the addition of a margin, changes in the interest-rate, or interest-rate discounts: Section 226.19(b)(2)(i), (iii), (iv), (v), (vi), (vii), (viii), ❵and❵ (ix)[, and (x)]. (See comments 20(c)–2 and 30–1 regarding the inapplicability of variable-rate adjustment notices and interest-rate limitations to price-level-adjusted or similar mortgages.)

iv. Graduated-payment mortgages and step-rate transactions without a variable-rate feature are not considered variable-rate transactions.

* * * * *

4. In Supplement I to Part 226, under *Section 226.32—Requirements for Certain Closed-End Home Mortgages,* under *32(a)(1)(ii),* paragraph 2.v. would be added to read as follows:

* * * * *

Subpart E—Special Rules for Certain Home Mortgage Transactions

* * * * *

Section 226.32—Requirements for Certain Closed-End Home Mortgages

32(a) Coverage.

* * * * *

Paragraph 32(a)(1)(ii). * * *

* * * * *

2. *Annual adjustment of $400 amount.*

* * *

* * * * *

❵v. For 2000, $451, reflecting a 2.3 percent increase in the CPI–U from June 1998 to June 1999, rounded to the nearest whole dollar.❵

* * * * *

By order of the Board of Governors of the Federal Reserve System, acting through the Secretary of the Board under delegated authority, November 1, 1999.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 99–29004 Filed 11–4–99; 8:45 am]

BILLING CODE 6210–01–P

FARM CREDIT ADMINISTRATION

12 CFR Part 611

RIN 3052–AB86

Organization; Termination of Farm Credit Status

AGENCY: Farm Credit Administration.

ACTION: Proposed rule.

SUMMARY: This proposed rule will amend Farm Credit Administration's (FCA) regulations that will allow a Farm Credit System (FCS, Farm Credit or System) institution to terminate its FCS charter and become a financial institution under another Federal or State chartering authority. The purpose of our proposal is to amend the existing regulations so they apply to all banks and associations and to make other changes. We also withdraw a proposed termination rule published in 1993.

DATES: Please send your comments to us on or before February 3, 2000.

ADDRESSES: We encourage you to send comments via electronic mail to ''reg-comm@fca.gov'' or through the Pending Regulations section of our interactive website at ''www.fca.gov.'' You may mail or deliver comments to Patricia W. DiMuzio, Director, Regulation and Policy Division, Office of Policy and Analysis, 1501 Farm Credit Drive, McLean, VA, 22102–5090 or send by facsimile transmission to (703) 734–5784. You may review copies of all comments we receive in the Office of Policy and Analysis, FCA.

FOR FURTHER INFORMATION CONTACT:

Alan Markowitz, Senior Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4479;

or

Rebecca S. Orlich, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION:

I. Objectives

The objectives of our proposed rule are to:

- Provide a termination procedure for Farm Credit associations and banks that implements section 7.10 of the Farm Credit Act of 1971, as amended (1971 Act);
- Ensure that all equity holders of a terminating institution are treated fairly and equitably;
- Ensure that stockholder disclosure materials are easy to read and understand;
- Ensure that the remaining FCS institutions can continue fulfilling their congressional mandate of serving the credit needs of farmers, ranchers, and cooperatives; and
- Ensure that the remaining FCS institutions are able to operate safely and soundly.

II. Background

The Agricultural Credit Act of 1987 [1] (1987 Act) amended the 1971 Act by adding section 7.10—Termination of System Institution Status. Section 7.10 allows an FCS institution to terminate its status as a Farm Credit institution if the institution:

- Provides advance notice to us at least 90 days before termination;
- Receives Federal or State approval of a charter for a bank, savings and loan or other financial institution;
- Receives our approval;
- Receives the approval of a majority of the institution's voting stockholders;
- Pays or adequately provides for the payment of all its outstanding debt obligations;
- Pays to the Farm Credit Insurance Fund (Insurance Fund) an amount by which the institution's capital exceeds 6 percent of its assets; and
- Fulfills any other conditions that we, by regulation, consider appropriate.

In addition to the requirements of section 7.10, section 7.11 of the 1971 Act requires that any plan of termination, including all information to be distributed to the stockholders, must be submitted to us for approval prior to the stockholder vote. Section 7.11 requires us to act on the plan of termination and related disclosure materials within 60 days of their submission to us. If we take no action, the institution may submit its proposal to stockholders. If we disapprove the plan, our notice to the institution must specify the reasons for disapproval.

On December 18, 1989, we published an Advance Notice of Proposed Rulemaking (ANPRM) [2] requesting comments on the manner and process for implementing the new termination procedures. On July 12, 1990, we published a proposed rule authorizing the termination of Farm Credit status for small associations only.[3] An association is defined as ''small'' when its investment in its affiliated Farm Credit Bank (FCB) is 25 percent or less of the bank's capital, or when its loan from the FCB totals 25 percent or less of the bank's total loans. On January 30, 1991, we published the current final rule that establishes the procedure for small associations.[4]

On March 19, 1993, we published a proposed rule establishing a procedure for the termination of large associations, FCBs and banks for cooperatives (BCs) and revisions to the regulations on the termination of FCS status for small associations (1993 proposed rule).[5] The 1993 proposed rule also included requirements enacted in the Farm Credit Banks and Associations Safety and Soundness Act of 1992 (1992 Act).[6] The 1992 Act amended the 1971 Act by increasing our time to review the application from 30 days to 60 days and clarifying provisions for the repayment of assistance for debt obligations issued by the Farm Credit System Financial Assistance Corporation (FAC).

[1] Public Law 100–233, 101 Stat. 1568 (1988).

[2] *See* 54 FR 51763.

[3] *See* 55 FR 28639.

[4] *See* 56 FR 3397.

[5] *See* 58 FR 15099.

[6] Public Law 102–552, 106 Stat. 4102 (1992).

After the comment period for the 1993 proposed rule closed, we decided that additional public comment was needed. On July 26, 1993, we published a resolicitation of comments that explained how the exit fee was to be calculated and provided examples. In addition, we clarified other provisions of the 1993 proposed rule.

We took no further action on the 1993 proposed rule. We now withdraw the 1993 proposal and propose amendments to the existing rule. This proposal has similarities to the existing rule and the 1993 proposal but differs in several significant respects as follows:

1. There are no separate subparts for FCB and agricultural credit bank terminations. The 1993 proposal had three separate subparts.

2. The date on which a terminating institution's exit fee is calculated is the termination date. The information statement will include a ''preliminary exit fee estimate,'' calculated as of the quarterend before the termination application is filed, with any adjustments we may require. In the existing rule and 1993 proposal, the date of the exit fee calculation is the quarterend before the termination application is filed.

3. A terminating institution must pay 110 percent of the preliminary exit fee estimate, with any adjustments we may require, into an escrow account on the termination date. It must also pay into escrow 110 percent of the amount of stock retirements to dissenting stockholders and System institutions. After an independent audit to determine the final exit fee, the escrow agent will disburse the funds.

4. A terminating association may repay its direct loan on a schedule agreed to by its bank, without a time limit on the repayment period. In the existing rule and the 1993 proposal, the association must repay the loan in 3 years or less.

5. A Farm Credit bank does not have to enter into an agreement with a terminating affiliated association regarding when the bank will retire the association's investment. Instead, the bank may retire the investment according to an existing capital revolvement plan or may make some other retirement agreement with the association. In the absence of a revolvement plan or other agreement with the association, the bank must retire the investment on or before the date the association (or the successor institution) repays its direct loan. In the existing rule and the 1993 proposal, the FCA must specify how the investment is retired if the bank and the association cannot agree.

6. System institutions with investments in a terminating institution have the option to exchange their investments for equity in the successor institution. In the existing rule and the 1993 proposal, the terminating institution must retire equity held by other System institutions (other than an affiliated bank) at termination.

7. In the existing rule and the 1993 proposal, the adjusted book value of dissenting stockholders' equities is calculated after the exit fee. The terminating institution must, in effect, pay dissenting stockholders out of the total capital the successor institution may retain. In our proposal, a dissenting stockholder receives the adjusted book value for his equity, calculated before the exit fee is paid. The terminating institution pays dissenting stockholders before the calculation of the total capital it may retain for the successor institution. In addition, the calculation of a non-terminating association's interest in a terminating bank is unchanged from the 1993 proposal.

8. A terminating bank's payment to the FAC is to be based only on the retail loan volume of the bank, the associations terminating with it, and any association maintaining its direct loan with the terminating bank after termination. The 1993 proposal did not specify whether the retail loan volume of a non-terminating affiliated association would be included in the calculation of a terminating bank's FAC payment.

9. We have rewritten the rule using plain language principles. Those principles are: short sentences; minimal use of defined terms and highly technical words; the active voice; and the use of ''we'' or ''us'' for the FCA and ''you'' for the terminating institution.

Below is a section-by-section analysis of the proposed rule.

III. Section-by-Section Analysis

Our section-by-section analysis of the proposed rule generally discusses only those sections where we have recommended substantive changes.

Section 611.1200 Applicability of These Regulations

This section is amended to be applicable to all FCS banks and associations. The existing rule applies only to small associations.

Section 611.1205 Definitions That Apply in Subpart P

We propose a number of changes to this section. The terms ''terminating association,'' ''terminating resolution,'' and ''termination vote'' would be deleted since they are explained in other sections of these regulations. We propose to replace the definition of ''GAAP'' with a reference to the definition of ''generally accepted accounting principles'' in our accounting regulations, which are in part 621 of this chapter. Our proposal would move the definition of ''assets'' from existing § 611.1240 to this section, because the term is also used in other sections of the termination regulations.

