

guidelines. The staff will propose sample case studies to exercise the guidelines. Included in the presentations will be a discussion of stakeholder comments and responses. The feedback from the advisory committees will be incorporated into a Commission paper, as appropriate, and the paper will be submitted to the Commission by August 21, 2000.

B. Step 2: Implement the Finalized Guidelines into the Regulatory Improvement Process

The guidelines, which will be used to identify and assess performance-based activities, will only be applied to new initiatives. The basic process would be institutionalized by incorporating the elements into internal NRC procedures. Regulatory requirements that are overly prescriptive may be proposed for improvement by members of the NRC staff, industry, or the public (as a petition for rulemaking, for example). More widespread acceptance of the guidelines would be likely if the guidelines were also used by industry to increase the level of performance-based activities. For example, the guidelines could be adopted for use by standards developing organizations or industry working groups as they develop proposals for consideration by NRC. NRC review of such proposals for incorporation into the regulatory framework would then be considerably more streamlined.

The guidelines would serve as one of the tools available to the staff to assess whether a more performance-based approach is appropriate for a given regulatory initiative. If the evaluation shows that safety improvements are justified, relevant requirements associated with the proposed change (e.g. compliance with the Backfit Rule, preparation of a regulatory analysis, etc.) would be undertaken. If the evaluation shows that unnecessary regulatory burden can be reduced, the proposed changes to requirements will most likely be voluntary. In either case, stakeholder input would be obtained in a timely manner.

Dated at Rockville, Maryland, this 3rd day of May, 2000.

Charles E. Rossi,

Director, Division of Systems Analysis and Regulatory Effectiveness, Office of Nuclear Regulatory Research.

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FARM CREDIT ADMINISTRATION

12 CFR Part 611

RIN 3052-AC00

Organization; Stockholder Vote on Like Lending Authority

AGENCY: Farm Credit Administration.

ACTION: Proposed rule.

SUMMARY: We propose new regulations to carry out territorial consent requirements of the Farm Credit Act of 1971, as amended (Act).¹ Section 5.17 of the Act allows Farm Credit System (FCS or System) stockholders in certain areas of the country to vote on charters involving like lending authorities. The charter amendments would provide eligible customers the opportunity to obtain lending services from more than one association.

DATES: Please send your comments to us by June 8, 2000.

ADDRESSES: You may send comments by electronic mail to "reg-comm@fca.gov" or through the Pending Regulations section of our Web site at "www.fca.gov." You may also send comments to Patricia W. DiMuzio, Director, Regulation and Policy Division, Office of Policy and Analysis, Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090 or fax them to (703) 734-5784. You may review copies of all comments we receive in the Office of Policy and Analysis, Farm Credit Administration.

FOR FURTHER INFORMATION CONTACT:

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or

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SUPPLEMENTARY INFORMATION:

I. Objectives

We are committed to removing territorial restrictions that prevent customers of the FCS from choosing their System lender. Recently, we announced that direct lender associations may apply for national (also referred to as nationwide) charters. In order to facilitate national charters, stockholder votes must be conducted by certain associations in Alabama, Louisiana, Mississippi, and New

Mexico. Our objectives for the proposed rule are to:

- Implement the stockholder approvals required by statute; and
- Ensure stockholders are adequately informed and votes are conducted quickly and fairly.

II. Background

A. FCA Initiative

On July 14, 1998, the Farm Credit Administration (FCA or Agency) Board issued a Philosophy Statement on Competition (Philosophy Statement). The Philosophy Statement described the FCA Board's framework for the Agency's chartering, policy development, and regulatory activities involving System corporate structures and related statutory authorities. The FCA Board believes removing the geographical constraints of System entities will promote greater efficiency, improve customer service, and ensure that they continue to meet the current and future needs of rural America. To carry out our philosophy, we researched strategies that conform to the Act and increase opportunities for rural and agricultural borrowers. Based on this analysis, our first priority is to remove geographic barriers by granting national charters to FCS direct lender associations.

We will accept applications from institutions for charter amendments. To facilitate the application process, we will be furnishing additional guidance to FCS institutions in the near future.

