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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–23573; 812–11006]

Technology Funding Venture Capital Fund VI, LLC, et al.; Notice of Application

November 25, 1998.

AGENCY: Securities and Exchange Commission (''SEC'').

ACTION: Notice of application for an order under section 57(i) of the Investment Company Act of 1940 (the ''Act''), and under rule 17d–1 under the Act permitting certain joint transactions otherwise prohibited by section 57(a)(4) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit a business development company (''BDC'') to co-invest with certain affiliates in portfolio companies. The order would supersede several prior orders.[1]

APPLICANTS: Technology Funding Venture Capital Fund VI, LLC (the ''Company''), Technology Funding Medical Partners I, L.P. (''TFMP I''), Technology Funding Venture Partners V, An Aggressive Growth Fund, L.P. (''TFP V''), Technology Funding Venture Partners IV, An Aggressive Growth Fund, L.P. (''TFP IV''), Technology Funding Partners III, L.P. (''TFP III''); Technology Funding Inc. (''TFI'') and Technology Funding Ltd. (''TFL'') (TFI and TFL together are the ''Investment Managers''). Applicants also request that the relief apply to any BDCs currently or in the future advised by the Investment Managers or by entities controlling, controlled by, or under common control with the Investment Managers (''Future Funds'').[2]

FILING DATES: The application was filed on February 13, 1998, and amended on October 13, 1998 and on November 23, 1998.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on December 17, 1998 and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, DC 20549. Applicants, 2000 Alameda de las Pulgas, San Mateo, CA 94403.

FOR FURTHER INFORMATION CONTACT: Lisa McCrea, Attorney Adviser, at (202) 942–0562, or Mary Kay Frech, Branch Chief, at (202) 942–0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 5th Street N.W., Washington, DC 20549 (tel. 202–942–8090).

Applicants' Representations

1. Each of the Company, TFMP I, TFP V, TFP IV, and TFP III (collectively, the ''Funds'') is organized as either a limited liability company or a limited partnership and has elected to be regulated as a BDC under the Act. TFI and TFL are both registered as investment advisers under the Investment Advisers Act of 1940, and serve as investment advisers to the Funds. TFI and TFL also serve as managing general partners (''Managing General Partners'') of the Funds. TFI is a wholly-owned subsidiary of TFL. Each Fund's investment objectives are long-term capital appreciation from venture capital investment in emerging growth companies, and preservation of investor capital through risk management and active involvement with such companies.

2. Each Fund is governed by a board of directors or general partners (''Directors'' or ''General Partners''). At least a majority of the Directors or General Partners of each Fund are natural persons who are not interested persons of the Fund within the meaning of section 2(a)(19) of the Act (''Independent Directors'' and ''Independent General Partners''). No Independent Director or Independent General Partner of a Fund will serve as an Independent Director or Independent General Partner of any other Fund at the same time.

3. Applicants request relief to permit the Funds and any Future Funds (collectively, the ''Co-Investing Funds'') to co-invest in portfolio companies. Applicants state that the Co-Investing Funds will have substantially similar investment objectives.

Applicants' Legal Analysis

1. Section 57(a)(4) of the Act prohibits certain affiliated persons of a BDC from participating in a joint transaction with the BDC in contravention of such rules as the SEC may prescribe. Section 57(i) of the act provides, in part, that, until the SEC prescribes rules under section 57(a)(4), the SEC's rules under section 17(d) of the Act applicable to closed-end investment companies shall be deemed to apply to transactions subject to section 57(d). Because the SEC has not adopted any rules under section 57(a)(4), rule 17d–1 applies.

2. Rule 17d–1 under the Act generally prohibits affiliated persons of a registered investment company from entering into a joint transaction with the company unless the SEC has issued an order permitting the transaction. In passing upon applications under rule 17d–1, the SEC will consider whether the participation by the BDC in such joint transaction is consistent with the provisions, policies, and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants.

3. Applicants state that, because the Co-Investing Funds may be deemed to be under the common control of the Investment Managers, the Co-Investing Funds may be prohibited by section 57(a)(4) of the Act and rule 17d–1 from participating in the proposed co-investments without exemptive relief.