Section 611.1210 Commencement Resolution and Advance Notice

We propose to amend § 611.1210(b)(1) by requiring the terminating institution to send a certified copy of the commencement resolution to us and the Farm Credit System Insurance Corporation (FCSIC). A terminating association must also send a copy to its affiliated bank. A terminating bank must also send a copy to its affiliated associations, the other FCS banks, and the Federal Farm Credit Banks Funding Corporation (Funding Corporation). We would revise § 611.1210(b)(2) to clarify that the brief announcement to all equity holders must describe the specific effect of termination on the equities held and on any borrower rights.

Existing § 611.1210(c)(1) requires a terminating institution to submit to us an estimate of its exit fee with an explanation of how it was calculated. We propose to eliminate this requirement. We also propose to eliminate existing § 611.1210(c)(2) and (3), which contain a procedure for the FCA to confirm the terminating institution's exit fee before submission of the termination application. We believe that we can review the terminating institution's exit fee calculations during our 60-day statutory review period.

Proposed § 611.1210(c) would require a terminating bank to begin negotiations with the remaining FCS banks on the terminating bank's satisfaction of its share of Systemwide obligations under section 4.4 of the 1971 Act. The Funding Corporation, at its option, may participate in these negotiations and be a party to the agreement referred to in § 611.1260(c) to the extent necessary for the Funding Corporation to fulfill its duties with respect to financing and disclosure.

Proposed § 611.1210(e) allows a terminating bank to continue to participate in Systemwide debt obligations until the date of termination. Existing § 611.1210(e) has been redesignated as (f).

Section 611.1215 Prohibited Acts

We propose to redesignate existing § 611.1226 as § 611.1215. This section is substantially similar to the existing rule on prohibited acts, except that we have expanded its application to prospective, as well as current, equity holders.

Section 611.1220 Filing of Termination Application

We propose to redesignate existing § 611.1211 as § 611.1220. The substance of this section is unchanged from the existing rule, except that we would require five copies of a termination application. This is the same number of copies we require for other types of corporate applications, such as mergers. However, should an institution send us the application in electronic form, it must send us at least one hard copy application with original signatures.

Section 611.1221 Filing of Termination Application—Timing

We propose to redesignate existing § 611.1212 as § 611.1221. We propose to eliminate the references to the filing date and the 10-day review period for technical completeness in existing § 611.1212(a) and (b). We also propose to reduce the 60-day advance notice requirement in existing § 611.1212(c) to 30 days. If we receive the termination application less than 30 days after receiving the advance notice as required by redesignated § 611.1221(b), we may disapprove the application. The 30-day time period is now adequate as a result of statutory changes that provided us with an additional 30 days to act on a termination application.

Section 611.1222 Plan of Termination—Contents

We propose to redesignate existing § 611.1230 as § 611.1222. This section is substantially similar to the existing rule.

Section 611.1223 Information Statement—Contents

We propose to redesignate § 611.1225 as § 611.1223. Proposed § 611.1223 has a new requirement to draft the information statement according to plain language principles. We believe System institutions should make their communications with stockholders easy to read and understand, just as we have undertaken to do in communications with System institutions and the public. Since last October, we have been complying with a Presidential directive to write communications in plain, everyday language and use short sentences, the active voice, and the pronoun ''you'' where appropriate. We strongly endorse the President's directive and believe that using plain language saves the Government and the public time, effort, and money.[7]

Our proposal has a requirement to draft the information statement in a clear, concise and understandable manner using:

- Short sentences;
- Active voice;
- Tabular presentation or bullet lists for complex material, whenever possible; and
- No legal jargon or highly technical business terms.

Our proposal is modeled on the plain English rule of the Securities and Exchange Commission (SEC) that applies to prospectuses.[8] The SEC's rule, which went into effect on October 1, 1998, is the result of a joint effort by that agency and a number of regulated companies to improve their disclosure documents for the benefit of investors, their ultimate users. Our new requirement would give the same benefit to the stockholders of a terminating institution by applying the same general principles to the information statement.

Proposed § 611.1223(d)(2) contains a new requirement to specify the amounts of the estimated exit fee and the estimated expenses of termination and organization of the successor institution. It also separates the statutory requirement to list the benefits and disadvantages of the termination from the explanation of the board's basis for recommending the termination. We believe a separate discussion of this information will be important to stockholders in their evaluation of the termination proposal. The rest of proposed § 611.1223 contains substantially the same requirements as the existing rule except that we propose to require a balance sheet and income statement for each of the 3 preceding years. We believe it is important for stockholders to have an additional year of financial information to review to provide a complete picture of the proposed termination.

Section 611.1230 FCA Review and Approval

We propose to redesignate § 611.1215 as § 611.1230. We propose to amend this section to remove the references to the filing date and extend our review period from 30 days to 60 days, to implement the change made to section 7.11(a)(2) of the 1971 Act by the 1992 Act. In proposed new § 611.1230(b), we would retain the right to deny a termination if we determine that the termination would have a material adverse effect on the ability of the remaining FCS institutions to adequately serve agriculture. We do not believe Congress intended section 7.10 to jeopardize the ability of the System to continue to fulfill its congressional mandate of serving the credit needs of farmers, ranchers and their cooperatives.

Finally, existing § 611.1215(f) is redesignated as § 611.1230(d). We propose to clarify that, if a reconsideration vote is held, the termination cannot occur earlier than 15 days after the reconsideration vote.

Section 611.1240 Voting Record Date and Stockholder Approval

We propose to redesignate existing § 611.1220 as § 611.1240. While we have rewritten this section, it does not differ in substance from the existing rule.

Section 611.1245 Stockholder Reconsideration

We propose to redesignate existing § 611.1235 as § 611.1245. We have streamlined and simplified this section and amended the provision to require that stockholders submit the petition to us rather than the institution for review.

Section 611.1250 Preliminary Exit Fee Estimate

This proposal contains significant revisions to the timing of the exit fee calculations for banks and associations. First, in proposed § 611.1250 we add a ''preliminary exit fee estimate'' requirement to be calculated as of the quarterend before the institution files its termination application. Second, the computation date for the ''final exit fee,'' which is described in proposed § 611.1255, would be the actual termination date. These proposals differ from the existing rule, which requires the institution to estimate its exit fee after the commencement resolution and to calculate the actual exit fee as of the quarterend before filing the termination application.

We believe that calculating the exit fee on the termination date is more consistent with the 1971 Act's requirement. A calculation at this later date allows us to take into account all of the financial changes that occur up to and including the final date on which the institution is chartered as a System institution. We would still require an estimate of the exit fee as of the quarterend before the terminating institution files its application. This

[7] Presidential Memorandum on Plain Lanauge in Government Writing (63 FR 31883, June 10, 1998). The FCA, as an independent agency, is not obligated to comply but is doing so voluntarily.

[8] The SEC's plain English rule for prospectuses is set forth at 17 CFR 230.421. For additional guidance, you should consult the SEC's plain English Handbook, which is available on the SEC's website at *www.sec.gov.*

estimated exit fee, with any adjustments we require, would be used to explain the costs of termination to stockholders in the information statement.

Proposed § 611.1250(a) explains how to calculate the preliminary exit fee estimate for an association. Assets and liabilities would continue to be based on the average daily balances for the 12 months ending on the computation date. We have also kept the requirements that the account balances be independently audited and conform with GAAP. We may waive the requirement for an independent audit if one was performed as of a date less than 6 months before the filing of the termination application.

As described below, we propose to require a terminating association to add or subtract certain amounts from the assets and liabilities. Some of these amounts must be calculated on an average daily balance in order not to distort the effect of adding or subtracting the amounts. Other amounts, which are estimates of future transactions or expenses that we expect to be recorded on or close to the termination date, will not be averaged for this calculation.

We have kept the requirement that the terminating association must add back to assets expenses it has incurred because it is seeking to terminate its System status. We continue to believe that termination expenses are organizational expenses of the successor institution and are its responsibility. Thus, we propose not allowing such expenses when determining the exit fee.

In the 1993 proposed rule, we proposed to allow terminating institutions to subtract from their exit fees the FAC liabilities and certain tax liabilities that are due as a result of terminating. We are again allowing the deductions in this proposed rule, but the deductions will be from assets instead of the exit fee. This proposed amendment would not materially affect the amount of the exit fee to be paid.

The tax liability we refer to in proposed § 611.1250(a)(4)(ii)(B) generally relates to patronage distributions that some banks allocated to their associations prior to the issuance of Statement of Financial Accounting Standards No. 109. We believe that the net value of such patronage to the institution should be the same, whenever received, and therefore believe that it is appropriate to calculate capital based on the after-tax impact of all patronage distributions.

A terminating institution must make adjustments to assets and liabilities for significant future transactions that it reasonably expects to occur on or before the termination date. This is not intended to include nominal transactions or most expenses that occur in the normal course of business. We do expect a terminating institution to include non-routine or significant transactions such as retirements of equities, loan repayments, gains or losses on the sale of assets, and patronage distributions.

On the liability side of the balance sheet, a terminating must subtract from liabilities any GAAP liability that we treat as regulatory capital for capital or collateral purposes. We believe this approach is fair and equitable, and it is consistent with the treatment of regulatory capital by the other Federal financial institution regulatory agencies.

