

1999, OMB stated that the statutory 30-day and 28-day challenge and challenge response periods would be calendar days, while the 10-day appeal period would be working days. OMB is aware that the 30-day deadline for filing challenges was very difficult to meet in 1999. Appendix 2, paragraph g.3., of the Revised Supplemental Handbook is, therefore, revised to reflect 30-working days. Appendix 2, paragraph g.4., is also changed to reflect 28-working days.

Concern has been expressed that Part 1, Chapter 3, paragraph K.1.e., may be in conflict with the statement at Part 1, Chapter 3, paragraph K.7., that provides that sequential administrative cost comparison appeals are not authorized. It is OMB's view that all concerns regarding the conduct of a cost comparison should be brought forward to the designated appeal authority within the single appeal period. Therefore, to ensure that all relevant concerns with the conduct of a cost comparison are brought forward, Part 1, Chapter 3, paragraph K.1.e. is hereby voided.

And finally, OMB has been concerned that the use of Federal employees on Source Selection Teams, when those employees are subject to losing their jobs or otherwise being adversely affected by the award of the contract being reviewed by that Source Selection Team, is a poor business practice. OMB is also concerned that such a practice puts certain important skills that are developed by participating on a Source Selection Team at Risk. Therefore, OMB revises Part 1, Chapter 3 paragraph H. 3.b. of the Revised Supplemental Handbook as follows:

b. "The Government should establish a source selection evaluation or advisory team. Individuals who hold positions in the function under study should not be members of the team, unless an exception is authorized by the head of the contracting activity. Exceptions will be authorized only in compelling circumstances and, in such cases, the head of the contracting activity shall provide a written statement of the reasons for the action. As a result, OMB has decided to strengthen its long standing policy limiting such participation, as a better business practice. Individuals who hold positions in an A-76 study should not be members of the Source Selection Team, unless an exception is authorized by the head of the contracting activity. Exceptions may be authorized only in compelling circumstances and, in such cases, the head of the contracting activity will provide a written statement of the reasons for the action."

All changes in this Transmittal Memorandum are effective immediately and shall apply to all cost comparisons in process where the Government's in-house cost estimate has not been publicly revealed before this date. Current A-76 guidance can be accessed at OMB's homepage at <http://www.whitehouse.gov/OMB/circulars/index.html#numerical>.

Sylvia M. Mathews,
Deputy Director.

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OFFICE OF MANAGEMENT AND BUDGET

Issuance of Transmittal Memorandum No. 21 Amending OMB Circular No. A-76, "Performance of Commercial Activities"

AGENCY: Office of Management and Budget, Executive Office of the President.

ACTION: Issuance of Transmittal Memorandum No. 21, amending OMB Circular No. A-76, "Performance of Commercial Activities."

SUMMARY: This Transmittal Memorandum updates the annual Federal pay raise assumptions and inflation factors used for computing the Government's in-house personnel and non-pay costs, as generally provided in the President's Budget for Fiscal Year 2001.

DATES: All changes in the Transmittal Memorandum are effective immediately and shall apply to all cost comparisons in process where the Government's in-house cost estimate has not been publicly revealed before this date.

FOR FURTHER INFORMATION CONTACT: Mr. David C. Childs, Office of Federal Procurement Policy, NEOB Room 9013, Office of Management and Budget, 725 17th Street, NW, Washington, DC 20503, Tel. No. (202) 395-6104.

AVAILABILITY: Copies of the OMB Circular A-76, its Revised Supplemental Handbook and currently applicable Transmittal Memoranda may be obtained at the OMB Homepage on the Internet. The online address (URL) is <http://www.whitehouse.gov/OMB/circulars/index.html#numerical>.

Sylvia M. Mathews,
Deputy Director.

Circular No. A-76 (Revised)

Transmittal Memorandum No. 21

To the Heads of Executive Departments and Agencies

Subject: Performance of Commercial Activities

This Transmittal Memorandum updates the annual Federal pay raise assumptions and inflation factors used for computing the Government's in-house personnel and non-pay costs, as generally provided in the President's Budget for Fiscal Year 2001.

The non-pay inflation factors are for purposes of A-76 cost comparison determinations only. They reflect the generic non-pay inflation assumptions used to develop the FY 2001 Budget baseline estimates required by law. The law requires that a specific inflation factor (FY/FY G.D.P. chain price index) be used for this purpose. These inflation factors should not be viewed as estimates of expected inflation rates for specific major long-term procurement items or as an estimate of inflation for any particular agency's non-pay purchases mix.

| Federal pay raise assumptions effective date | Military/civilian (percent) |
|--|-----------------------------|
| January 2000 | 4.8 |
| January 2001 | 3.7 |
| January 2002 | 3.7 |
| January 2003 | 3.2 |
| January 2004 | 3.2 |
| January 2005 | 3.2 |

| Non-pay categories (supplies and equipment, etc.) | Percent |
|---|---------|
| FY 1999 | 1.3 |
| FY 2000 | 1.5 |
| FY 2001 | 2.0 |
| FY 2002 | 2.0 |
| FY 2003 | 2.0 |
| FY 2004 | 2.0 |
| FY 2005 | 2.0 |

The pay rate (including geographic pay differentials) that are in effect for 2000 shall be included for the development of in-house personnel costs. The pay raise factors provided for 2001 and beyond shall be applied to all employees, with no assumption being made as to how they will be distributed between possible locality and ECI-based increases.