4. Applicants state that each Co-Investing Fund will participate in the proposed transactions on the same terms as any other Co-Investing Fund. Applicants further state that the proposed conditions would assure, among other things, oversight of the proposed transactions by each Co-Investing Fund's Independent General Partners of Independent Directors.

[1] *Technology Funding Partners III, L.P., et al.*, Investment Company Act Release Nos. 17523 (June 6, 1990) (notice) and 17571 (July 5, 1990) (order); *Technology Funding Partners III, L.P., et al.*, Investment Company Act Release Nos. 17581 (July 11, 1990) (notice) and 17654 (Aug. 7, 1990) (order); *Technology Funding Partners III, L.P., et al.*, Investment Company Act Release Nos. 17600 (July 18, 1990) (notice) and 17685 (Aug. 17, 1990) (order); and *Technology Funding Medical Partners I, L.P., et al.*, Investment Company Act Release Nos. 19615 (Aug. 6, 1993) (notice) and 19672 (Sept. 1, 1993).

[2] All existing BDCs that currently intend to rely on the order have been named as applicants, and any other existing or future entities that subsequently rely on the order will comply with the terms and conditions in the application.

Applicants' Conditions

Applicants agree that the requested order will be subject to the following conditions:

1. The Co-Investing Funds will not have common Independent General Partners or Independent Directors. The Directors or General Partners of each Co-Investing Fund will approve co-investment transactions in advance. The Directors or General Partners of each Co-Investing Fund will be provided with periodic information, compiled by the Investment Mangers, listing all venture capital investments made by the other Co-Investing Funds.

2(a) Before a co-investment transaction will be effected, the Investment Managers will make an initial determination on behalf of each Co-Investing Fund regarding investment suitability. Following this determination, a written investment presentation respecting the proposed co-investment transaction will be made to the Directors or General Partners of each Co-Investing Fund, except that such information need not be distributed to the Directors or General Partners of any Co-Investing Fund that, at that time, does not have funds available for investment. Such information will include the name of each Co-Investing Fund that proposes to make the investment and the amount of each proposed investment. The Investment Managers will maintain at each Co-Investing Fund's office a copy of the written records detailing the factors considered in any such preliminary determination.

2(b) The information regarding the Investment Manager's preliminary determinations will be reviewed by the Independent Directors or Independent General Partners of each Co-Investing Fund. The Directors or General Partners of each Co-Investing Fund, including a majority of the Independent Directors or Independent General Partners, will make an independent decision as to whether and how much to participate in an investment based on what is appropriate under the circumstances. If a majority of Independent Directors or Independent General Partners of any Co-Investing Fund determine that the amount proposed to be invested by the Co-Investing Fund is not sufficient to obtain an investment position they consider appropriate under the circumstances, that Co-Investing Fund will not participate in the joint investment. Similarly, a Co-Investing Fund will not participate in a co-investment transaction if a majority of its Independent Directors or Independent General Partners determine that the amount proposed to be invested is an amount in excess of that which is determined to be appropriate under the circumstances. A Co-Investing Fund will only make a joint investment with another Co-Investing Fund if a majority of the Independent Directors or Independent General Partners of that Co-Investing Fund conclude, after consideration of all information deemed relevant that:

(i) The terms of the transaction, including the consideration to be paid, are reasonable and fair to the investors in the Co-Investing Fund (the ''Investors'') and do not involve overreaching of the Co-Investing Fund on the part of any person concerned;

(ii) The transaction is consistent with the interests of the Investors of the Co-Investing Fund and is consistent with the Co-Investing Fund's investment objectives and policies as recited in filings made by the Co-Investing Fund under the Securities Act of 1933, its registration statement and reports filed under the Securities Exchange Act of 1934 and its reports to Investors; and

(iii) The investment by one or more of the other Co-Investing Funds would not disadvantage the Co-Investing Fund in the making of such investment, maintaining its investment position or disposing of such investment, and that participation by the Co-Investing Funds would not be on a basis different from or less advantageous than that of another Co-Investing Fund.