A terminating institution must also make any adjustments that we require under § 611.1250(c), as we do under existing § 611.1240(e).

After making the necessary adjustments to assets and liabilities, the preliminary total capital will be calculated by subtracting liabilities from assets. The preliminary exit fee estimate will be the amount by which the total capital exceeds 6 percent of assets, as adjusted.

Proposed § 611.1250(b) explains how to calculate the preliminary exit fee estimate when the terminating institution is a bank. The exit fee for a bank is based on the combined balance sheets of the bank and any affiliated associations that are terminating with it. The bank's portion would be the difference between the exit fee based on the combined balance sheets and the exit fees for the terminating associations calculated as if they were terminating alone. If there are no associations terminating with the bank, the exit fee is based solely on the bank's balance sheet.

The first of four steps in calculating a bank's preliminary exit fee estimate is to calculate the exit fee for the terminating associations as if they were terminating alone, according to § 611.1250(a). The second step is to adjust the bank's assets in the same manner as for an association, with the following three exceptions. A terminating bank must:

- Subtract from assets the average daily balances of the equity investments held by affiliated associations that are not terminating.
- Subtract from assets and liabilities the direct loans to affiliated associations that are not terminating.
- Add to assets the estimated amount of FAC payments it will receive from the terminating institutions. This offsets the deduction the bank makes when it adjusts its balance sheet for its payment to the FAC.

The third step is combining the bank's adjusted balance sheet with the adjusted balance sheets of the terminating associations in conformity with GAAP, using cross-elimination methods. For purposes of termination, total capital is calculated by subtracting the adjusted liabilities from adjusted assets of the combined balance sheets. Lastly, the adjusted assets of the combined balance sheets are multiplied by 6 percent. Subtracting this amount from the total capital results in the preliminary exit fee estimate for the combined entity. The bank's portion will be the difference between the preliminary exit fee estimate of the combined balance sheets and the total of exit fees for the terminating associations calculated in the first step. Although it is unlikely, if the exit fees of the terminating associations exceed the exit fee of the combined entity, the associations would pay their exit fees, and the bank would have no exit fee.

Proposed § 611.1250(c) is essentially the same as § 611.1240(e) in the existing regulations. It provides that we will review the transactions of the institution for the 3-year period prior to the termination resolution and will require adjustments, in order to assure that account balances are accurate. In addition, we may require adjustments to reverse the effect of transactions outside the ordinary course of business.

Section 611.1255 Exit Fee Calculation

We propose to redesignate existing § 611.1240 as § 611.1255. We are proposing to move the definition for assets that is in existing § 611.1240 to § 611.1205 and to remove the definitions for total capital and contingent liabilities as unnecessary. Proposed § 611.1255(a) describes the exit fee calculation for a terminating association. The final exit fee calculation is similar to the preliminary exit fee estimate, but there are several differences. One difference is that amounts estimated for the preliminary exit fee estimate will be known, and adjustments will be made for actual amounts. Another difference is that a terminating association must account for the retirement of equities of dissenting stockholders. To account for these retirements, the association must subtract from assets the equity retired to dissenting stockholders on the termination date before computing the exit fee. Dissenters' equity is not deducted in the preliminary exit fee estimate because a terminating institution would not know or be able to reasonably estimate the number of dissenters or the amount of their equity.

Subtracting payments to dissenters from assets before calculating total capital is a change from the existing regulation. In the existing regulation, because the exit fee is calculated before dissenting stockholders' equities are retired, the terminating institution in effect pays the dissenters out of the capital it would otherwise take to the successor institution. Another change from the existing regulation is in determining the book value of dissenting stockholders' equity. We propose to determine it before the exit fee is calculated. In the existing regulation, the book value is determined based on the capital the institution has after it pays the exit fee. In re-examining this issue, we decided to make this change so that all stockholders whose equity in the terminating institution is retired, including retail borrowers and non-terminating associations, would be treated in the same manner. Another reason for the change is that the book value would be similar to what it would be if the association liquidated instead.

Proposed § 611.1255(b) describes the final exit fee calculation for a terminating bank. As is the case with a terminating association, the final exit fee calculation for a bank is similar to the preliminary exit fee estimate. Again, the main differences between the preliminary estimate and the final exit fee are that actual values are used instead of estimates and the bank must subtract the equity retirements of dissenting stockholders as part of the final exit fee calculation. The amount is subtracted from assets before calculating the exit fee. In addition, the bank must subtract from assets and liabilities the direct loans to non-terminating affiliated associations only if they repay or transfer their loans before the bank terminates.

Proposed § 611.1255(c) covers payment of the exit fee and retirements of equity to dissenting stockholders. The terminating institution must deposit in an escrow account, acceptable to the FCSIC and us, an amount equal to 110 percent of the preliminary exit fee estimate with adjustments based on information available on the termination date. We will adjust the preliminary exit fee estimate to account for stock retirements to dissenting stockholders and System institutions, and any other adjustments we require. We believe this will be more accurate than using the preliminary exit fee estimate disclosed in the information statement because it replaces the estimated amounts for FAC obligations, taxes, and other expenses with actual amounts. It also includes stock retirements. As stated above, the final exit fee must be based on an independent audit of the terminating institution as of the termination date. The final account balances and final exit fee will not be known, and the final audit will not be completed, for several weeks or months after the termination. Thus, the estimated exit fee must be held in escrow until we know the final account balances and have calculated the final exit fee. In addition, the terminating institution also must deposit in escrow an amount equal to 110 percent of the equity retired to dissenting stockholders pending the final audit.

Proposed § 611.1255(d) describes the pay-out of escrow following completion of the independent audit. Following the audit, we will calculate the final exit fee and the amount owed to stockholders. We will direct the escrow agent to pay the exit fee to the Insurance Fund and to pay amounts owed to dissenting stockholders. The escrow agent will then return any remaining amounts to the successor institution. If the escrowed funds are not enough to cover the exit fee or the amounts owed to stockholders, proposed § 611.1255(e) requires the successor institution to pay any shortfall to the escrow agent for distribution to the appropriate parties. We will require the terminating institution to sign a statement binding the successor institution to pay additional amounts owed to dissenting stockholders and System institutions.

Section 611.1260 Payment of Debts and Assessments—Terminating Association

We propose to redesignate existing § 611.1250 as § 611.1260. Proposed § 611.1260 would continue to apply only to terminating associations. We propose to delete existing § 611.1250(b) because we believe it is unnecessary. We propose to redesignate § 611.1250(c) as § 611.1260(b) and remove the 3-year limitation for a terminating association that does not become an ''other financing institution'' to repay its debt obligations to its affiliated bank. Without the time limit, a bank will have the flexibility to set its own repayment terms as necessary for the bank to manage the risk on its balance sheet and its debt structure. However, if a terminating association is unable to reach agreement with its bank for repaying its obligations, the association must repay its obligations at termination. We also propose new § 611.1260(d) that requires a terminating association to pay its FAC debt obligations to its affiliated bank as required by section 6.26 of the 1971 Act. In response to comments received in response to the 1993 proposal, proposed § 611.1260(d) defines the appropriate discount rate that would be used. The rate would be the non-interest bearing U.S. Treasury security rate with a maturity as near as possible to the period remaining until the terminating association's FAC obligations would be due.

Section 611.1265 Retirement of equities—Terminating Association

We propose to redesignate § 611.1255 as § 611.1265. This section would continue to apply only to the termination of an association. Existing § 611.1255(a) authorizes a Farm Credit Bank to retire equities owned by a terminating association on the date of termination or in phases after the date of termination, in accordance with a written agreement between the bank and the association. The existing rule limits the phased retirement to the earlier of the date on which the terminating association repays all indebtedness to its bank or 3 years from the date of termination. Should the bank and the terminating association fail to reach an agreement on when to retire the bank's equities, existing § 611.1255(b) authorizes either party to request our review of the most recent proposals along with the points of disagreement. The existing rule states that we may require the bank to retire the terminating association's equities under conditions that we impose.

We propose to amend existing § 611.1255(a) and (b) by: (1) Removing the 3-year limitation for a terminating association's affiliated bank to retire purchased and allocated equities held by the association; (2) eliminating our role in deciding how retirements must occur when a terminating association and its affiliated bank cannot agree; and (3) redesignating § 611.1255(a) and (b) as § 611.1265(b) and (c). Our proposal would authorize the affiliated bank to retire purchased and allocated equities held by the terminating association in accordance with the terms of a capital revolvement plan or other agreement between the bank and the association. If there is no agreement, these equities must be retired no later than when the terminating association pays off its loan from the bank. However, any equity retirement by the bank is subject to its having adequate capital and remaining in a safe and sound condition as required by proposed § 611.1265(a).

Section 611.1255(a) of the existing rule prohibits a bank from retiring equities owned by a terminating association if such retirement would result in the bank's failure to meet minimum capital requirements. In addition, existing § 611.1255(c) states

that no retirement of equities may occur if we determine that the retirement would threaten the viability of the bank. We propose changes by: (1) Redesignating § 611.1255(c) as § 611.1265(a); and (2) prohibiting a bank from retiring a terminating association's equities if we determine that the bank would otherwise be in an unsafe or unsound condition.

In new § 611.1265(c), we clarify that a bank's retirement of a terminating association's equity is limited to the par or face value of purchased or allocated equities. A bank may not pay any portion of its unallocated surplus to a terminating association.