We note that the proposed voting requirements only apply to the geographic areas specifically referenced in the Farm Credit Banks and Associations Safety and Soundness Act of 1992 (1992 amendments).² Thus, they do not apply to nationwide charter requests outside of the areas covered by the 1992 amendments or any other FCA chartering actions not related to national charters.

B. Statutory Requirements for Stockholder Votes

Before we can grant full nationwide charters, we must fulfill two requirements of the Act affecting certain institutions in four states. In the 1992 amendments, Congress required stockholder voting on competitive charters in these areas.

The 1992 amendments require association stockholder votes in the geographic area in which the Federal Intermediate Credit Bank of Jackson or its successor (AgFirst Farm Credit Bank) is chartered to provide short-and

¹Pub. L. 92-181, 85 Stat. 583 (Dec. 10, 1971).

²Pub. L. 102-552, 106 Stat. 4102 (Oct. 28, 1992).

intermediate-term credit and the Farm Credit Bank of Texas is chartered to provide long-term credit. The 1992 amendments also require the consent of stockholders of three production credit associations (PCAs) in New Mexico that were reassigned pursuant to section 433 of the Agricultural Credit Act of 1987.³

C. Statutory Requirements for Bank and Certain New Mexico Association Boards of Directors Votes

In addition to a stockholder vote by each of the covered associations, the 1992 amendments require the approval of the board of directors of their affiliated banks. Thus, the boards of directors of the Farm Credit Bank of Texas, AgFirst Farm Credit Bank, and the Farm Credit Bank of Wichita must vote to approve the issuance of competitive charters or charter amendments in certain areas. The 1992 amendments also require the approval of the board of directors of the New Mexico PCAs that were reassigned.

III. The Proposed Regulations

We are proposing regulations to carry out the statutory requirement for stockholder approvals. In addition, we believe the stockholders of the covered associations should have the opportunity to express their views on the issue of other institutions being able to lend in these geographic areas.

We have two primary objectives in setting up this approval process. The FCA Board believes an expedited process will be least burdensome to the stockholders and institutions involved and will best promote the implementation of the Philosophy Statement. We chose not to propose an alternative for implementing the statutory requirement. This alternative would have required the stockholders in the geographic areas covered by the 1992 amendments to vote on each nationwide charter application we receive. We believe that requiring multiple votes would be both costly and disruptive to the stockholders of the associations covered by the 1992 amendments.

Our other primary objective is to ensure that the process provides stockholders with full and fair disclosure on the issue of charter amendments affecting the territory of associations where they do business. The discussion that follows explains each section of the proposal.

A. Section 611.1150—Definitions Used in the Proposed Regulations

We provide definitions of four key terms in the proposed regulations. As

part of our goal to use plain language in our regulations, we use the word “you” in the text of the proposed rule. We also use the term “covered association,” which means the associations subject to section 5.17(a)(2)(B), (a)(2)(C), (a)(13), and (a)(14), specifically: First South Production Credit Association; Louisiana Federal Land Bank Association, FLCA; Federal Land Bank Association of North Alabama, FLCA; Federal Land Bank Association of South Alabama, FLCA; Federal Land Bank Association of North Mississippi, FLCA; FLBA of South Mississippi; Production Credit Association of Southern New Mexico; Production Credit Association of Eastern New Mexico; and the Production Credit Association of New Mexico.

We define the term “days” to mean calendar days unless otherwise specified. We also define “we” or “us” to mean the FCA.

B. Section 611.1151—What Stockholders Must Decide

The proposed rule requires the covered associations to call a vote of their stockholders to decide the following question:

Do you want a choice to borrow from other Farm Credit System associations?

If stockholders vote to approve the question, they will have the opportunity to borrow from other System associations that will be chartered to lend in their current association’s lending area. They will also continue to have the opportunity to borrow from their current association. Voting against the question means other System associations will not be chartered to lend in their current association’s lending area. However, the stockholders will be able to continue to borrow from their current association.

The FCA has several options for carrying out the requirements of section 5.17. For example, the stockholders in the areas covered by the 1992 amendments could vote on each request for a nationwide charter in those areas.