2(c) The Independent Directors or Independent General Partners will, for purposes of reviewing each such recommendation of the Investment Managers, request such additional information from the Investment Managers as they deem necessary to the exercise of their reasonable business judgment, and they will also employ such experts, including lawyers and accounts, as they deem appropriate to the reasonable exercise of this oversight function.

3. The Directors or General Partners of each Co-Investing Fund, including a majority of the Independent Directors or Independent General Partners, will make their own decision and have the right to decide not to share a particular investment with another Co-Investing Fund. There will be no consideration paid to the Investment Manager (or affiliated persons of the Investment Managers) directly or indirectly, including without limitation any type of brokerage commission, in connection with a co-investment transaction. The Investment Managers will continue, however, to receive their compensation and expense reimbursement arrangements with respect to each Co-Investing Fund and will participate indirectly in a co-investment transaction only through their existing interests as an Investor in each Co-Investing Fund.

4. Each Co-Investing Fund will be entitled to consider purchasing a portion of each co-investment transaction equal to the ratio of that Co-Investing Fund's net assets to the total net assets of all Co-Investing Funds that have determined to participate in the co-investment transaction, provided that each Co-Investing Fund can determine not to take its full allocation where a majority of the Independent Directors or Independent General Partners and a majority of the Directors or General Partners of the Co-Investing Fund determine that to do so would not be in the best interests of the Co-Investing Fund. When the aggregate amount sought by the Co-Investing Funds exceeds the amount of the co-investment opportunity, the amount invested by each Co-Investing Fund shall be based on the ratio of the net assets of each Co-Investing Fund to the aggregate net assets of all Co-Investing Funds seeking to make an investment. ''Follow-on'' investments, including the exercise of warrants or other rights to purchase securities of the issuer, will be treated in the same manner as the initial co-investment transaction.

5. All co-investment transactions will consist of the same class of securities, including the same registration rights (if any), and other rights related thereto, at the same unit consideration, on the same terms and conditions, and the approvals will be made in the same period. If one Co-Investing Fund elects to sell, exchange or otherwise dispose of an interest in a security that is also held by another Co-Investing Fund, notice will be given to each other Co-Investing Fund at the earliest practical time and each other Co-Investing Fund will be given the opportunity to participate in such disposition at the same time for the same unit consideration and in amounts proportional to its respective holdings of such securities. The Investment Managers will formulate a recommendation as to participation by such Co-Investing Fund in such a disposition, and provide the recommendation to the Independent Directors or Independent General Partners of such Co-Investing Fund. Each Co-Investing Fund will participate in such disposition if a majority of its Independent Directors or Independent General Partners determine that such action is fair and reasonable to the Co-Investing Fund, is in the best interests of the Co-Investing Fund and does not involve overreaching of the Co-Investing Fund or its Investors by any person

concerned. Each Co-Investing Fund will bear its own expenses associated with the disposition of a portfolio security. The Independent Directors or Independent General Partners of each Co-Investing Fund will record in their records the Investment Managers' recommendation and their decision as to whether to participate in such disposition, as well as the basis for their decision that such action is fair and reasonable to, and is in the best interest of, the Co-Investing Fund.

6. A decision by a Co-Investing Fund (i) not to participate in a co-investment transaction, (ii) to take less or more than its full allocation, or (iii) not to sell, exchange, or otherwise dispose of a co-investing Funds electing to participate shall include a finding that such decision is fair and reasonable to the Co-Investing Fund and not the result of overreaching of the Co-Investing Fund or its Investors by any person concerned. The Independent Directors or Independent General Partners of a Co-Investing Fund will be provided quarterly for review all information concerning co-investment transactions made by the Co-Investing Funds, including co-investment transactions in which a Co-Investing Fund has declined to participate, so that they may determine whether all co-investment transactions made during the preceding quarter, including those co-investment transactions that were declined, complied with the conditions set forth above. In addition, the Independent Directors or Independent General Partners of a Co-Investing Fund will consider at least annually the continuing appropriateness of the standards established for co-investment transactions by a Co-Investing Fund, including whether use of the standards continues to be in the best interests of the Co-Investing Fund and its Investors and does not involve overreaching of the Co-Investing Fund or its Investors on the part of any party concerned.