We propose to delete the requirements in existing § 611.1255(d) and (e) for associations to retire FAC-preferred stock prior to termination since all shares of FAC-preferred stock were redeemed before 1995. We also propose changes to § 611.1255(e) to give a Farm Credit institution with an equity interest in a terminating association the option of having the investment retired or maintaining its investment in that association after it terminates. However, should a Farm Credit institution decide to maintain its investment in a terminating institution, that investment would be included in the assets on which the exit fee is calculated. This could result in a reduction in the value of the investment when compared to the value of the equity if it were retired at termination.

Section 611.1270 Repayment of Obligations—Terminating Bank

Proposed § 611.1270 establishes the procedure for a terminating bank to satisfy its obligations. We have simplified the procedure that was published in the 1993 proposal. In addition, we have clarified several provisions as a result of comments received from both the 1993 proposal and the resolicitation. A terminating bank must pay or make adequate provision for payment of all its outstanding obligations as of the termination date. In the 1993 proposal, we listed three options a terminating bank may use to satisfy the Systemwide and consolidated obligations on which it is primarily liable. We have replaced this with a requirement in proposed § 611.1270(c) to allow any method that would be acceptable to the remaining FCS banks and us.

Proposed § 611.1270(c)(1) requires the terminating bank and the other FCS banks to enter into an agreement, subject to our approval, to satisfy obligations issued under section 4.2 of the 1971 Act on which it is not primarily liable. This agreement must specify how the successor institution will satisfy its joint and several liability to holders of obligations other than those obligations on which the terminating bank is primarily liable.

We propose in § 611.1270(c)(2) that the banks enter into an agreement to make adequate provision for payment of the terminating bank's joint and several liability. If the terminating bank and the other FCS banks are unable to reach agreement within 90 days before the proposed date of termination, the FCA will specify the manner in which the terminating bank will make adequate provision for the payment of its joint and several liability and the manner in which we will make joint and several calls for those obligations outstanding on the termination date.

Proposed § 611.1270(c)(3) clarifies that, notwithstanding any other provision in the regulations on how calls would be made by us on defaulted obligations, the terminating bank would remain liable under section 4.4 of the 1971 Act for all issues outstanding on the termination date until they are repaid.

Proposed § 611.1270(d) reflects the statutory amendments made by the 1992 Act governing the repayment of FAC obligations by a terminating bank. We propose to require a terminating bank to base the calculation of its FAC payment on the retail loan volume of the bank and those associations that are terminating with the bank or that will continue to have a direct loan relationship with the successor institution. If any of the bank's affiliated associations choose to remain in the System and transfer their direct loans to another Farm Credit bank, the calculation of the bank's FAC payment would not include the retail loan volume of those associations. In addition, it is our intention in this section to require the FAC to take into consideration loan volumes of previous years but not to require that the average of those years be used to project future loan volumes for the remaining years before FAC obligations mature. We invite your comment and suggestions on this point.

Section 611.1275 Retirement of equities—Terminating Bank

Proposed § 611.1275(a) states that System institutions that hold equities in a terminating bank have the right to have their equities retired on the termination date. Institutions may choose to maintain investments in a terminating bank even if they vote against the termination. However, the value of such equity could be reduced by the exit fee payment. Proposed § 611.1275(c) authorizes an association that is not terminating to require its terminating bank to transfer its investment to another FCS bank after its bank adopts a commencement resolution. The investment must include purchased and allocated equities and the association's pro rata share of the bank's unallocated surplus.

Section 611.1280 Dissenters' Rights

This section appears in the existing rule as § 611.1260. Proposed § 611.1280 addresses the rights of equity holders who dissent from the termination and requires that dissenters receive cash in exchange for their interests in the terminating institution. A dissenting stockholder is:

- An equityholder other than a System institution that was eligible to vote on the termination resolution and voted against the termination, or
- An equityholder on the termination date that was ineligible to vote.

The proposal would give dissenting stockholders the right to have their equities in the terminating institution retired on the termination date. The proposal would entitle dissenting stockholders to the adjusted book value of their equity in accordance with the priorities set forth in the liquidation provisions of the terminating institution's bylaws. The proposal differs from existing § 611.1260(c), which requires the amount paid to dissenting stockholders to be calculated after the amount of the exit fee is deducted from assets. Proposed § 611.1280 eliminates deduction of the exit fee. We believe that the proposed method provides dissenting stockholders their pro rata share of capital. However, this change is likely to result in a lower exit fee than in the existing regulation. We specifically seek comments on this.

Existing § 611.1260(c)(ii) authorizes a successor institution to issue subordinated debt to dissenting stockholders for amounts in excess of par or face value. Proposed § 611.1280(e) eliminates the payment of subordinated debt to dissenting stockholders. Since dissenting stockholders are paid before the calculation of the exit fee, there is no longer a need for an institution to issue subordinated debt. The terminating institution must pay dissenting stockholders in cash or make some other arrangement that is satisfactory to each dissenting equityholder for their share of capital.

Section 611.1285 Loan Refinancing by Borrowers

We have redesignated § 611.1266 as § 611.1285. Proposed § 611.1285(a), like existing § 611.1266, would require a terminating institution to provide credit and loan information about a borrower to another FCS institution when requested by a borrower seeking refinancing with such institution. Proposed § 611.1285(b) would also authorize any FCS institution to lend in a terminating institution's territory provided:

- We have not assigned the terminating institution's territory to another FCS institution; and
- The FCS institution seeking to lend in a terminating institution's territory is otherwise authorized by the 1971 Act and regulations to extend the type of credit provided by the terminating institution.

Section 611.1290 Continuation of Borrower Rights

This section appears in the existing rule as § 611.1270. While we have rewritten this section, it does not differ in substance from the existing rule.

List of Subjects in 12 CFR Part 611

Agriculture, Banks, banking, Organization and functions (Government agencies), Rural areas.

For the reasons stated in the preamble, we propose to amend part 611 of chapter VI, title 12 of the Code of Federal Regulations as follows:

PART 611—ORGANIZATION

1. The authority citation for part 611 is revised to read as follows:

Authority: Secs. 1.3, 1.13, 2.0, 2.10, 3.0, 3.21, 4.12, 4.15, 4.20, 4.21, 5.9, 5.10, 5.17, 6.9, 6.26, 7.0–7.13, 8.5(e) of the Farm Credit Act (12 U.S.C. 2011, 2021, 2071, 2091, 2121, 2142, 2183, 2203, 2208, 2209, 2243, 2244, 2252, 2278a–9, 2278b–6, 2279a–2279f–1, 2279aa–5(e)); secs. 411 and 412 of Public Law 100–233, 101 Stat. 1568, 1638; secs. 409 and 414 of Public Law 100–399, 102 Stat. 989, 1003, and 1004.

2. Revise subpart P to read as follows:

Subpart P—Termination of System Institution Status

Sec.

Subpart P—Termination of System Institution Status

§ 611.1200 Applicability of this subpart.

These regulations apply to each bank and association that desires to terminate its System institution status and become chartered as a bank, savings association or other financial institution.

§ 611.1205 Definitions that apply in this subpart.

Assets means all assets (less appropriate valuation adjustments) determined in conformity with GAAP, except as otherwise required in this subpart.

GAAP means ''generally accepted accounting principles'' as that term is defined in § 621.2(c) of this chapter.

OFI means an ''other financing institution'' that has a funding and discount agreement with a Farm Credit bank under section 1.7(b)(1) of the Act.

Successor institution means the bank, savings association, or other financial institution that the terminating bank or association will become when we revoke its Farm Credit charter.

§ 611.1210 Commencement resolution and advance notice.

(a) *Adoption of commencement resolution.* Your board of directors must begin the termination process by adopting a commencement resolution stating your intention to terminate Farm Credit status under section 7.10 of the Act.

(b) *Advance notice.* Within 5 days after adopting the commencement resolution, you must:

(1) Send a certified copy of the commencement resolution to us and the Farm Credit System Insurance Corporation (FCSIC). If you are an association, also send a copy to your affiliated bank. If you are a bank, also send a copy to your affiliated associations, the other Farm Credit banks and the Federal Farm Credit Banks Funding Corporation (Funding Corporation);

(2) Mail an announcement to all equity holders stating you are taking steps to terminate Farm Credit status and describing the following:

(i) The process of termination;

(ii) The expected effect of termination on equity holders, including the effect on borrower rights and the consequences of any stock retirements before termination;

(iii) The type of charter the successor institution will have; and

(iv) Any bylaw creating a special class of borrower stock and participation certificates under paragraph (f) of this section.

(c) *Bank negotiations on joint and several liability.* If you are a terminating bank, within 10 days of adopting the commencement resolution you and the other Farm Credit banks must begin negotiations to provide for your satisfaction of joint and several liability on consolidated and Systemwide obligations under section 4.4 of the Act. The Funding Corporation may, at its option, be a party to the negotiations to the extent necessary to fulfill its duties with respect to financing and disclosure. The agreement must comply with the requirements in § 611.1270(c).

(d) *Disclosure to customers after commencement resolution.* Between the date of the commencement resolution and the termination date, you must give the following information to your customers:

(1) For each applicant who is not a current stockholder, describe at the time of loan application:

(i) The effect of the proposed termination on the borrower's loan; and

(ii) Whether the borrower will continue to have any of the borrower rights provided under the Act and regulations.

(2) For any equity holders who ask to have their equities retired, explain that the retirement would extinguish the holder's right to exchange those equities for an interest in the successor institution. In addition, inform holders of equities entitled to your residual assets in liquidation that retirement before termination would extinguish their right to dissent from the termination and receive the adjusted book value of their equities.

