

Committee believed that many growers would support a \$0.02 increase in assessments, they did not, however, believe a \$0.05 increase in assessments would be supported by a majority of the industry at this time. Therefore, this alternative was rejected.

The assessment rate of \$0.12 per 50-pound bag of assessable Vidalia onions was then determined by dividing the total recommended budget by the quantity of assessable Vidalia onions, estimated at 3.6 million 50-pound bags for the 2001 fiscal period. This will generate approximately \$22,500 above the anticipated expenses, which the Committee determined to be acceptable.

A review of historical information and preliminary information pertaining to the upcoming fiscal period indicates that the grower price for the 2001 fiscal period could range between \$10.00 and \$15.00 per 50-pound bag of Vidalia onions. Therefore, the estimated assessment revenue for the 2001 fiscal period as a percentage of total grower revenue could range between .08 and 1.2 percent.

This action increases the assessment obligation imposed on handlers. While assessments impose some additional costs on handlers, the costs are minimal and uniform on all handlers. Some of the additional costs may be passed on to producers. However, these costs are offset by the benefits derived by the operation of the marketing order. In addition, the Committee's meeting was widely publicized throughout the Vidalia onion production area and all interested persons were invited to attend the meeting and participate in Committee deliberations on all issues. Like all Committee meetings, the November 16, 2000, meeting was a public meeting and all entities, both large and small, were able to express views on this issue.

This rule imposes no additional reporting or recordkeeping requirements on either small or large Vidalia onion handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies.

As noted in the initial regulatory flexibility analysis, the Department has not identified any relevant Federal rules that duplicate, overlap, or conflict with this rule.

A proposed rule concerning this action was published in the **Federal Register** on January 10, 2001 (66 FR 1915). Copies of the proposed rule were also mailed or sent via facsimile to all Vidalia onion handlers. Finally, the proposal was made available through

the Internet by the Office of the Federal Register. A 30-day comment period ending February 9, 2001, was provided for interested persons to respond to the proposal. No comments were received.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: <http://www.ams.usda.gov/fv/moab.html>. Any questions about the compliance guide should be sent to Jay Guerber at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant material presented, including the information and recommendation submitted by the Committee and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

Pursuant to 5 U.S.C. 553, it also found and determined that good cause exists for not postponing the effective date of this rule until 30 days after publication in the **Federal Register** because: (1) The 2001 fiscal period began on January 1, 2001, and the marketing order requires that the rate of assessment for each fiscal period apply to all assessable Vidalia onions handled during such fiscal period; (2) the Committee needs to have sufficient funds to pay its expenses which are incurred on a continuous basis; and (3) handlers are aware of this action which was recommended by the Committee at a public meeting. Also, a 30-day comment period was provided for in the proposed rule and no comments were received.

#### List of Subjects in 7 CFR Part 955

Marketing agreements, Onions, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 955 is amended as follows:

#### **PART 955—VIDALIA ONIONS GROWN IN GEORGIA**

1. The authority citation for 7 CFR part 955 continues to read as follows:

**Authority:** 7 U.S.C. 601–674.

2. Section 955.209 is revised to read as follows:

##### **§ 955.209 Assessment rate.**

On and after January 1, 2001, an assessment rate of \$0.12 per 50-pound bag or equivalent is established for Vidalia onions.

Dated: March 21, 2001.

**Kenneth C. Clayton,**

*Acting Administrator, Agricultural Marketing Service.*

[FR Doc. 01–7563 Filed 3–27–01; 8:45 am]

**BILLING CODE 3410–02–P**

## **FARM CREDIT ADMINISTRATION**

### **12 CFR Parts 611 and 615**

**RIN 3052–AB91**

#### **Organization; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Stock Issuances**

**AGENCY:** Farm Credit Administration.

**ACTION:** Final rule.

**SUMMARY:** In this final rule, we amend regulations to allow Farm Credit System (System) service corporations to sell stock to non-System entities, provide adequate disclosures to investors in service corporations, and allow System institutions to issue unlimited amounts of certain classes of equities.

The purpose of our amendments is to provide System institutions additional opportunities to fulfill their borrowers' needs through service corporations and more efficient issuance of equities related to earnings distributions and transfers of capital.