7. The Independent Directors or Independent General Partners of each Co-Investing Fund will maintain the records required by section 57(f)(3) of the Act, and will comply with section 57(h) of the Act, and each Co-Investing Fund will otherwise maintain all records required by the Act. All records referred to or required under these conditions will be available for inspection by the SEC, and will be preserved permanently, the first two years in an easily-accessible place.

8. No Director of affiliated person of any Director or General Partner (other than a BDC sponsored and managed by the Investment Managers) will participate in a transaction with a Co-Investing Fund unless a separate exemptive order with respect to such transaction has been obtained. For this purpose, the term ''participate'' shall not include either the Investment Managers' existing General Partner interests in, or their normal compensation and expense reimbursement arrangements with, each Co-Investing Fund.

9. No co-investment transactions will be made pursuant to the requested order respecting portfolio companies in which any applicant or affiliated person of any applicant has previously acquired an interest, provided that this prohibition shall not be applicable to any previously acquired interest, provided that this prohibition shall not apply to any previous investment specifically permitted by an order of the SEC.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40705; File No. SR–EMCC–98–08]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation Order Approving a Proposed Rule Change Relating to the Offering of Shares of Common Stock

November 24, 1998.

On August 17, 1998, Emerging Markets Clearing Corporation (''EMCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–EMCC–98–08) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on September 21, 1998.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

Pursuant to the rule change EMCC has reclassified 2,000 shares of previously authorized EMCC common stock as Class A common stock (''Class A stock'') and has created a second class of common stock. In addition, the rule change amends EMCC's shareholder agreement to reflect the changes to the common stock.

On March 2, 1998, the Commission authorized EMCC to issue 2,000 shares of common stock (''original stock'').[3] On July 31, 1998, EMCC filed an amendment to its certificate of incorporation to reclassify the original stock as Class A stock and to authorized the issuance of non-voting Class B stock. The creation and offering of the Class B stock is intended to permit EMCC to raise additional capital which EMCC will use in part to fund the development of EMCC projects.

Under the rule change, EMCC will offer the shares of Class B stock to the same entities that were offered the opportunity to purchase the original stock.[4] The purchase price of the Class B stock is $1,000 per share with a minimum purchase requirement of $25,000. EMCC is offering the Class B shares to prospective buyers through an offering letter.[5]

The Class B stock is non-voting and is subject to repurchase upon the determination of EMCC's Board. However, EMCC has no obligation to repurchase Class B shares owned by a member that terminates its EMCC membership prior to the repurchase of all Class B shares. All purchasers of Class A and Class B stock will be required to enter into an amended version of EMCC's shareholders agreement. No dividends will be paid on either the Class A or Class B stock and shareholders may sell or transfer their shares only in compliance with EMCC's amended shareholder agreement.

EMCC's amended shareholder agreement replaces the shareholder agreement written for the original offering.[6] The changes to the shareholder agreement reflect (i) the creation and offering of the Class B stock, (ii) the conditions under which EMCC may repurchase the Class B stock, and (iii) the fact that EMTA has not yet been issued any shares of EMCC stock. In addition, the amended shareholder agreement permits EMCC to issue EMTA 300 Class A shares prior to, concurrent with, or after the closing of

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

[2] Securities Exchange Act Release No. 40433 (September 11, 1998), 63 FR 50271.

[3] Securities Exchange Act Release No. 39694 (March 2, 1998), 63 FR 10251 [File No. SR–EMCC–98–01].

[4] The original stock was offered to the entities that contributed to the development fund for the organization and initial operation of EMCC.

[5] Each prospective purchaser of the original stock was provided with a copy of EMCC's Form CA–1 (excluding the confidential documents). EMCC will provide the prospective purchasers of the Class B stock with updates to the Form CA–1 as appropriate.

[6] The signatories of the amended shareholder agreement are the National Securities Clearing Corporation (''NSCC''), the International Securities Markets Association (''ISMA''), and the Emerging Markets Traders Association (''EMTA'').