(e) *Terminating bank's right to continue issuing debt.* Until the termination date, a terminating bank may continue to participate in the issuance of consolidated and Systemwide obligations to the same extent it would be able to participate if it were not terminating.

(f) *Special class of stock.* Notwithstanding any requirements to the contrary in § 615.5230(b) of this

chapter, you may adopt bylaws providing for the issuance of a special class of stock and participation certificates between the date of adoption of a commencement resolution and the termination date. Your stockholders must approve the special class before you adopt the commencement resolution. The equities must comply with section 4.3A of the Act and be identical in all respects to existing classes of equities that are entitled to the residual assets of the institution in a liquidation, except for the value a holder will receive in a termination. In a termination, the holder of the special class of stock receives value equal to the lower of either par (or face) value, or adjusted book value. A holder must have the same right to vote (if the equity is held on the voting record date) and to dissent as holders of similar equities issued before the commencement resolution. If the termination does not occur, the special classes of stock and participation certificates must automatically convert into shares of the otherwise identical equities.

§ 611.1215 Prohibited acts.

(a) *Statements about termination.* Neither the institution nor any director, officer, employee or agent may make any untrue or misleading statement of a material fact, or fail to disclose any material fact, about the termination to a current or prospective equity holder.

(b) *Representations regarding FCA approval.* Neither the institution nor any director, officer, employee or agent may make an oral or written representation to anyone that a preliminary or final approval of the termination by us is, directly or indirectly, either a recommendation on the merits of the proposal or an assurance that the information given by you to your equity holders is adequate or accurate.

§ 611.1220 Filing of termination application.

(a) *Adoption of termination resolution.* Your board must adopt a termination resolution authorizing the application for termination and for a new charter.

(b) *Contents of termination application.* Send us an original and five copies of the termination application for review and preliminary approval. If you send us the application in electronic form, you must send us at least one hard copy application with original signatures. The application must contain:

(1) A certified copy of the termination resolution;

(2) A copy of the plan of termination required under § 611.1222;

(3) An information statement that complies with § 611.1223;

(4) All other information that you give to current or prospective equity holders in connection with the termination; and

(5) Any additional information that either we request or your board of directors wishes to submit in support of the application.

(c) *Requirement to update application.* You must immediately send us any material changes to information in the plan of termination, including financial information, that occur between the date you file the application and the termination date. In addition, send us copies of any additional written information on the termination that you give to current or prospective equity holders before termination.

§ 611.1221 Filing of termination application—timing.

If we receive the termination application required in § 611.1220 less than 30 days after receiving the advance notice, we may in our discretion disapprove the application.

§ 611.1222 Plan of termination—contents.

The plan of termination must include:

(a) Copies of all contracts, agreements, and other documents on the proposed termination and organization of the successor institution.

(b) A statement of how you will transfer assets to, and have your liabilities assumed by, the successor institution.

(c) Your plan to retire outstanding equities or convert them to equities of the successor institution.

(d) A copy of the charter application for the successor institution, with any exhibits or other supporting information.

(e) A statement, if applicable, whether the successor institution will continue to borrow from a Farm Credit bank and how such a relationship will affect your provision for payment of debts. The plan of termination must include evidence of any agreement and plan for satisfaction of outstanding debts (including amounts you owe to the Farm Credit System Financial Assistance Corporation (FAC) because of the termination).

§ 611.1223 Information statement—contents.

(a) *Plain language requirements.*

(1) Present the contents of the information statement in a clear, concise and understandable manner.

(2) Use short, explanatory sentences, bullet lists or charts where helpful, and descriptive headings and subheadings.

(3) Minimize the use of glossaries or defined terms.

(4) Write in the active voice when possible.

(5) Avoid legal and highly technical business terminology.

(b) *Disclaimer.* Place the following statement in boldface type in the material sent to equity holders, either on the notice of meeting or the first page of the information statement:

The Farm Credit Administration has not determined if this information is accurate or complete. You should not rely on any statement to the contrary.

(c) *Summary.* The first part of the information statement must be a summary that concisely explains:

(1) Which stockholders have a right to vote on termination;

(2) The material changes the termination will cause to the rights of stockholders, borrowers, and other equity holders;

(3) The effect of those changes;

(4) The potential benefits and disadvantages of the termination;

(5) The right of certain stockholders to dissent and receive cash for their existing equities; and

(6) The proposed termination date.

(d) *Remaining requirements.* The rest of the information statement must contain the following:

(1) *Plan of termination.* Describe the plan of termination.

(2) *Benefits and disadvantages.* Provide the following information:

(i) An enumerated statement of the anticipated benefits and potential disadvantages of the termination;

(ii) An explanation of the preliminary exit fee estimate, with any adjustments we require, and estimated expenses of termination and organization of the successor institution; and

(iii) An explanation of the board's basis for recommending the termination.

(3) *Initial board of directors.* List the initial board of directors and senior officers for the successor institution, with a brief description of the business experience of each person, including principal occupation and employment during the past 5 years.

(4) *Bylaws and charter.* Summarize the provisions of the bylaws and charter of the successor institution that differ materially from your bylaws and charter. The summary must state:

(i) Whether the successor institution will require a borrower to hold an equity interest as a condition for having a loan; and

(ii) Whether the successor institution will require stockholders to do business with the institution.

(5) *Changes to equity*. Explain any changes in the nature of equity investments in the successor institution, such as changes in dividends, patronage, voting rights, preferences, retirement of equities, and liquidation priority. If equities protected under section 4.9A of the Act are outstanding, the information statement must state that the Act's protections will be extinguished on termination.

(6) *Effect of termination on statutory and regulatory rights.* Explain the effect of termination on rights granted by the Act and FCA regulations. You must explain the effect termination will have on borrower rights granted in the Act and subparts K, L, and N of part 614 of this chapter.

(7) *Loan refinancing by borrowers.* (i) State, as applicable, that borrowers may seek to refinance their loans with the System institution(s) that already serve, or will be permitted to serve, your territory. State that no System institution is obligated to refinance your loans.

(ii) If we have assigned your territory to another System institution before the information statement is mailed to equity holders, or if another System institution is already chartered to make the same type of loans you make in your territory, identify such institution(s) and provide the following information:

(A) The name, address, and telephone number of the institution; and

(B) An explanation of the institution's procedures to apply for refinancing.

(iii) If we have not assigned the territory before you mail the information statement, give the name, address and telephone number of the System institution specified by us and state that borrowers may contact the institution for information about loan refinancing.

(8) *Equity exchanges.* Explain the formula and procedure to exchange equity in your institution for equity in the successor institution.

(9) *Employment, retirement, and severance agreements.* Describe any employment agreement or arrangement between the successor institution and any of your senior officers (as defined in § 620.1 of this chapter) or directors. Describe any severance and retirement plans that cover your employees or directors and state the costs you expect to incur under the plans in connection with the termination.

(10) *Exit fee calculation.* Explain how the exit fee will be calculated.

(11) *New charter.* Describe the nature and type of financial institution the successor institution will be and any conditions of approval of the new chartering authority or regulator.

(12) *Differences in successor institution's programs and policies.* Summarize any differences between you and the successor institution on:

(i) Interest rates and fees;

(ii) Collection policies;

(iii) Services provided; and

(iv) Any other item that would affect a borrower's lending relationship with the successor institution, including whether a stockholder's ability to borrow from the institution will be restricted.

(13) *Capitalization*. Discuss expected capital requirements of the successor institution, and the amount and method of capitalization.

(14) *Sources of funding.* Explain the sources and manner of funding the successor institution's operations.

(15) *Contingent liabilities*. Describe how the successor institution will address any contingent liability it will assume from you.

(16) *Tax status*. Summarize the differences in tax status between your institution and the successor institution, and explain how the differences will affect stockholders.

(17) *Regulatory environment*. Describe briefly how the regulatory environment for the successor institution will differ from your current regulatory environment, and any effect on the cost of doing business or the value of stockholders' equity.

(18) *Dissenters' rights*. Explain which equity holders are entitled to dissenters' rights and what those rights are. The explanation must include the estimated liquidation value of the stock, procedures for exercising dissenters' rights, and a statement of when the rights may be exercised.

(19) *Financial information*. (i) Present the following financial data:

(A) A balance sheet and income statement for each of the 3 preceding fiscal years;

(B) A balance sheet as of a date within 90 days of the date you mail the termination application to us, presented on a comparative basis with the corresponding period of the previous 2 fiscal years;

(C) An income statement for the interim period between the end of the last fiscal year and the date of the balance sheet required by paragraph (d)(19)(i)(B) of this section, presented on a comparative basis with the corresponding period of the previous 2 fiscal years;

(D) A pro forma balance sheet of the successor institution presented as if termination had occurred as of the date of the most recent balance sheet presented in the statement; and

(E) A pro forma summary of earnings for the successor institution presented as if the termination had been effective at the beginning of the interim period between the end of the last fiscal year and the date of the balance sheet presented under paragraph (d)(19)(i)(D) of this section.

(ii) The format for the balance sheet and income statement must be the same as the format in your annual report and must contain appropriate footnote disclosures, including data on high-risk assets, other property owned, and allowance for losses.