There are currently 165 direct lender associations within the System. We expect requests for nationwide charters from most of these associations. As a result, we believe separate stockholder votes for each request for nationwide charters would be expensive and disruptive to the individual stockholders and the covered associations. To reduce this burden, we are proposing a streamlined process for obtaining stockholder approval on this issue. Thus, the stockholders of each covered association will vote on whether *any* other Farm Credit association should be given a charter or

charter amendment that would allow it to exercise lending authority in the territory of the covered association.

C. Section 611.1152—Bank and Certain New Mexico Association Boards of Directors Voting Requirements

The proposed regulations implement the approval requirements for bank and certain New Mexico association boards of directors’ votes. The approval requirements differ depending on the geographic area of the charter amendment. For the former Jackson district, the 1992 amendments require the approval of the board of directors of the Farm Credit Bank of Texas and AgFirst Farm Credit Bank.⁴

For the reassignments under section 433 of the Act, the 1992 amendments require the approval of the board of directors of the Farm Credit Bank of Texas and the Farm Credit Bank of Wichita.⁵ In addition to the stockholders’ and bank boards of directors’ votes, the New Mexico associations that were reassigned pursuant to section 433 must conduct a vote of their boards of directors.

The banks’ and certain New Mexico associations’ boards of directors will vote on the following question:

Should the Farm Credit Administration issue a charter or charter amendment that would allow any Farm Credit System association to exercise lending authority in the territory(ies) now served by [list affected association(s)]?

Our proposal requires these votes to be completed and the results reported to the FCA on the first business day following notice by an independent third party as described in section F below.

D. Section 611.1153—Contents of the Information Statement

The proposed rule identifies the information necessary to ensure stockholders receive complete disclosure to enable them to make an informed decision when voting on the stockholder question. The Information Statement must contain the following:

- Notice of Meeting;
- Proxy Ballot and Instructions;

⁴ Under section 5.17(a)(20)(b), for each of the covered associations, only its affiliated bank board of directors will vote on the question in proposed § 611.1152(c).

⁵ Under section 5.17(a)(13) and (14), for each of the covered associations, both the Farm Credit Bank of Texas and the Farm Credit Bank of Wichita will vote on the question in proposed § 611.1152(c).

³ Pub. L. 100–233, 101 Stat. 1568 (Jan. 6, 1988).

- Brief Summary of the Question;
- Discussion of the Advantages and Disadvantages of Approving the Question;

- Association Board Statement or Recommendation (Optional); and,
- Statement by the Farm Credit Administration Board.

The Notice of Meeting (Notice) must give the date, time, and place of the stockholders' meeting. The Notice must include the question that will be considered and voted on by the stockholders. It must identify the requirements for stockholder approval, pursuant to proposed § 611.1157. It must also contain a reference to the proxy, proxy authorization, voting instructions included in the Information Statement, and the deadline for receipt of the proxy at the headquarters office. The Information Statement must be provided to all equity holders, including preferred stockholders, participation certificate holders, and others not eligible to vote. Although these non-voting equity holders cannot vote on the question, we are proposing to provide them with the Information Statement to keep them informed of the changes affecting their Association.

The proposed rule contains customary instructions for voting by proxy. The proxy ballot and instructions must allow stockholders to select someone other than a director to serve as proxy, provided that this person is a voting stockholder and will attend the meeting. The proxy ballot and instructions must point out that a stockholder may cancel the proxy at any time prior to balloting at the stockholders' meeting. The documents must provide a space for the stockholder to sign and date the proxy authorization. The proxy ballot must be separate from the proxy authorization to ensure the stockholder's rights to a secret ballot as required by section 4.20 of the Act. Therefore, you must ensure that there are no signatures on the ballot.

The Information Statement must include a brief summary of the question. The summary must provide background information on the FCA Board's Philosophy Statement. The summary must also include information on the territory currently served by the covered association. Finally, the summary must describe the question approval process.

The Information Statement must also include a discussion of the advantages and disadvantages of approving the question to the stockholders of the covered association. The discussion must present a balanced view of the advantages and disadvantages and provide justification for all statements that project future financial results, such

as changes in operating costs, stock retirements, interest rates, earnings, and services available to customers.⁶

The boards of directors of the covered associations may include an optional statement on the question. This statement may include the directors' views and recommendation on the question and the reasons for the recommendation.

