess of the amount required to be paid, added to a permitted distribution of long-term capital gains on the common stock, or retained by applicant (with applicant paying taxes on those amounts). Accordingly, applicant states that the requested relief would permit it to operate the Distribution Policy with respect to the preferred stock without these unintended adverse consequences.

3. Applicant asserts that its requested relief does not give rise to the concerns underlying section 19(b) of the Act and rule 19b–1. One of these concerns was that stockholders might not be able to distinguish between frequent distributions of capital gains and dividends from investment income. Applicant states that in the case of preferred stock there is little chance for investor confusion since all an investor expects to receive is the specified distribution for any particular dividend period, and no more. Moreover, in accordance with rule 19a–1 under the Act, a separate statement showing the sources of the distribution will accompany each periodic dividend, with a statement provided near the end of the last dividend period in a year indicating the sources (*i.e.*, net investment income and short-term capital gains, net long-term capital gains and return of capital) of each distribution that was made during the year. In addition, applicant notes that the amount and sources of distributions received during the year will be included on applicant's IRS Form 1099–DIV report sent to stockholders who received distributions during the year. This information will also be included in applicant's annual report to stockholders.

4. Applicant submits that another concern underlying section 19(b) and rule 19b–1, was that frequent capital gains distributions could facilitate improper fund distribution practices, including the practice of urging an investor to purchase shares on the basis of an upcoming dividend (''selling the dividend''), where the dividend results in an immediate corresponding reduction in net asset value and is in effect a return of the investor's capital. Applicant believes that this concern does not apply to preferred stock which entitles a holder to a specified periodic dividend and no more and, like a debt security, is initially sold at a price based on its liquidation preference plus an amount equal to any accumulated dividends. Applicant also states that this concern does not arise with regard to closed-end investment companies which do not continuously distribute their shares.

5. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provision of the Act, or from any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. For the reasons stated above, applicant believes that the requested exemption from section 19(b) of the Act and rule 19b–1, meets the standards set forth in section 6(c) of the Act.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98–13646 Filed 5–21–98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39995; File No. SR–PCX–98–17]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Expansion of the LMM Book Pilot Program

May 15, 1998.

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 April 16, 1998, the Pacific Exchange, Inc. (''PCX'' 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 self-regulatory organization.[3] The Commission is published 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 PCX is proposing to remove the current cap on the number of LMMs who may participate in the program.[4]

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 self-regulatory organization 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 self-regulatory organization 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

Purpose

On October 11, 1997, the Commission approved an Exchange proposal to adopt a one-year pilot program under which a limited number of LMMs would be able to assume operational responsibility for the options public limit order book (''Book'') in certain option issues.[5] On September 22, 1997, the Commission approved an Exchange proposal to extend the program for one year, so that it is currently set to expire on October 12, 1998.[6]

Under the pilot program, approved LMMs manage the Book function, take responsibility for trading disputes and errors, set rates for Book execution, and pay the Exchange a fee for systems and services.[7] Currently, both multiply-listed and non-multiply-listed option

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

[2] 17 CFR 240.19b–4 (1991).

[3] The Exchange had initially submitted the filing prior to April 16, 1998, but that submission did not include a signature page. By letter dated April 14, 1998, the Exchange filed Amendment No. 1 to the filing, which contained signatures for the filing. *See* Letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, PCX, to Marie D'Aguanno Ito, Special Counsel, Division of Market Regulation, Commission, dated April 14, 1998.

[4] On May 1, 1998, PCX submitted Amendment No. 2 to the filing, seeking to withdraw the portion of the filing that proposed removing the limit on the number of option issues that may be included in the LMM program. The PCX represented in the Amendment that such proposal would be submitted in a separate filing. See Letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, to Marie D'Aguanno Ito, Special Counsel, Division of Market Regulation, Commission, dated April 30, 1998.

[5] See Exchange Act Release No. 37810 (October 11, 1996), 61 FR 54481 (October 18, 1997) (approving File No. SR–PSE–96–09).