(iii) The financial statements must include either:

(A) A statement signed by the chief executive officer and each board member that the various financial statements are unaudited, but have been prepared in all material respects in conformity with GAAP (except as otherwise disclosed) and are, to the best of each signer's knowledge, a fair and accurate presentation of the financial condition of the institution; or

(B) A signed opinion by an independent certified public accountant that the various financial statements have been examined in conformity with generally accepted auditing standards and included such tests of the accounting records and other such auditing procedures as were considered necessary in the circumstances, and, as of the date of the statements, present fairly the financial position of the institution in conformity with GAAP applied on a consistent basis, except as otherwise disclosed.

(20) *Subsequent financial events.* Describe any event after the date of the financial statements, but before the date you send the termination application to us, that would have a material impact on your financial condition or the condition of the successor institution.

(21) *Other subsequent events.* Describe any event after you send the termination application to us that could have a material impact on any information in the termination application.

(22) *Other material disclosures.* Describe any other material fact or circumstance that a stockholder would need to know to make an informed decision on the termination, or that is necessary to make the disclosures not misleading.

(23) *Ballot and proxy*. Include a ballot and proxy, with instructions on the purpose and authority for their use, and the proper method for the stockholder to sign the proxy.

(24) *Board of directors certification*. Include a certification signed by the entire board of directors as to the truth, accuracy, and completeness of the information contained in the

information statement. If any director refuses to sign the certification, the director must inform us of the reasons for refusing.

§ 611.1230 FCA review and approval.

(a) *FCA review period.* We will review a termination application and either give preliminary approval or disapprove the application no later than 60 days after we receive the application.

(b) *Reservation of right to disapprove termination.* In addition to any other reason for disapproval, we may disapprove a termination if we determine that the termination would have a material adverse effect on the ability of the remaining System institutions to fulfill their statutory purpose.

(c) *Conditions of final FCA approval.* We will give final approval to your termination application only if:

(1) Your stockholders vote in favor of termination in the termination vote and in any reconsideration vote;

(2) You give us executed copies of all contracts, agreements, and other documents submitted under § 611.1222;

(3) You have paid or made adequate provision for payment of debts and retirement of equities;

(4) A Federal or State chartering authority has granted a new charter to the successor institution;

(5) You deposit into escrow an amount equal to 110 percent of the estimated exit fee plus 110 percent of the estimated amount you must pay to retire equities of dissenting stockholders, as described in § 611.1255(c); and

(6) You have fulfilled any other condition of termination we have imposed.

(d) *Effective date of termination.* If we grant final approval, we will revoke your charter, and the termination will be effective on the last to occur of—

(1) Fulfillment of all conditions listed in paragraph (c) of this section;

(2) Your proposed termination date;

(3) Ninety (90) days after we receive the notice described in § 611.1240(e); and

(4) Fifteen (15) days after any reconsideration vote.

§ 611.1240 Voting record date and stockholder approval.

(a) *Stockholder meeting.* You must call the meeting by written notice in compliance with your bylaws. The stockholder meeting to vote on the termination must occur within 60 days of our preliminary approval (or, if we take no action, within 60 days of the end of our approval period).

(b) *Voting record date.* The voting record date may not be more than 70 days before the stockholders' meeting.

(c) *Information statement.* You must provide all equity holders with a notice of meeting and the information statement required by § 611.1222 at least 30 days before the stockholder vote.

(d) *Voting procedures.* The voting procedures must comply with § 611.330. You must have an independent third party count the ballots. If a voting stockholder notifies you of the stockholder's intent to exercise dissenters' rights, the tabulator must be able to verify to you that the stockholder voted against the termination. Otherwise, the votes of stockholders must remain confidential.

(e) *Notice to FCA and equity holders of voting results.* Within 10 days of the termination vote, you must send us a certified record of the results of the vote. You must notify all equity holders of the results within 30 days after the stockholder meeting. If the stockholders approve the termination, you must give the following information to equity holders:

(1) Stockholders who voted against termination and equity holders who were not entitled to vote have a right to dissent as provided in § 611.1280; and

(2) Voting stockholders have a right, under § 611.1245, to file a petition with the FCA for reconsideration within 35 days after the date you mail to them the notice of the results of the termination vote.

(f) *Requirement to notify new equity holders.* You must provide the information described in paragraph (e)(1) of this section to each person that becomes an equityholder after the termination vote and before termination.

§ 611.1245 Stockholder reconsideration.

(a) *Right to reconsider termination.* Voting stockholders have the right to reconsider their approval of the termination if a petition signed by 15 percent of the stockholders is filed with us within 35 days after you mail notices to stockholders that the termination vote was approved. If we determine that the petition complies with the requirements of section 7.9 of the Act, you must call a special stockholders' meeting to reconsider the vote. The meeting must occur within 60 days after the date on which you mailed to stockholders the results of the termination vote. If a majority of the stockholders voting, in person or by proxy, vote against the termination, the termination may not take place.

(b) *Stockholder list and expenses.* You must, at your expense, timely give stockholders who request it a list of the names and addresses of stockholders eligible to vote in the reconsideration vote. The petitioners must pay all other expenses for the petition. You must pay expenses that you incur for the reconsideration vote.

§ 611.1250 Preliminary exit fee estimate.

(a) *Preliminary exit fee estimate-terminating association.* You must provide a preliminary exit fee estimate to us when you submit the termination application. Calculate the preliminary exit fee estimate in the following order:

(1) Base your exit fee calculation on the average daily balances of assets and liabilities. Any amounts we refer to in this section are average daily balances unless we specify that they are not. Amounts that are not average daily balances will be referred to as ''dollar amount.''

(2) Determine account balances in conformity with GAAP and have them independently audited by a qualified public accountant, as defined in § 621.2(i) of this chapter, as of the quarterend immediately before the date you send us your termination application. We may, in our discretion, waive the audit requirement if an independent audit was performed as of a date less than 6 months before you submit the termination application.

(3) Calculate the 12-month balances of assets and liabilities as of the quarterend immediately before the date you send us your termination application.

(4) Make adjustments to assets as follows:

(i) Add back expenses you have incurred related to termination. Related expenses include, but are not limited to, legal services, accounting services, auditing, business planning, and application fees for the termination and reorganization.

(ii) Subtract the following:

(A) The dollar amount of your estimated payment (to your affiliated bank) related to FAC obligations; and

(B) The dollar amount of your estimated taxes due to the termination.

(iii) Adjust for the dollar amount of significant transactions you reasonably expect to occur between the quarterend before you file your termination application and termination. Examples of these transactions include, but are not limited to, gains or losses on the sale of assets, retirements of equity, loan repayments, and patronage distributions. Do not make adjustments for future expenses related to termination, such as severance or special retirement payments, or stock retirements to dissenting stockholders and Farm Credit institutions.

(5) Subtract from liabilities any liability that we treat as regulatory capital under the capital or collateral requirements in subparts H and K of part 615 of this chapter.

(6) Make any adjustments we require under paragraph (c) of this section.

(7) After making these adjustments to assets and liabilities, subtract liabilities from assets. This is your preliminary total capital for purposes of termination.

(8) Multiply assets as adjusted above by 6 percent, and subtract this amount from preliminary total capital. This is your preliminary exit fee estimate.

(b) *Preliminary exit fee estimate—terminating bank*. (1) Affiliated associations that are terminating with you must calculate their individual preliminary exit fee estimates as described in paragraph (a) of this section.

(2) Base your exit fee calculation on the average daily balances of assets and liabilities. Any amounts we refer to in this section are average daily balances unless we specify that they are not. Amounts that are not average daily balances will be referred to as ''dollar amount.''

(3) The account balances must be in conformity with GAAP and independently audited by a qualified public accountant, as defined in § 621.2(i) of this chapter, as of the quarterend immediately before the date you send us your termination application. We may, in our discretion, waive this requirement if an independent audit was performed as of a date less than 6 months before you submit the termination application.

(4) Calculate the 12-month balances of assets and liabilities as of the quarterend immediately before the date you send us your termination application.

(5) Make adjustments to assets and liabilities as follows:

(i) Add back to assets the following:

(A) Expenses you have incurred related to termination. Related expenses include, but are not limited to, legal services, accounting services, auditing, business planning, and application fees for the termination and reorganization; and

(B) Any specific allowance for losses, and a *pro rata* portion of any general allowance for loan losses on direct loans to an association that you do not expect to incur before or at termination.

(ii) Subtract from your assets and liabilities an amount equal to the average daily balances of your direct loans to your affiliated associations that are not terminating.

(iii) Subtract the following from assets:

(A) Equity investments in you held by non-terminating associations. A non-terminating association's investment consists of purchased equities, allocated equities, and a *pro rata* share of the bank's unallocated surplus;

(B) The dollar amount of your estimated termination payment to the FAC; and

(C) The dollar amount of estimated taxes due to the termination.

(iv) Subtract from liabilities any liability that we treat as regulatory capital under the capital or collateral requirements in subparts H and K of part 615 of this chapter.

(v) Adjust for the dollar amount of significant transactions you reasonably expect to occur between the quarterend before you file your termination application and termination. Examples of these transactions include, but are not limited to, retirements of equity, loan repayments, and patronage distributions. Do not make adjustments for future expenses related to termination, such as severance or special retirement payments, or stock retirements to dissenting stockholders and Farm Credit institutions.

(6) Add to assets the dollar amount of estimated termination payments of the terminating associations related to FAC obligations.

(7) Make any adjustments we require under paragraph (c) of this section.

(8) After the above adjustments, combine your balance sheet with the balance sheets of your terminating associations after they have made the adjustments required in paragraph (a) of this section. Subtract liabilities from assets. This is your preliminary total capital for purposes of termination.