To further streamline the process, the FCA is including a model Information Statement with this proposal. We note, however, that although most of the requirements in the proposed rule are standard in stockholder disclosures, one item is unique. The FCA Board believes the disclosure should include information on its philosophy on competition to ensure that the stockholders can make an informed vote.

E. Section 611.1154—Timeframes for Implementing the Regulations

We are proposing a streamlined, fast-track process for implementing the rule. As previously discussed, we expect many requests for nationwide charters in the near future. The FCA Board believes the timely and efficient implementation of the Philosophy Statement and nationwide charters has the potential for lowering the cost of credit and improving service for customers. Thus, we are proposing a specific timeline for obtaining stockholder decisions on the question.

The first step in the timeline is preparing the Information Statement. The covered associations must prepare and send the Information Statement to the FCA within 20 days of the effective date of this rule. We are requiring submission by facsimile, electronic transmission, overnight mail, or similar expedited delivery method so we can review and approve the statement in the most efficient manner. In addition, FCA's model Information Statement should shorten the time necessary for the associations to prepare the document. We also note that after the FCA Board adopts the final regulations, we send them to Congress for a 30-day review period before they are effective. As a result, the associations will have at least 50 days after we adopt the rule to submit the Information Statement. We are proposing a 10-business day review period for the FCA, but plan to act on the Information Statements as quickly as possible. To ensure that the Information

Statement provides accurate and complete information to stockholders on the question, we may change the Information Statement or require the association to change it.

When the associations receive FCA approval, they will have 14 days to duplicate and mail the statement. The proposal requires that the association hold a stockholder meeting 16 days after distribution of the statement. This includes the standard 5-day mailing time and 10 days for stockholder review. As a result, the stockholder meeting will take place on the first business day following the 10-day stockholder review period.

F. Sections 611.1155 and 611.1156—Vote Tabulation and Notification

The proposed regulations require that the stockholder votes be tabulated by an independent third party within 2 business days of the meeting. Use of an independent third party is a standard measure to ensure accuracy and objectivity. The independent third party must notify the association, the appropriate banks, and the FCA of the results of the vote on the same day they are tabulated.⁷ Within 10 days, the independent third party will provide us a certified copy of the stockholders' vote on the question.

G. Sections 611.1157, 611.1158, 611.1159 and 611.1160—Miscellaneous Issues

For all the required votes, the proposed regulations incorporate the standard condition for approval or disapproval of the question by a majority of those stockholders and board members voting, at duly authorized meetings, according to the bylaws of the institution.

The proposal also requires the associations to notify the stockholders of the results of the votes referenced in §§ 611.1151 and 611.1152 within 10 days of the stockholder meeting. In order for the associations to do this, we are requiring the banks' boards of directors to notify the associations of their votes within 2 business days.

The proposed regulations contain the following prohibition: No director, officer, employee, or agent of a bank or an association may make any representation that appears to be a statement or recommendation of the FCA on the merits of the question. The FCA's position will be included in the Information Statement as required in proposed § 611.1153(a)(6).

⁶ Any financial projections must conform to the guidance provided in Bookletter BL-007 entitled "Disclosure of Financial Forecasts" dated March 2, 1990. Partial forecasts or projected information will be subject to the evaluative criteria set forth in this Bookletter.

⁷ When the association contracts with an independent third party, the association must instruct it as to which bank(s) must be notified of the results of the stockholder vote.

Finally, in the event the stockholders' and boards of directors' votes identified in proposed §§ 611.1151 and 611.1152, are not conducted, the proposed regulations provide that FCA will conduct the voting process.

List of Subjects in 12 CFR Part 611

Accounting, Agriculture, Banks, banking, 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 to read as follows:

PART 611—ORGANIZATION

1. The authority citation for part 611 continues 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, 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, 2279a–2279f–1, 2279aa–5(e)); secs. 411 and 412 of Pub. L. 100–233, 101 Stat. 1568, 1638; secs. 409 and 414 of Pub. L. 100–399, 102 Stat. 989, 1003, and 1004.