Agencies are reminded that OMB Circular No. A-76, Transmittal Memoranda 1 through Transmittal Memorandum 14 are canceled. Transmittal Memorandum No. 15 provided the Revised Supplemental Handbook dated March 27, 1996 (**Federal Register**, April 1, 1996, pages 14338-14346) and remains in effect. Transmittal Memoranda No. 16, 17 and 18, which provided previous A-76 related Federal pay raise and inflation factor assumptions are canceled.

Transmittal Memorandum No. 19, to the extent that it provided last year's A-76 related Federal pay raise and inflation factor assumptions, is canceled. The standard retirement cost factors for the weighted average CSRS/FERS pension and Federal retiree health cost numbers and the post-retirement health costs also provided by Transmittal Memorandum No. 19, remain in effect. Transmittal 20, with implemented the Federal Activities Inventory Reform (FAIR) Act, remains in effect. Current A-76 guidance can be accessed at OMB's Homepage at <http://www.whitehouse.gov/OMB/circulars/index.html#numerical>

Sylvia M. Mathews,
Deputy Director.

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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24425; 812-11752]

Cohesion Technologies, Inc.; Notice of Application

April 27, 2000.

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

ACTION: Notice of application for an order under sections 6(c) and 6(e) of the Investment Company Act of 1940 (the "Act").

SUMMARY OF APPLICATION: Applicant requests an order exempting it from all provisions of the Act, except sections 9, 17(e) (as modified in the application), 17(f) (as modified in the application), and 37 through 53 of the Act, and the rules and regulations under those sections, from the date the requested order is issued until the earlier of (a) August 18, 2001 or (b) the date applicant may no longer be deemed an investment company.

Filing Dates: The application was filed on August 18, 1999 and amended on November 18, 1999. Applicant has agreed to file an amendment, the substance of which is reflected in this notice, during the notice period.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on May 22, 2000 and should be accompanied by proof of service on applicant, 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 20549-0609. Applicant, Cohesion Technology, Inc., 2500 Faber Place, Palo Alto, CA 94303.

FOR FURTHER INFORMATION CONTACT: Mary T. Geffroy, Senior Counsel, at (202) 942-0553, or Nadya Roytblat, Assistant Director, 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 Fifth Street, N.W., Washington, DC, 20549-0102 (tel. 202-942-8090).

Applicant's Representations

1. Applicant is a Delaware corporation that is engaged in the business of developing and commercializing proprietary surgical products. Applicant also is engaged directly or indirectly through majority-owned subsidiaries in the development and marketing of collagen-based biomaterials. Applicant became a public company on August 18, 1998, when it was spun-off from Collagen Aesthetics, Inc., formerly known as Collagen Corporation ("Collagen"). Collagen was engaged in the business of designing, developing, manufacturing, and marketing biomedical devices for the treatment of defective, diseased, traumatized or aging human tissues. Collagen currently focuses on the aesthetic and reconstructive cosmetic business. In anticipation of the spin-off, Collagen contributed several assets to applicant. Among the assets contributed to applicant by Collagen were minority interests in Boston Scientific Corporation ("Boston Scientific"), Innovasive Devices, Inc. ("Innovative"), and Pharming, B.V. ("Pharming").

2. Boston Scientific is a leading manufacturer of catheter-based devices. Collagen acquired its interest in Boston Scientific in January 1988 as a result of a joint venture between Collagen and Eli Lilly and Company. Since then, applicant has not acquired any additional shares of Boston Scientific and has continued to sell portions of its holdings in Boston Scientific to fund applicant's research and development activities. As of December 31, 1999,

approximately 29% of applicant's total assets on an unconsolidated basis (exclusive of cash items and government securities) consisted of the stock of Boston Scientific. Applicant currently owns less than 1% of Boston Scientific's common stock. Applicant also acquired from Collagen certain rights and undertook certain obligations pursuant to various equity collar instruments to protect against fluctuations in the market value of its Boston Scientific stock.

3. Collagen also transferred to applicant a minority interest in Innovasive, a company engaged in the development, manufacture and marketing of tissue and bone reattachment systems. Collagen acquired Innovasive stock in connection with a joint venture ("Innovative Agreements") between the two companies to develop tissue fixation devices. Applicant assumed Collagen's rights and obligations under the Innovative Agreements. As of December 31, 1999, applicant has an approximately 9% ownership interest in Innovasive, which represented approximately 9.6% of applicant's total assets on an unconsolidated basis (exclusive of cash items and government securities).

4. Finally, Collagen transferred to applicant a minority interest in Pharming, a company engaged in developing and commercializing human health care produced in transgenic animals. Collagen's investment in Pharming was made in connection with a collaborative agreement between the two companies for the development of a product to produce collagen in the milk of transgenic animals ("Pharming Agreement"). Applicant assumed Collagen's rights and obligations under the Pharming Agreement. As of December 31, 1999, applicant had an approximately 6% ownership interest in Pharming, which represented approximately 11.3% of applicant's total assets on an unconsolidated basis (exclusive of cash items and government securities).

Applicant's Legal Analysis

1. Section 3(a)(1)(C) of the Act defines "investment company" to include any issuer which is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of that issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis. Under section 3(a)(2), "investment securities" included all securities except