**EFFECTIVE DATE:** This regulation will become effective 30 days after publication in the **Federal Register** during which either one or both houses of Congress are in session. We will publish a notice of the effective date in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Dale Aultman, Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4498, TDD (703) 883–4444, or Howard Rubin, 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 the final rule are to:

- Increase the flexibility and usefulness of service corporations;
- Provide adequate disclosures to investors in service corporations organized to exercise the authorities granted by title VIII of the Farm Credit Act of 1971, as amended (Act); and
- Provide flexibility for the efficient distribution of a System institution's earnings and timely transfers of capital to a System association.

## I. Background

### A. Incorporation of Service Corporations

On August 18, 1998, we published a notice in the **Federal Register** that invited System institutions and the public to identify existing regulations and policies that impose unnecessary burdens on the FCS. (See 63 FR 44176, Aug. 18, 1998.)<sup>1</sup> We received comment on § 611.1135, which allows only System banks and associations to own stock in service corporations.

Commenters requested that we allow more flexibility in creating and operating service corporations by allowing non-System institutions to own part of the service corporation.

On December 23, 1999, we published proposed amendments to our service corporation and capital bylaw regulations. (See 64 FR 72042, Dec. 23, 1999.) We proposed an amendment to § 611.1135 to allow service corporations formed by System banks or associations to issue equity to persons or entities who are not System institutions. We also proposed that non-voting stock may be issued in unlimited amounts as long as the issuance is consistent with the service corporation's bylaws. However, we proposed a limit on the total amount of voting stock that could be issued to non-System persons. We proposed that System institutions hold at least 80 percent of the voting stock of their service corporations at all times.

We also asked for comment on § 611.1137. That regulation allows service corporations to be organized to act as agricultural mortgage marketing facilities by selling loans in the secondary market. It requires that one or more System institutions hold at least 80 percent of the voting stock of their title VIII service corporations at all times. We asked if the 80-percent requirement provides adequate flexibility and usefulness of title VIII service corporations.

The only commenter to our proposal and request for comments for §§ 611.1135 and 611.1137 was the Farm Credit Council (Council), which represents Farm Credit System institutions. The Council supported our proposal to allow the issuance of unlimited amounts of non-voting stock. However, the Council requested that we change our proposed requirement that System institutions hold at least 80 percent of voting stock. The Council suggested that we require System institutions hold at least 51 percent of voting stock to improve opportunities

for System institutions to join with non-System entities in service corporation ventures. The Council noted that if FCA had concerns with System institutions losing control, we could require that of the 49 percent of voting stock potentially held by non-System persons, no one person could hold more than 25 percent of total voting stock. Our final rule provides that System institutions own 80 percent or more of a service corporation's voting stock. We continue to believe this percentage requirement helps System institutions in controlling their service corporation yet provides flexibility to make service corporations more useful to Farm Credit System institutions and borrowers.

The Council also requested that we allow a service corporation to generate up to 30 percent of its annual earnings from activities not specifically authorized by the Act. However, section 4.25 of the Act allows service corporations only to perform the functions or services that the System institution organizing the service corporation is authorized to perform.<sup>2</sup> Therefore, if System institutions were not authorized to perform certain activities, their service corporation would also not be authorized.

On December 23, 1999, we also proposed that the service corporations described in §§ 611.1135 and 611.1137 must provide adequate disclosure when issuing stock to persons other than System institutions. (See 64 FR 72042, Dec. 23, 1999.) We proposed to apply the disclosure requirements of § 615.5250(c) and (d) to such stock issuances. Final § 611.1137(b) clarifies that the disclosure requirements apply to title VIII service corporations. Additionally, System institutions must determine if disclosures are required by other applicable Federal or state securities laws. While amending §§ 611.1135 and 611.1137, we took the opportunity to write them in plain language. We also rewrote § 611.1136 in plain language. That section covers examination of incorporated service corporations and unincorporated service organizations. We did not receive any comments to our proposed disclosure requirements or plain language revisions.

### B. Capitalization Bylaws

Section 615.5220(a)(3) of our regulations requires that System institutions' bylaws specify the number of shares that will be issued for each

class of equities.<sup>3</sup> Over the years, several institutions have expressed that this regulation often results in a burden on System institutions because the institution cannot estimate in advance the number of shares that will be issued to an association's funding bank or to borrowers for the purpose of distributing earnings. They point out that since these types of equities do not dilute a System institution's shareholder equity, the bylaws should not be required to specify the number authorized.