2. Add subpart J to read as follows:

Subpart J—Stockholder Vote on Like Lending Authority

Sec.

- 611.1150 What definitions are used in this subpart?
- 611.1151 What must your stockholders decide?
- 611.1152 What votes must be conducted by bank and certain association boards of directors?
- 611.1153 What must the Information Statement contain?
- 611.1154 What is the timeframe for this vote?
- 611.1155 How are the votes tabulated?
- 611.1156 Who is notified of the results of the stockholder vote?
- 611.1157 How many votes are needed for passage of the questions?
- 611.1158 What notifications must be made?
- 611.1159 Are there additional requirements?
- 611.1160 What if the votes are not conducted?
- Appendix A to Subpart J—Model Information Statement

Subpart J—Stockholder Vote on Like Lending Authority

§ 611.1150 What definitions are used in this subpart?

(a) *Days* means calendar days unless otherwise noted.

(b) *You or covered associations* means the associations subject to section 5.17(a)(2)(B), (a)(2)(C), (a)(13) and (a)(14) of the Farm Credit Act of 1971, as amended, specifically First South Production Credit Association; Louisiana Federal Land Bank Association, FLCA; Federal Land Bank

Association of North Alabama, FLCA; Federal Land Bank Association of South Alabama, FLCA; Federal Land Bank Association of North Mississippi, FLCA; FLBA of South Mississippi; Production Credit Association of Southern New Mexico; Production Credit Association of Eastern New Mexico; and the Production Credit Association of New Mexico.

(c) *We or us* means the Farm Credit Administration.

§ 611.1151 What must your stockholders decide?

(a) You must conduct a vote of your voting stockholders, voting in person or by proxy, at a duly authorized meeting, on this question:

Do you want a choice to borrow from other Farm Credit System associations?

(b) Before the vote on the question, you must prepare an Information Statement, obtain Farm Credit Administration approval of it, and distribute it to your stockholders.

§ 611.1152 What votes must be conducted by bank and certain association boards of directors?

(a) On the first business day following the notice from the independent third party required by § 611.1156(a), the board of directors of the Farm Credit Bank of Texas, AgFirst Farm Credit Bank, and the Farm Credit Bank of Wichita must vote on the question in paragraph (c) of this section and report the results to us.

(b) On the first business day following the notice from the independent third party required by § 611.1156(a), the boards of directors of Production Credit Association of Southern New Mexico, Production Credit Association of Eastern New Mexico, and the Production Credit Association of New Mexico must vote on the question in paragraph (c) of this section and report the results to us.

(c) The boards of directors listed in paragraphs (a) and (b) of this section, voting at duly authorized meetings, must vote on the following question:

Should the Farm Credit Administration issue a charter or charter amendment that would allow any Farm Credit System association to exercise lending authority in the territory(ies) now served by [list affected association(s)]?

§ 611.1153 What must the Information Statement contain?

(a) The Information Statement must include the question in § 611.1151(a) and must substantially conform to the model Information Statement provided as an appendix to this subpart. The Information Statement must include a:

- (1) Notice of meeting;
- (2) Proxy ballot and instructions;
- (3) Brief summary of the question;
- (4) Discussion of the advantages and disadvantages of approving the question;
- (5) Association board statement or recommendation (optional); and
- (6) Statement by the Farm Credit Administration Board.

(b) We may also require additional information in the Information Statement to ensure stockholders have accurate and adequate information.

§ 611.1154 What is the timeframe for this vote?

(a) Within 20 days of the effective date of this section, you must prepare and send the Information Statement to us by facsimile, electronic transmission, overnight mail, or similar expedited delivery method.

(b) Not later than 10 business days after receipt of the Information Statement, we will review the Information Statement and notify you of our approval or denial. We may change the Information Statement or require you to change it to ensure that it provides accurate and complete information to stockholders on the question.

(c) Within 14 days of receipt of our approval of the Information Statement, you must mail the Information Statement to your voting stockholders.

(d) A 10-day stockholder review period will begin on the sixth day after the day you mail the Information Statement.

(e) A meeting of the stockholders must take place on the first business day following the end of the 10-day stockholder review period.

§ 611.1155 How are the votes tabulated?

