

amount is set too low, the result could be that some members would have to submit a greater number of "do not exercise" instructions than they would have to submit if the threshold amount was set at a higher amount. However, the Commission is satisfied that by consulting with an industry advisory group, by surveying its clearing members, and by its analysis, OCC has made a reasoned determination in deciding to set the threshold amount for equity options in all account types at \$.05. Furthermore, we note that OCC consulted with its clearing members to ensure that even those that did not actively support the proposed rule change would not be adversely affected in a significant manner by the new threshold amount. Accordingly, because the proposed rule change is designed to reduce the amount of processing required for in-the-money equity options, we find that it is designed to promote the prompt and accurate clearance and settlement of securities transactions.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-2006-05) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Nancy M. Morris,
Secretary.

[FR Doc. E6-16332 Filed 10-3-06; 8:45 am]

BILLING CODE 8010-01-P

SMALL BUSINESS ADMINISTRATION

Notice of NMTC Pilot Loan Program

AGENCY: U.S. Small Business Administration ("SBA").

ACTION: Notice.

SUMMARY: SBA is creating the New Markets Tax Credit (NMTC) Pilot Loan Program. Under this program, certain Community Development Entities will be able to purchase a participation interest in up to 90% of a SBAExpress or CommunityExpress Section 7(a) guaranteed business loan as part of their investment in low-income communities under the New Markets Tax Credit

Program administered by the U.S. Department of Treasury. SBA will use its authority under 13 CFR 120.3 to waive section 120.432(a) of SBA regulations for this pilot program.

DATES: *Effective date:* The NMTC Pilot Loan Program will take effect on November 3, 2006.

Expiration date: The NMTC Loan Pilot Program will expire on September 30, 2011, unless extended by SBA.

FOR FURTHER INFORMATION CONTACT:

James W. Hammersley, Director, Loan Programs Division at james.hammersley@sba.gov.

SUPPLEMENTARY INFORMATION:

New Markets Tax Credit Program

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in entities designated as Community Development Entities (CDEs) by the U.S. Department of Treasury's Community Development Financial Institutions (CDFI) Fund. Substantially all of the qualified equity investment must in turn be used by the CDE to make "qualified low-income community investments," as defined in § 45D(d)(1) of the IRS Tax Code ("QLCI"), which includes a loan made to a "qualified active low-income community business," as defined in § 45(d)(2) of the IRS Tax Code ("QLCI loans"). The credit provided to the investor totals 39% of the investment made by that investor, which may claim the credit against taxable income over a seven-year credit allowance period. In each of the first three years, the investor may claim five percent of the total amount of the NMTC; in the final four years, the investor may claim six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

NMTCs are allocated annually by the CDFI Fund to CDEs under a competitive application process. These CDEs then offer the credits to taxable investors in exchange for stock or a capital interest in the CDEs. To qualify as a CDE, an entity must be a domestic corporation or partnership that: (1) Has a mission of serving, or providing investment capital for, low-income communities or low-income persons; (2) maintains accountability to residents of low-income communities through their representation on a governing board of or advisory board to the entity; and (3) has been certified as a CDE by the CDFI Fund.

Throughout the life of the NMTC Program, the CDFI Fund is authorized to allocate up to \$16 billion in NMTCs to

CDEs. To date, the CDFI Fund has conducted four rounds of allocations and issued 233 awards totaling \$12.1 billion in allocation authority. The CDFI Fund plans to release its fifth annual NMTC Program Notice of Allocation Availability (NOAA) on December 1, 2006. This NOAA will invite CDEs to compete for NMTC allocations in support of an aggregate amount of \$3.9 billion in qualified equity investments in CDEs.

More information about the NMTC program, including the applicable statutes and regulations, is available at the CDFI Fund's Web site at: http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5.

SBA's NMTC Pilot Loan Program

SBA will implement a NMTC Pilot Loan Program on the effective date of this Notice. The pilot will encourage lenders, as defined in 13 CFR 120.10 ("Lenders"), that participate in SBA's 7(a) guaranteed loan program to increase the amount of credit, equity and financial services they provide to entrepreneurs and small businesses located in urban and rural distressed communities ("new markets"), and support the President's domestic economic priority of stimulating growth, investment and jobs in new markets, by increasing SBA's support for the NMTC program. New markets are "low-income communities" as defined in § 45D(e) of the IRS Tax Code.

As part of the pilot, SBA will use its authority under 13 CFR 120.3 to waive the regulation that states, "A Lender may not sell any of its interest in a 7(a) loan to a nonparticipating Lender." 13 CFR 120.432(a). This regulation requires that any holder of any portion of an SBA-guaranteed 7(a) loan, as defined in 13 CFR 120.1 and 120.2(a) ("7(a) loan"), other than through a sale in the secondary market, must be a Lender. Waiver of this rule is necessary to allow CDEs that are not also Lenders to hold 7(a) loans. Allowing CDEs to purchase and hold a portion of a 7(a) loan will enable CDEs with NMTC allocations to attract additional participation from Lenders to provide loans, as well as equity financing and financial services to entrepreneurs and small businesses in new markets. Under the pilot, only CDEs holding a NMTC allocation awarded by the CDFI Fund will be allowed to purchase portions of 7(a) loans.

Through the pilot, SBA plans to test a process which permits CDEs to purchase a participation interest in 7(a) loans made by Lenders under either the SBAExpress or CommunityExpress programs, as a means of providing

⁸ 17 CFR 200.30-3(a)(12).

additional financing to businesses located in new markets. The CDEs would bring additional funds to various underserved business communities located in new markets. SBA hopes that such CDEs will also provide a package of services to borrowers, including mentoring, coaching and counseling to these businesses.