[6] See Exchange Act Release No. 39106 (September 22, 1997), 62 FR 31172 (September 30, 1997).

[7] See Exchange Act Release No. 37874 (October 28, 1996), 61 FR 56597 (November 1, 1996) (approving SR–PSE–96–38, establishing a staffing charge for LMMs who participate in the pilot program); see also File No. SR–PCX–98–03 (proposal to modify the LMM Book Pilot staffing charge).

issues are eligible to be traded under the pilot program.[8] Initially, the program was limited by allowing no more than three LMMs to participate in the program and no more than 40 option symbols to be used. But on April 1, 1997, the Commission approved an Exchange proposal to expand the program so that up to nine LMMs may participate and up to 150 option symbols may be used.[9]

The Exchange is now proposing to expand the LMM Book Pilot Program to eliminate the cap on the number of LMMs that may participate in the program. The Exchange notes that the program has been in operation for approximately eighteen months and no significant problems have occurred. The program has been viable and effective, and has resulted in significant cost savings to customers in Book execution charges. The Exchange believes that it has adequate systems and operation capacity to expand the scope of the program beyond its current limits.

The Exchange believes that the proposed change will make the Exchange LMM Program more competitive because it will provide LMMs with the same flexibility currently held by options specialists at other exchanges, and DPMs at the Chicago Board Options Exchange.

Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)[10] of the Act, in general, and furthers the objectives of Section 6(b)(5),[11] in particular, in that it is designed to facilitate transactions in securities, to promote just and equitable principles of trade, and to protect investors and the public interest.

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments on the proposed rule change were neither solicited nor received.

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 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, N.W., Washington, D.C. 20549. 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR–PCX–98–17 and should be submitted by June 12, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[12]

Jonathan G. Katz,

Secretary.

[FR Doc. 98–13727 Filed 5–21–98; 8:45 am]

BILLING CODE 8010–01–M

[8] See Exchange Act Release No. 38273 (February 12, 1997), 62 FR 7489 (February 19, 1997) (approving File No. SR–PSE–96–45); *see also* Exchange Act Release No. 39667 (February 13, 1998), 63 FR 9895 (February 26, 1998) (order approving proposal to allow non-multiply-listed option issues to be traded under the program).

[9] See Exchange Act Release No. 38462 (April 1, 1997), 62 FR 16886 (April 8, 1997).

[10] 15 U.S.c. 78f(b).

[11] 15 U.S.C. 78f(b)(5).

[12] 17 CFR 200.30–3(a)(12).

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3076]

State of Alabama; Amendment #2

In accordance with a notice from the Federal Emergency Management Agency dated April 29, 1998, the above-numbered Declaration is hereby amended to include Walker County in the State of Alabama as a disaster area due to damages caused by severe storms and tornadoes beginning on April 8, 1998 and continuing through April 20, 1998.

In addition, applications for economic injury loans from small businesses located in the contiguous county of Marion, Alabama may be filed until the specified date at the previously designated location. Any counties contiguous to the above-name primary county and not listed herein have been previously declared.

All other information remains the same, i.e., the deadline for filing applications for physical damage is June 8, 1998 and for economic injury the termination date is January 11, 1999.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: May 8, 1998.

Bernard Kulik,

Associate Administrator for Disaster Assistance.

[FR Doc. 98–13743 Filed 5–21–98; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3069]

State of Georgia; Amendment #7

In accordance with notices from the Federal Emergency Management Agency (FEMA) dated May 1, 8, and 11, 1998 and a notification from FEMA dated May 12, 1998, the above-numbered Declaration is hereby amended to include Columbia, Floyd, Lincoln, Peach, ockdale, Towns, and Union Counties in the State of Georgia as a disaster area due to damages caused by severe storms and flooding. This declaration is further amended to establish the incident period for this disaster as beginning on February 14, 1998 and continuing through May 11, 1998, and to extend the deadline for filing applications for physical damages resulting from this disaster to May 22, 1998.

In addition, applications for economic injury loans from small businesses located in the following contiguous counties may be filed until the specified date at the previously designated