Our December 23, 1999, proposal contained an amendment to § 615.5220(a)(3) to allow System institutions to adopt bylaws that provide for issuance of these equities in unlimited amounts. (See 64 FR 72042, Dec. 23, 1999.) The proposal provided for the issuance of unlimited amounts of:

- Non-voting stock that an association issues to its funding bank in exchange for the bank transferring capital pursuant to § 615.5171; and
- Equities that institutions provide to borrowers for the sole purpose of distributing an institution's earnings.<sup>4</sup>

The only commenter to this proposal was the Council. The Council requested that we provide a definition for "earnings." We decided not to include a definition for earnings because to do so may be unnecessarily restrictive and burdensome. We believe the term "earnings" is sufficiently understood by financial institutions, and therefore the final rule can be applied without difficulty.

### C. Technical Change

Currently, § 615.5250(c)(2) regarding disclosure statements for issuance of stock contains a typographical reference error. The final rule corrects the reference to § 615.5250(c)(1) rather than § 615.5250(d)(1).

### List of Subjects in 12 CFR Parts 611 and 615

Accounting, Agriculture, Banks, banking, Government securities, Investments, Rural areas.

For the reasons stated in the preamble, parts 611 and 615 of chapter VI, title 12 of the Code of Federal Regulations are amended to read as follows:

<sup>3</sup> There are two current exceptions to this requirement: (1) Non-voting stock that is converted from voting stock after the repayment of a loan; and (2) stock that is required to be purchased when obtaining a loan. In the final rule, we clarify that stock required to be purchased for leases and related services are also exempt.

<sup>4</sup> Our final rule makes a technical change to clarify this sentence.

<sup>1</sup> On November 18, 1998, we extended the comment period to January 19, 1999. See 63 FR 64013 (Nov. 18, 1998).

<sup>2</sup> Those exceptions are that service corporations cannot extend credit or provide insurance services.

**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. Revise subpart I to read as follows:  
2

**Subpart I—Service Organizations**

Sec.

611.1135 Incorporation of service corporations.

611.1136 Regulation and examination of service organizations.

611.1137 Title VIII service corporations.

**Subpart I—Service Organizations****§ 611.1135 Incorporation of service corporations.**

(a) *What is the process for chartering a service corporation?* A Farm Credit bank or association (you or your) may organize a corporation acting alone or with other Farm Credit banks or associations to perform, for you or on your behalf, any function or service that you are authorized to perform under the Act and Farm Credit Administration (we, us, or our) regulations, with two exceptions. Those exceptions are that your corporation may not extend credit or provide insurance services. To organize a service corporation, you must submit an application to us following the applicable requirements of paragraph (c) of this section. If what you propose in your application meets the requirements of the Act, our regulations, and any other conditions we may impose, we may issue a charter for your service corporation making it a federally chartered instrumentality of the United States. Your service corporation will be subject to examination, supervision, and regulation by us.

(b) *Who may own equities in your service corporation?* All Farm Credit banks and associations are eligible to become stockholders in your service corporation. Your service corporation may also issue non-voting and voting stock to persons that are not Farm Credit institutions, provided that at least 80 percent of the voting stock is at all times held by Farm Credit institutions. For the purposes of this subpart, we define persons as individuals or legal entities organized under the laws of the United States or any state or territory thereof.

(c) *What must be included in your application to form a service*

*corporation?* Your application for a corporate charter must include:

(1) The certified resolution of the board of each organizing bank or association authorizing the incorporation;

(2) A request signed by the president(s) of the organizing bank(s) or association(s) to us to issue a charter, supported by a detailed statement demonstrating the need and the justification for the proposed entity; and

(3) The proposed articles of incorporation addressing, at a minimum, the following:

(i) The name of your corporation;

(ii) The city and state where the principal offices of your corporation are to be located;

(iii) The general purposes for the formation of your corporation;

(iv) The general powers of your corporation;

(v) The procedures for a Farm Credit bank or association or persons that are not Farm Credit institutions to become a stockholder;

(vi) The procedures to adopt and amend your corporation's bylaws;

(vii) The title, par value, voting and other rights, and authorized amount of each class of stock that your corporation will issue and the procedures to retire each class;

(viii) The notice and quorum requirement for a meeting of shareholders, and the vote required for shareholder action on various matters;

(ix) The procedures and shareholder voting requirements for the merger, voluntary liquidation, or dissolution of your corporation or the distribution of corporate assets;

(x) The standards and procedures for the application and distribution of your corporation's earnings; and

(xi) The length of time your corporation will exist.