(9) Multiply the assets of the combined balance sheet after the above adjustments by 6 percent. Subtract this amount from the preliminary total capital of the combined balance sheet. This is the preliminary exit fee estimate of the bank and terminating affiliated associations.

(10) Your preliminary exit fee estimate is the amount by which the exit fee for the combined entity exceeds the total of the individual preliminary exit fee estimates of your affiliated terminating associations.

(c) *Three-year look-back*. (1) We will review your transactions over the 3 years before the date of the termination resolution under § 611.1220. Our review will include, but not be limited to, the following:

(i) Additions to or subtractions from any allowance for losses;

(ii) Additions to assets or liabilities, or subtractions from assets or liabilities, due to transactions that are outside your ordinary course of business;

(iii) Dividends or patronage refunds exceeding your usual practices;

(iv) Changes in the institution's capital plan, or in implementing the plan, that increased or decreased the level of borrower investment;

(v) Contingent liabilities, such as loss-sharing obligations, that can be reasonably quantified; and

(vi) Assets that may be overvalued, undervalued or not recorded on your books.

(2) If we determine the account balances do not accurately show the value of your assets and liabilities, we will make any adjustments we deem necessary. In addition, we may require you to reverse the effect of a transaction if we determine that:

(i) You have retired capital outside the ordinary course of business,

(ii) You have taken any other actions unrelated to core business that have the effect of changing the exit fee, or

(iii) You incurred expenses related to termination prior to the 12-month average daily balance period on which the exit fee calculation is based.

(3) We may require you to make these adjustments to the exit fee estimate that is disclosed in the information statement and to the final exit fee calculation.

§ 611.1255 Exit fee calculation.

(a) *Final exit fee calculation-terminating association*. Calculate the final exit fee in the following order:

(1) Base your exit fee calculation on the average daily balances of assets and liabilities. Any amounts we refer to in this section are average daily balances unless we specify that they are not. Amounts that are not average daily balances will be referred to as ''dollar amount.''

(2) The account balances must be in conformity with GAAP and independently audited by a qualified public accountant, as defined in § 621.2(i) of this chapter, as of the termination date.

(3) Calculate the 12-month balances of assets and liabilities as of the termination date. Assume for this calculation that you have not paid or accrued the items described in paragraph (a)(4)(ii) of this section.

(4) Make adjustments to assets and liabilities as follows:

(i) Add back expenses related to termination. Related expenses include, but are not limited to, legal services, accounting services, auditing, business planning, payments of severance and special retirements, and application fees for the termination and reorganization.

(ii) Subtract from assets the following:

(A) The dollar amount of your termination payment (to your affiliated bank) related to FAC obligations;

(B) The taxes you will have to pay due to the termination; and

(C) Payments to retire the equities of dissenting stockholders and Farm Credit institutions at termination.

(iii) Subtract from liabilities any liability that we treat as regulatory capital under the capital or collateral requirements in subparts H and K of part 615 of this chapter.

(iv) Make the adjustments that we require under § 611.1250(c). For the final exit fee, we will review and may require additional adjustments for transactions between the date you adopted the termination resolution and the termination date.

(5) After making these adjustments to assets and liabilities, subtract liabilities from assets. This is your total capital for purposes of termination.

(6) Multiply assets by 6 percent, and subtract this amount from total capital. This is your final exit fee.

(b) *Final exit fee calculation-terminating bank*. (1) The individual exit fees of affiliated associations that are terminating with you must be calculated as described in paragraph (a) of this section.

(2) Base your exit fee calculation on the average daily balances of assets and liabilities. Any amounts we refer to in this section are average daily balances unless we specify that they are not. Amounts that are not average daily balances will be referred to as ''dollar amount.''

(3) The account balances must be in conformity with GAAP and independently audited by a qualified public accountant, as defined in § 621.2(i) of this chapter, as of the termination date.

(4) Calculate the 12-month balances of assets and total capital as of the termination date. Assume for this calculation that you have not paid or accrued the items described in paragraph (b)(5)(iii)(B), (C), and (D) of this section.

(5) Make adjustments to assets and liabilities as follows:

(i) Add back the following to your assets:

(A) Expenses you have incurred related to termination. Related expenses include, but are not limited to, legal services, accounting services, auditing, business planning, payments of severance and special retirements, and application fees for the termination and reorganization.

(B) The amount of the termination payments to you by the terminating associations related to FAC obligations.

(ii) Subtract from your assets and liabilities your direct loans to affiliated associations that were paid off or transferred in the 12-month period before termination.

(iii) Subtract from your assets the following:

(A) Equity investments held in you by affiliated associations that you retired or transferred during the 12 months before termination. A non-terminating association's investment consists of purchased equities, allocated equities, and a pro rata share of the bank's unallocated surplus;

(B) The dollar amount of your termination payment to the FAC;

(C) The dollar amount of taxes paid or accrued due to the termination; and

(D) Payments to retire the equities of dissenting stockholders and Farm Credit institutions.

(iv) Subtract from liabilities any liability that we treat as regulatory capital under the capital or collateral requirements in subparts H and K of part 615 of this chapter.

(v) Make the adjustments that we require under § 611.1250(c). For the final exit fee, we will review and may require additional adjustments for transactions between the date you adopted the termination resolution and the termination date.

(6) After the above adjustments, combine your balance sheet with the balance sheets of terminating associations after making the adjustments required in paragraph (a) of this section.

(7) Subtract combined liabilities from combined assets. This is the total capital of the combined balance sheet.

(8) Multiply the assets of the combined balance sheet after the above adjustments by 6 percent. Subtract this amount from the total capital of the combined balance sheet. This amount is the combined final exit fee for you and the terminating affiliated associations.

(9) Your final exit fee is the amount by which the combined final exit fee exceeds the total of the individual final exit fees of your affiliated terminating associations.

(c) *Payment of exit fee.* On the termination date, you must:

(1) Deposit into an escrow account acceptable to us and the FCSIC an amount equal to 110 percent of the preliminary exit fee estimate, adjusted to account for stock retirements to dissenting stockholders and Farm Credit institutions, and any other adjustments we require.

(2) Deposit into an escrow account acceptable to us an amount equal to 110 percent of the equity you must retire for dissenting stockholders and System institutions holding stock that would be entitled to a share of the remaining assets in a liquidation.

(d) *Pay-out of escrow*. Following the independent audit of the institution's account balances as of the termination date, we will determine the amount of the final exit fee and the amounts owed to stockholders to retire their equities. We will then direct the escrow agent to:

(1) Pay the exit fee to the Farm Credit Insurance Fund;

(2) Pay the amounts owed to dissenting stockholders; and

(3) Return any remaining amounts to the successor institution.

(e) *Additional payment*. If the amount held in escrow is not enough to pay the amounts under paragraph (d)(1) and (2) of this section, the successor institution must pay any remaining liability to the escrow agent for distribution to the appropriate parties. The termination application must include evidence that, after termination, the successor institution will pay any remaining amounts owed to dissenting stockholders.

§ 611.1260 Payment of debts and assessments—terminating association.

(a) *General rule*. If you are a terminating association, you must pay or make adequate provision for the payment of all outstanding debt obligations and assessments.

(b) *No OFI relationship*. If the successor institution will not become an OFI, you must either:

(1) Pay debts and assessments owed to your affiliated Farm Credit bank at termination; or

(2) With your affiliated Farm Credit bank's concurrence, arrange to pay any obligations or assessments to the bank after termination.

(c) *Obligations to other Farm Credit institutions*. You must pay or make adequate provision for payment of obligations to any Farm Credit institution (other than your affiliated bank) under any loss-sharing or other agreement.

(d) *FAC debt payments*. Before termination, you must pay future assessments and payment obligations to your affiliated Farm Credit bank to the extent required by subparagraphs (c)(5)(F) and (d)(1)(C)(v) of section 6.26 of the Act. The FAC must make the payment calculations this paragraph requires, subject to FCA approval, based on an appropriate discount rate. The appropriate discount rate is the non-interest bearing U.S. Treasury security

rate for securities with a maturity as near as possible to the period remaining until the terminating association's obligations under this paragraph would be due.

§ 611.1265 Retirement of equities—terminating association.

(a) *Safety and soundness restrictions.* Notwithstanding anything in these regulations to the contrary, we may prohibit a bank from retiring your equities if the retirement would cause the bank to fall below its regulatory capital requirements after retirement, or if we determine that the bank would be in an unsafe or unsound condition after retirement.

(b) *Retirement agreement.* Your affiliated bank may retire the purchased and allocated equities held by you in the bank according to the terms of the bank's capital revolvement plan or an agreement between you and the bank.

(c) *Retirement in absence of agreement.* Your affiliated bank must retire any equities not subject to an agreement or revolvement plan no later than when you or the successor institution pays off your loan from the bank.

(d) *No retirement of unallocated surplus.* When your bank retires equities you own in the bank, the bank must pay par or face value for purchased and allocated equities, less any impairment. The bank may not pay you any portion of its unallocated surplus.

(e) *Exclusion of equities from capital ratios.* If another Farm Credit institution makes an agreement to retire equities you hold in that institution after termination, we may require that institution to exclude part or all of those equities from assets and capital when the institution calculates its capital and net collateral ratios under subparts H and K of part 615 of this chapter.