Under SBA's SBAExpress loan program, a Lender approved by SBA to make such loans makes a 7(a) loan to a small business using the Lender's own processes, procedures, and forms. Certain types of loans are not eligible for the SBAExpress loan program. The maximum loan amount is \$350,000, and the maximum SBA guaranty is 50% of the loan amount. More information about the SBAExpress program is available at: <http://www.sba.gov/financing/lendinvest/sbaexpress.html>, or from any SBA district office. Although the maximum size of an SBAExpress loan is \$350,000, SBAExpress loans that are larger than \$150,000 will not be eligible for the NMTC Pilot Loan Program.

Under SBA's CommunityExpress program, a Lender approved by SBA to make such loans makes a 7(a) loan to a small business using Lender's own processes, procedures, and forms. Borrowers must receive pre- and post-loan closing technical and management assistance from local non-profit providers and/or from the Lender, with that assistance coordinated, arranged and, when necessary, paid for by the Lender. Certain types of loans are not eligible for the CommunityExpress program. The maximum loan amount is \$250,000, and the SBA guaranty is up to 85% of the loan amount for loans of \$150,000 or less. More information about the CommunityExpress program is available at: <http://www.sba.gov/financing/lendinvest/comexpress.html>, or from any SBA District Office. Although the maximum size of a CommunityExpress loan is \$250,000, CommunityExpress loans that are larger than \$150,000 will not be eligible for the NMTC Pilot Loan Program.

Waiver

Pursuant to 13 CFR 120.3, I am hereby waiving the requirement in 13 CFR 120.432(a) on sales of participating interests in 7(a) loans to allow lenders to sell participating interests in 7(a) loans to CDEs. This waiver is needed in order for the NMTC Pilot Loan Program to function.

Beginning on the effective date of the NMTC Program, CDEs that hold an NMTC allocation may acquire, hold and assign a portion of an eligible SBAExpress or CommunityExpress 7(a)

loan notwithstanding the prohibition in 13 CFR 120.432(a).

In addition to the waiver of this regulation, SBA is implementing the following restrictions on Lenders and on the sale of 7(a) loans under this pilot:

(a) Only new SBAExpress and CommunityExpress 7(a) loans made after the effective date of the pilot are eligible for the pilot.

(b) Lenders must sign a Supplemental Lender Program Participation Agreement for the NMTC Pilot Loan Program in order to participate in this program.

(c) The maximum loan size eligible for the pilot is \$150,000.

(d) Only 7(a) loans held in the portfolio of the originating Lender and made after the effective date of the pilot are eligible; 7(a) loans sold on the secondary market are not eligible.

(e) The originating Lender must perform the initial underwriting for the 7(a) loan, close the 7(a) loan, and retain all servicing responsibility for the 7(a) loan even after the Lender sells participation interests in such loan to CDEs, and perform liquidation of the loan unless it is not required to do so by SBA.

(f) The originating Lender must retain at least 10% of the principal balance of the 7(a) loan, excluding any premium amount paid, throughout the entire term of the loan. The 10% of any loan retained by the Lender must be a portion of the unguaranteed interest. The Lender must continue to administer the loans during their entire term and remains responsible for all SBA requirements and fees.

(g) A participation agreement, in a form that is acceptable to SBA, must be used by the originating Lender when a participation interest in a 7(a) loan is sold to a CDE and an agreement for assignment of a CDE-held participation interest, in a form that is acceptable to SBA, must be used by the CDE for all subsequent transfers of a participation interest.

(h) CDEs purchasing any portion of a 7(a) loan made under the pilot must have a NMTC allocation.

(i) Purchasers of participation interests in loans will not be permitted any input into the closing, servicing or liquidation of the 7(a) loan, and Lenders must not allow any such input.

(j) A CDE may sell its interest in a 7(a) loan made under the pilot only to either a Lender or to another CDE with a NMTC allocation. The CDE must use an assignment of participation interest form that is acceptable to SBA.

(k) Small Business Investment Companies (SBICs) and New Market Venture Capital Companies (NMVCCs)

are prohibited from participating in the pilot.

(l) SBA's waiver of its regulation for purposes of this pilot is based on a requirement that the SBAExpress and CommunityExpress 7(a) loans made by Lenders under this pilot also will qualify as QLCI loans under the IRS Tax Code and regulations governing the NMTC program. The originating Lender is responsible for meeting the eligibility criteria to qualify the 7(a) loan as a QLCI loan. However, CDEs and their investors bear the responsibility of demonstrating to the IRS the eligibility of the loan for NMTCs, and SBA makes no legal or tax representations and assumes no responsibility in this regard.

If SBA does not make this program permanent or extend this pilot program beyond September 30, 2011, the CDE may continue to hold in its portfolio any participation interests in 7(a) loans until the loan is paid in full or the full NMTC is earned, whichever occurs first. If a CDE has fully earned its allocated NMTCs, but the 7(a) loan in which it holds a participation interest is still outstanding, the CDE may transfer its participation interest to either a Lender or to another CDE that holds an NMTC allocation.

Steven C. Preston,
Administrator.

[FR Doc. 06-8497 Filed 10-3-06; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

[Summary Notice No. PE-2006-32]

Petitions for Exemption; Summary of Petitions Received

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of petitions for exemption received

SUMMARY: Pursuant to FAA's rulemaking provisions governing the application, processing, and disposition of petitions for exemption part 11 of Title 14, Code of Federal Regulations (14 CFR), this notice contains a summary of certain petitions seeking relief from specified requirements of 14 CFR. The purpose of this notice is to improve the public's awareness of, and participation in, this aspect of FAA's regulatory activities. Neither publication of this notice nor the inclusion or omission of information in the summary is intended to affect the legal status of any petition or its final disposition.