(4) The proposed bylaws, which must include the provisions required by § 615.5220(b) of this chapter;

(5) A statement of the proposed amounts and sources of capitalization and operating funds;

(6) Any agreements between the organizing banks and associations relating to the organization or the operation of the corporation; and

(7) Any other supporting documentation that we may request.

(d) *What will we do with your application?* If we approve your completed application, we will issue a charter for your service corporation as a corporate body and a federally chartered instrumentality. We may condition the issuance of a charter, including imposing minimum capital requirements, as we deem appropriate.

For good cause, we may deny your application.

(e) *Once your service corporation is formed, how are its articles of incorporation amended?* Your service corporation's articles of incorporation may be amended in either of two ways:

(1) The board of directors of the corporation may request that we amend the articles of incorporation by sending us a certified resolution of the board of directors of the service corporation that states the:

(i) Section(s) to be amended;

(ii) Reason(s) for the amendment;

(iii) Language of the articles of incorporation provision, as amended; and

(iv) Requisite shareholder approval has been obtained. The request will be subject to our approval as stated in paragraphs (a) and (c) of this section.

(2) We may at any time make any changes in the articles of incorporation of your service corporation that are necessary and appropriate for the accomplishment of the purposes of the Act.

(f) *When your service corporation issues equities, what are the disclosure requirements?* Your service corporation must provide the disclosures described in § 615.5250(c) and (d) of this chapter.

**§ 611.1136 Regulation and examination of service organizations.**

(a) *What regulations apply to a service organization?* Because a service organization is formed by banks and associations, it is subject to applicable Farm Credit Administration (we, our) regulations.

(b) *Who examines a service organization?* We examine service organizations.

(c) *What types of service organizations are subject to our regulations and examination?* All incorporated service corporations and unincorporated service organizations formed by banks and associations are subject to our regulations and examination.

**§ 611.1137 Title VIII service corporations.**

(a) *What is a title VIII service corporation?* A title VIII service corporation is a service corporation organized for the purpose of exercising the authorities granted under title VIII of the Act to act as an agricultural mortgage marketing facility.

(b) *How do I form a title VIII service corporation?* A title VIII service corporation is formed and subject to the same requirements as a service corporation formed under § 611.1135, with one exception. The Federal Agricultural Mortgage Corporation or its

affiliates may not form or own stock in a title VIII service corporation.

**PART 615—FUNDING AND FISCAL AFFAIRS, LOAN POLICIES AND OPERATIONS, AND FUNDING OPERATIONS**

3. The authority citation for part 615 continues to read as follows:

**Authority:** Secs. 1.5, 1.7, 1.10, 1.11, 1.12, 2.2, 2.3, 2.4, 2.5, 2.12, 3.1, 3.7, 3.11, 3.25, 4.3, 4.3A, 4.9, 4.14B, 4.25, 5.9, 5.17, 6.20, 6.26, 8.0, 8.3, 8.4, 8.6, 8.7, 8.8, 8.10, 8.12 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2018, 2019, 2020, 2073, 2074, 2075, 2076, 2093, 2122, 2128, 2132, 2146, 2154, 2154a, 2160, 2202b, 2211, 2243, 2252, 2278b, 2278b-6, 2279aa, 2279aa-3, 2279aa-4, 2279aa-6, 2279aa-7, 2279aa-8, 2279aa-10, 2279aa-12); sec. 301(a) of Pub. L. 100-233, 101 Stat. 1568, 1608.

**Subpart I—Issuances of Equities**

4. Amend § 615.5220 by revising paragraph (a)(3) to read as follows:

**§ 615.5220 Capitalization bylaws.**

\* \* \* \* \*

(a) \* \* \*

(3) The number of shares and par value of equities authorized to be issued for each class of equities. However, the bylaws need not state a number or value limit for these equities:

(i) Equities that are required to be purchased as a condition of obtaining a loan, lease, or related service.

(ii) Non-voting stock resulting from the conversion of voting stock due to repayment of a loan.

(iii) Non-voting equities that are issued to an association's funding bank in conjunction with any agreement for a transfer of capital between the association and the bank.

(iv) Equities resulting from the distribution of earnings.