The votes will be tabulated by an independent third party within 2 business days of the stockholder meeting.

§ 611.1156 Who is notified of the results of the stockholder vote?

(a) On the day the votes are tabulated, the independent third party must report the results to you, the appropriate bank(s), and us.

(b) Within 10 days of the stockholder meeting, the independent third party must provide the Farm Credit Administration with a certified copy of the stockholders' vote on the question.

§ 611.1157 How many votes are needed for passage of the questions?

The votes in §§ 611.1151 and 611.1152 will be determined by the majority of those voting, in person or by proxy as appropriate, at a duly

authorized meeting in accordance with the associations' or banks' quorum requirements.

§ 611.1158 What notifications must be made?

(a) You must notify the stockholders of the results of the votes referenced in §§ 611.1151 and 611.1152 within 10 business days.

(b) The board of directors of the Farm Credit Bank of Texas and the AgFirst Farm Credit Bank must notify each of the covered associations with which they have a funding relationship of the results of the vote in § 611.1152(a) within 2 business days.

(c) The board of directors of the Farm Credit Bank of Texas and the Farm Credit Bank of Wichita must notify the Production Credit Association of Southern New Mexico, the Production Credit Association of Eastern New Mexico, and the Production Credit Association of New Mexico of the results of the vote in § 611.1152(a) within 2 business days.

§ 611.1159 Are there additional requirements?

No director, officer, employee, or agent of a bank or an association may make any representation that appears to be a statement or recommendation of the Farm Credit Administration on the merits of the question. The Farm Credit Administration's position will be included in the Information Statement.

§ 611.1160 What if the votes are not conducted?

In the event the stockholder and boards of directors votes identified in §§ 611.1151 and 611.1152, are not conducted in accordance with this subpart, the Farm Credit Administration will conduct the voting process.

Appendix A to Subpart J—Model Information Statement

Table of Contents

A-1	Notice of Stockholders' Meeting of X Association
A-2	Proxy Instructions and Ballot
A-3	Proxy Form
A-4	Ballot (For Use as Proxy Ballot or Voting in Person) X Association
A-5	Brief Summary of the Question
A-6	Advantages and Disadvantages of Approving the Question
A-7	X Association Board Statement (Optional)
A-8	Statement of the FCA Board

Note: Appendix A contains a model information statement to aid in compliance with subpart J of part 611.

A-1—Notice of Stockholders' Meeting of X Association

A meeting of the stockholders of X Association will be held at (location) located at (address), on (date), beginning at (time).

At this meeting, you will be asked to vote on the following question:

Do you want a choice to borrow from other Farm Credit System associations?

The Farm Credit Administration (FCA) Board will accept applications from direct lender associations for national (also referred to as nationwide) charters. National charters would enable other Farm Credit System (System) lenders to make loans in the territory now served by your Association. As a result, you could have greater choice of System lenders in your area.

The Farm Credit Act of 1971, as amended (Act), requires approval by the voting stockholders of your Association before the FCA can issue a charter or amend a charter that would allow any System lender to make loans, of the same type as those that your Association can make, in the geographic territory now served by your Association. For the question to be approved, a majority of the voting stockholders of X Association voting, in person or by proxy, at a duly authorized meeting of such stockholders, must vote to approve the question. The Act requires other approvals before nationwide charters can be issued in the territory served by X Association. The approvals are explained in the brief summary of the question (Appendix A-5).

Attached is a packet of information related to the question. The packet includes a brief summary of the question; advantages/disadvantages of allowing other System associations to exercise lending authority for eligible customer in the geographic territory; a Board of Directors' Statement (optional); and a statement by the FCA Board.

Information on balloting and proxies is included under Appendix A-2, including the deadline of (date) for receipt of the proxy forms by your Association. If you have any questions about the Information Statement or the question, you may discuss them at the stockholders' meeting on (date). Your board of directors urges you to vote in person or by proxy at the stockholders' meeting.

If you are a nonvoting stockholder or holder of participation certificates, you cannot vote on the question. However, we sent you this Information Statement to keep you informed of the changes affecting your Association.