(f) *Retirement of equities held by other Farm Credit institutions.* If a Farm Credit institution other than the affiliated bank owns equities you have issued, the other Farm Credit institution may require you to retire the equities on or before termination. The equities must be retired at book value revised to reflect the adjustments required for the final exit fee calculation in § 611.1255(a)(4)(iii).

§ 611.1270 Repayment of obligations—terminating bank.

(a) *General rule.* If you are a terminating bank, you must pay or make adequate provision for the payment of all outstanding debt obligations.

(b) *Satisfaction of primary liability.* After consulting with other Farm Credit banks, the Funding Corporation, and the FCSIC, you must pay or make adequate provision for payment of your primary liability on consolidated or Systemwide obligations in a method that we deem acceptable. Before we make a final decision on your proposal and as we deem necessary, we may consult with the other Farm Credit banks, the Funding Corporation, and the FCSIC.

(c) *Satisfaction of joint and several liability.* (1) You and the other Farm Credit banks must enter into an agreement covering obligations issued under section 4.2 of the Act and outstanding on the termination date. The Funding Corporation may, at its option, be a party to the agreement to the extent necessary to fulfill its duties with respect to financing and disclosure. The agreement, which is subject to our approval, must specify how you will make adequate provision for the payment of your joint and several liability to holders of obligations other than those obligations on which you are primarily liable.

(2) If you and the other Farm Credit banks are unable to reach agreement within 90 days before the proposed termination date, we will specify the manner in which you will make adequate provision for the payment of your joint and several liability and how we will make joint and several calls for those obligations outstanding on the termination date.

(3) Notwithstanding any other provision in these regulations, the successor institution will be jointly and severally liable for consolidated and Systemwide debt outstanding on the termination date (other than the obligations on which you are primarily liable), as well as for interest on individual obligations issued and outstanding on the termination date by other banks operating under the same title of the Act. The termination application must include evidence that the successor institution will continue to have this joint and several liability for consolidated and Systemwide debt.

(d) *Payment to the FAC.* (1) Before termination, you must pay to the FAC the amounts required by section 6.9(e)(3)(C)(ii) of the Act and by subparagraphs (c)(5)(E)(i) and (d)(1)(C)(iv) of section 6.26 of the Act. For purposes of this calculation, you must include your retail loan volume, the retail loan volume of the associations that are terminating with you, and the retail loan volume of the affiliated associations that continue their direct lending relationships with the successor institution.

(2) The FAC must make the present value estimation, subject to our approval, based on an appropriate discount rate. The appropriate discount rate is the non-interest bearing U.S. Treasury security rate for securities with a maturity as near as possible to the period remaining until the terminating association's obligations under this paragraph would be due.

§ 611.1275 Retirement of equities—terminating bank.

(a) *Retirement at option of equity holder.* System institutions that own your equities have the right to require you to retire the equities on the termination date.

(b) *Value of equity holders' interests.* For retirement purposes, the value of the equities held by System institutions is the book value on the termination date, revised to reflect the adjustments required for the final exit fee calculation in § 611.1255(b)(5)(iv).

(c) *Transfer of affiliated association's investment.* As an alternative to retirement, an affiliated association that is not terminating has the right to require you to transfer its investment in the bank, including a pro rata share of unallocated surplus, to another Farm Credit bank. The transfer of the investment, which must include purchased equities and allocated and unallocated surplus, must occur on or before the termination date.

§ 611.1280 Dissenters' rights.

(a) *Definition.* A dissenting stockholder is an equity holder (other than a System institution) in a terminating institution on the termination date who either:

(1) Was eligible to vote on the termination resolution and voted against termination;

(2) Was an equity holder on the voting record date but was not eligible to vote; or

(3) Became an equity holder after the voting record date.

(b) *Retirement at option of dissenting stockholder.* A dissenting stockholder may require a terminating institution to retire the stockholder's equity interest in the terminating institution.

(c) *Value of a dissenting stockholder's interest.* You must pay a dissenting stockholder according to the liquidation provisions in your bylaws, except that you must pay at least par or face value for eligible borrower stock (as defined in section 4.9A(d)(2) of the Act).

(d) *Calculation of interest of a dissenting stockholder entitled to the remaining assets.* Except as paragraph (f) of this section provides, when you retire equities of the class entitled to the remaining assets in a liquidation, you must pay the adjusted book value.

(1) The adjusted book value for a terminating association is the book

value on the termination date, after making the adjustments required by us for the final exit fee calculation in § 611.1255(a)(4), except for the subtraction of dissenting stockholders' equity described in § 611.1255 (a)(4)(ii)(C).

(2) The adjusted book value for a terminating bank is the book value on the termination date, after making the adjustments required by us for the final exit fee calculation in § 611.1255(b)(5)(iv), except for the subtraction of dissenting stockholders' equity described in § 611.1255(b)(5)(iii)(D).

(e) *Form of payment to a dissenting stockholder.* You must pay cash or make some other payment arrangement satisfactory to the dissenting stockholder for the stockholder's equities.

(f) *Payment to holders of special class of stock.* If you have adopted bylaws under § 611.1210(f), you must pay a dissenting stockholder who owns shares of the special class of stock an amount equal to the lower of the par (or face) or adjusted book value of such stock.

(g) *Notice to equity holders.* The notice to equity holders required in § 611.1240(e) must include a form for stockholders to send back to you, stating their intention to exercise dissenters' rights. The notice must contain the following information:

(1) A description of the rights of dissenting stockholders set forth in this section, and the approximate value per share that a dissenting stockholder can expect to receive. State whether the successor institution will require borrowers to be stockholders or whether it will require stockholders to be borrowers.

(2) A description of the current book and par value per share of each class of equities, and the expected book and market value of the stockholder's interest in the successor institution.

(3) A statement that a stockholder must return the enclosed form to you within 30 days if the stockholder chooses to exercise dissenters' rights.

(h) *Notice to subsequent equity holders.* Equity holders that acquire their equities after the termination vote must also receive the notice described in paragraph (g) of this section. You must give them at least 5 business days to decide whether to request retirement of their stock.

(i) *Reconsideration.* If a reconsideration vote is held and the termination is disapproved, the right of stockholders to exercise dissenters' rights is rescinded. If a reconsideration vote is held and the termination is approved, you must retire the equities of dissenting stockholders as if there had been no reconsideration vote.

§ 611.1285 Loan refinancing by borrowers.

(a) *Disclosure of credit and loan information.* At the request of a borrower seeking refinancing with another System institution before you terminate, you must give credit and loan information about the borrower to such institution.

(b) *No reassignment of territory.* If, at the termination date, we have not assigned your territory to another System institution, any System institution may lend in your territory, to the extent otherwise permitted by the Act and regulations.

§ 611.1290 Continuation of borrower rights.

You may not require a waiver of contractual borrower rights provisions as a condition of borrowing from and owning equity in the successor institution. Institutions that become OFIs on termination must comply with the applicable borrower rights provisions in the Act and subparts K, L, and N of part 614 of this chapter.

Dated: October 29, 1999.

Nan P. Mitchem,

Acting Secretary, Farm Credit Administration Board.

[FR Doc. 99–28732 Filed 11–4–99; 8:45 am]

BILLING CODE 6705–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 98–CE–112–AD]

RIN 2120–AA64

Airworthiness Directives; The New Piper Aircraft, Inc. Models PA–46–310P and PA–46–350P Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes to revise Airworthiness Directive (AD) 99–15–04, which currently requires calibrating the turbine inlet temperature system to assure the accuracy of the existing turbine inlet temperature indicator and wiring on all The New Piper Aircraft, Inc. (Piper) Models PA–46–310P and PA–46–350P airplanes, and repairing or replacing any turbine inlet temperature system that fails the calibration test. AD 99–15–04 also requires repetitively replacing the turbine inlet temperature probe on the Model PA–46–350P airplanes, and inserting a copy of the AD into the Pilot's Operating Handbook (POH) of certain airplanes. Since AD 99–15–04 became effective, the Federal Aviation Administration (FAA) has determined that the AD should not apply to airplanes where the factory installed turbine inlet temperature gauge and associated probe have been replaced through supplemental type certificate (STC). The proposed AD retains the actions of AD 99–15–04, and restricts the applicability accordingly. The actions specified by the proposed AD are intended to prevent improper engine operation caused by improperly calibrated turbine inlet temperature indicators or defective turbine inlet temperature probes, which could result in engine damage/failure with consequent loss of control of the airplane.

DATES: Comments must be received on or before January 4, 2000.

ADDRESSES: Submit comments in triplicate to the FAA, Central Region, Office of the Regional Counsel, Attention: Rules Docket No. 98–CE–112–AD, Room 506, 901 Locust, Kansas City, Missouri 64106. Comments may be inspected at this location between 8 a.m. and 4 p.m., Monday through Friday, holidays excepted.

Service information that applies to the proposed AD may be obtained from The New Piper Aircraft, Inc., Customer Services, 2926 Piper Drive, Vero Beach, Florida 32960. This information also may be examined at the Rules Docket at the address above.

FOR FURTHER INFORMATION CONTACT: Mr. Donald J. Young, Aerospace Engineer, FAA, Atlanta Aircraft Certification Office, One Crown Center, 1895 Phoenix Boulevard, Suite 450, Atlanta, Georgia 30349; telephone: (770) 703–6079; facsimile: (770) 703–6097; e-mail address: ''Donald.Young@faa.gov''.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to the address specified above. All communications received on or before the closing date for comments, specified above, will be considered before taking action on the proposed rule. The proposals contained in this notice may be changed in light of the comments received.