\* \* \* \* \*

**§ 615.5250 [Amended]**

5. Amend § 615.5250(c)(2) by removing the reference to "(d)(1)" and adding in its place, the reference "(c)(1)".

Dated: March 21, 2001.

**Kelly Mikel Williams,**  
Secretary, Farm Credit Administration Board.  
[FR Doc. 01-7599 Filed 3-27-01; 8:45 am]

**BILLING CODE 6705-01-P**

**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**14 CFR Part 39**

[Docket No. 2000-CE-70-AD; Amendment 39-12152; AD 200106-05]

**RIN 2120-AA64**

**Airworthiness Directives; SOCATA—Groupe AEROSPATIALE Model TBM 700 Airplanes**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Final rule.

**SUMMARY:** This amendment adopts a new airworthiness directive (AD) that applies to certain SOCATA—Groupe AEROSPATIALE (Socata) Model TBM 700 airplanes equipped with Option No. OPT 70-35-001 (gaseous oxygen system). This AD requires you to incorporate a modification that relocates the oil breather vent location. This AD is the result of mandatory continuing airworthiness information (MCAI) issued by the airworthiness authority for France. The actions specified by this AD are intended to prevent oil from entering the gaseous oxygen system service compartment. Such oil contamination could result in a fire or explosion.

**DATES:** This AD becomes effective on May 11, 2001.

The Director of the Federal Register approved the incorporation by reference of certain publications listed in the regulations as of May 11, 2001.

**ADDRESSES:** You may get the service information referenced in this AD from SOCATA Groupe AEROSPATIALE, Customer Support, Aerodrome Tarbes-Ossun-Lourdes, BP 930—F65009 Tarbes Cedex, France; telephone: (33) (0)5.62.41.73.00; facsimile: (33) (0)5.62.41.76.54; or the Product Support Manager, SOCATA—Groupe AEROSPATIALE, North Perry Airport, 7501 Pembroke Road, Pembroke Pines, Florida 33023; telephone: (954) 8941160; facsimile: (954) 964-4191. You may examine this information at the Federal Aviation Administration (FAA), Central Region, Office of the Regional Counsel, Attention: Rules Docket No. 2000-CE-70-AD, 901 Locust, Room 506, Kansas City, Missouri 64106; or at the Office of the Federal Register, 800 North Capitol Street, NW, suite 700, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Karl Schletzbaum, Aerospace Engineer, FAA, Small Airplane Directorate, 901 Locust, Room 301, Kansas City, Missouri 64106;

telephone: (816) 329-4146; facsimile: (816) 329-4090.

**SUPPLEMENTARY INFORMATION:**

**Discussion**

*What events have caused this proposed AD?* The Direction Générale de l'Aviation Civile (DGAC), which is the airworthiness authority for France, recently notified FAA that an unsafe condition may exist on certain Socata Model TBM 700 airplanes equipped with Option No. OPT 70-35-001 (gaseous oxygen system). The DGAC communicates a report of oil entering the gaseous oxygen system service compartment on a Model TBM 700 airplane. In particular, oil was seeping out of the engine oil pump breather.

*What are the consequences if the condition is not corrected?* Such oil contamination could result in a fire or explosion.

*Has FAA taken any action to this point?* We issued a proposal to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) to include an AD that would apply to certain Socata Model TBM 700 airplanes equipped with Option No. OPT 70-35-001 (gaseous oxygen system). This proposal was published in the **Federal Register** as a notice of proposed rulemaking (NPRM) on January 8, 2001 (66 FR 1271). The NPRM proposed to require you to relocate the oil breather vent location by incorporating Technical Instruction No. OPT70 K076-71 (Modification No. MOD70-119-71) "OIL PUMP BREATHER".

*Was the public invited to comment?* Interested persons were afforded an opportunity to participate in the making of this amendment. No comments were received on the proposed rule or the FAA's determination of the cost to the public.

**FAA's Determination**

*What is FAA's final determination on this issue?* After careful review of all available information related to the subject presented above, we have determined that air safety and the public interest require the adoption of the rule as proposed except for minor editorial corrections. We determined that these minor corrections:

- will not change the meaning of the AD; and
- will not add any additional burden upon the public than was already proposed.

**Cost Impact**

*How many airplanes does this AD impact?* We estimate that 5 Model TBM 700 airplanes are on the U.S. Registry that could have a gaseous oxygen