Name, Chief Executive Officer
Enclosures

A-2—Proxy Instructions and Ballot

If you are entitled to vote and are unable to attend the meeting in person, you may appoint a proxy to vote as you direct. The following are instructions for completing the Proxy Ballot and Proxy Form:

1. Complete the Proxy Ballot.
 - a. Mark either "APPROVE" or "DISAPPROVE" in the appropriate box on the Ballot. *Unmarked Proxy Ballots will be voted to approve the question.*
 - b. Enclose Proxy Ballot in the Ballot Envelope provided. Seal the envelope.

2. Complete the Proxy Form.

a. If you prefer, you may name as your proxy someone other than the directors named on the Proxy Form by writing in the name of the person in the blank space provided. Please note that for your vote to count, the person you name as proxy must be a voting stockholder of the association and must be present at the stockholders' meeting.

b. Date and sign the Proxy Form in the space indicated.

3. Enclose your signed and dated Proxy Form and sealed Ballot Envelope in the business reply envelope provided. Mail to your Association in the pre-addressed return envelope provided.

For your vote to count, your Proxy Ballot and Proxy Form must be received in the association office no later than (time) on (date) or delivered to an election official prior to balloting at the stockholders' meeting. You have the right to cancel your proxy at any time prior to the beginning of balloting at the stockholders' meeting.

A-3—Proxy Form

I, _____, as holder of stock and authorized to vote such stock in X Association, cancel any previous proxies and appoint (Name), Director, X Association, as my proxy, or I appoint _____, as my proxy to attend the association stockholders' meeting on (date), and any continuation or adjournment of the meeting, to vote for me on the question, and to act for me with the same effect as if I were personally present.

I understand that I may cancel this proxy and the authority it represents at any time prior to balloting at the stockholders' meeting. Unless cancelled, this proxy will expire upon the official announcement of the results of the vote on the question. I also understand that, if necessary, the person I name as my proxy can substitute someone else as my proxy and can later cancel that substitution.

Date:

Signature*

Representative Title**

A-4—Ballot (For Use as Proxy Ballot or Voting in Person) X Association

QUESTION: Do you want a choice to borrow from other Farm Credit System associations?

I direct that my Ballot be voted as follows:
APPROVE (Voting to approve means you will have the opportunity to borrow from:

- Your current association; and
- Other Farm Credit System associations that will be chartered to allow them to lend in your current association's lending area, as explained in the enclosed Information Statement.)

* Please sign exactly as your name appears on the above label.

** When signing as an executor, administrator, trustee, or guardian on behalf of a corporation or partnership, please sign your name on the first line and indicate your full representative title on the second line.

DISAPPROVE (Voting against means other Farm Credit System associations will not be chartered to allow them to lend in your current association's lending area. However, you will be able to continue to borrow from your current association, as explained in the enclosed Information Statement.)

If I do not direct how this ballot shall be voted, I intend it to be cast to APPROVE the question.

Note: For your vote to count, your Proxy Ballot and Proxy Form must be received in the association office no later than (time) on (date) or delivered to an election official prior to balloting at the stockholders' meeting. You have the right to cancel your proxy at any time prior to the beginning of balloting at the stockholders' meeting.

A-5—Brief Summary of the Question

In a July 14, 1998, Philosophy Statement, the FCA Board expressed its view that competition is beneficial for customers and will help ensure that the System will continue to meet the current and future needs of rural America. To facilitate competition and improve services for all farmers, ranchers, and other eligible customers, the FCA Board indicated its support for several measures including the removal of geographical restrictions of System entities.

The FCA Board will accept applications for national charters from System direct lender associations in the near future. Before the FCA can grant applications for full nationwide charters, however, the Agency must carry out two requirements of the Act that call for stockholder voting in certain areas of the country. Congress required stockholder voting in the geographic area in which the Federal Intermediate Credit Bank of Jackson or its successor (AgFirst Farm Credit Bank) is chartered to provide short- and intermediate-term credit and the Farm Credit Bank of Texas is chartered to provide long-term credit. Congress also required the consent of stockholders of three production credit associations in New Mexico pursuant to section 433 of the Agricultural Credit Act of 1987.

Your association serves the [counties/states of xxx], and (insert either (1) has territory that is within the geographic area of the successor to the former Federal Intermediate Credit Bank of Jackson or (2) reaffiliated under section 433.) As a result, you are being asked whether you approve the FCA's issuance of charters to associations that would allow them to make similar loans to you and other eligible customers in the territory of your Association.

Approval of the question does not, however, guarantee that other associations will be chartered to lend in your Association's territory. Following the stockholder vote on the question, the board of directors of the [insert appropriate bank] [and insert associations if this Information Statement refers to section 5.17 (a)(13) and (a)(14)] will also vote on the question. The question must be approved by a majority of the stockholders voting and a majority of the board of directors of the banks [and associations, if appropriate] before another

System lender may be chartered to make similar loans in the territory of your Association. If approved by all parties involved, the FCA may grant requests from other FCS associations to serve the territory currently served by your Association.

A-6—Advantages and Disadvantages of Approving the Question

There are advantages and disadvantages of your approval of the question. The following is a brief discussion of the principal advantages and disadvantages to the stockholders of your Association. This discussion does not claim to provide a complete analysis of all the expected outcomes of approval of the question. In addition, there can be no assurance that any expected advantage or disadvantage below will take place in whole or part. The realization of any advantages and disadvantages depends on how each association implements its nationwide charter. You should also consider that the advantages and disadvantages affect not only you but all other eligible FCS customers and potential customers.

ADVANTAGES

Allowing other System associations to make loans in the territory of your Association may provide System customers in the [insert geographic area] with more choices for credit. You may have a greater choice of financial products because System lenders offer different loan products, interest rates, and repayment options. If the question is approved, you may have the freedom to select the System lender of your choice.

Competition for loans within a geographic area may also provide associations the opportunity and incentive to become more efficient and more competitive. This competition is likely to lower the cost of credit and improve the quality of service for you and other customers.

System lenders across the country may be better able to develop niche products and thus offer specialized lending services to customers in the territory of your Association and across the country. You may be able to obtain your main source of operational funding from one lender and specialized services from another. Nationwide charters may also enable System lenders to provide seamless credit to agricultural producers regardless of the producer's geographic location. E-commerce services may be enhanced after territorial restrictions are removed.

Finally, approval of this question may heighten awareness of each System lender's public policy mission for service within its original chartered territory. The FCA will continue to ensure that each System association fulfills its responsibility to make services available to all eligible customers within its current chartered territory.

DISADVANTAGES

As System lenders compete for customers, some associations may become less viable if added competitive pressures reduce profit margins. In addition, if the challenges associated with greater competition are not met, the capital investment of stockholders may be at a higher risk. There are 165

associations that may request nationwide charters. As a result, the management of your Association may be under increased pressure to provide efficient and cost effective services.

In the long run, some associations may be forced to cut back or eliminate certain services. Also, associations entering new geographic areas may primarily focus on larger or more profitable borrowers while less attention may be given to the more marginal borrowers in the associations' new and existing chartered territories.

Some associations may not be competitive in their present form and may have to merge or take other corporate restructuring actions to remain viable.

A-7—X Association Board Statement (Optional)

The Association board of directors may state its views and recommendation on the question and elaborate on the reasons for its recommendation.

A-8—Statement of the FCA Board

This statement will be provided during FCA's review period.

Dated: May 4, 2000.

Nan P. Mitchem,

Acting Secretary, Farm Credit Administration Board.

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 99-SW-57-AD]

Airworthiness Directives; Schweizer Aircraft Corporation Model 269A, 269A-1, 269B, 269C, 269C-1, 269D, and TH-55A Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the superseding of an existing airworthiness directive (AD) applicable to Schweizer Aircraft Corporation (Schweizer) Model 269A, 269A-1, 269B, 269C, 269C-1, and 269D helicopters. That AD currently requires inspecting the tail rotor swashplate shaft (shaft) nut for looseness and, if loose, inspecting the shaft for proper size; subsequently inspecting the shafts not previously inspected; and replacing any undersized shaft prior to further flight. This new action would reduce the applicability by specifying certain serial number tail rotor pitch control (pitch control) assemblies and shipping dates but would add the Schweizer Model TH-