Rules and Regulations

This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510.

The Code of Federal Regulations is sold by the Superintendent of Documents. Prices of new books are listed in the first FEDERAL REGISTER issue of each month.

Title 5—Administrative Personnel

CHAPTER I—CIVIL SERVICE COMMISSION

PART 213—EXCEPTED SERVICE

Executive Office of the President

Section 213.3303 is amended to show that one position of Special Assistant to the Assistant Director for Operations, Office of Management and Budget, is excepted under Schedule C.

Effective on October 23, 1973, § 213.-3303(a)(15) is added as set out below.

§ 213.3303 Executive Office of the President.

(a) *Office of Management and Budget.* * * *

(15) One Special Assistant to the Assistant Director for Operations.

* * * * *

(5 U.S.C. secs. 3301, 3302; E.O. 10577, 3 CFR 1954–58 Comp. p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
[SEAL] JAMES C. SPRY,
Executive Assistant to the Commissioners.

[FR Doc.73-22474 Filed 10-19-73;8:45 am]

PART 213—EXCEPTED SERVICE

Department of State

Section 213.3304 is amended to show that one position of Secretary and Personal Assistant to the Assistant Secretary for Public Affairs is excepted under Schedule C.

Effective on October 23, 1973, § 213.-3304(y) is added as set out below.

§ 213.3304 Department of State.

* * * * *

(y) *Office of the Assistant Secretary for Public Affairs.* (1) One Secretary and Personal Assistant to the Assistant Secretary for Public Affairs.

* * * * *

(5 U.S.C. secs. 3301, 3302; E.O. 10577, 3 CFR 1954–58 Comp. p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
[SEAL] JAMES C. SPRY,
Executive Assistant to the Commissioners.

[FR Doc.73-22482 Filed 10-19-73;8:45 am]

PART 213—EXCEPTED SERVICE

General Services Administration

Section 213.3337 is amended to show that the position of Director, Office of Emergency Preparedness, is excepted under Schedule C.

Effective on October 23, 1973, § 213.3337 (a)(15) is added as set out below.

§ 213.3337 General Services Administration.

(a) *Office of the Administrator.*

* * * * *

(15) Director, Office of Preparedness.

(5 U.S.C. 3301, 3302, E.O. 10577; 3 CFR 1954–58 Comp., p. 218)

UNITED STATES CIVIL SERVICE COMMISSION,
[SEAL] JAMES C. SPRY,
Executive Assistant to the Commissioners.

[FR Doc.73-22589 Filed 10-19-73;9:59 am]

Title 6—Economic Stabilization

CHAPTER I—COST OF LIVING COUNCIL

PART 150—COST OF LIVING COUNCIL

Phase IV Price Regulations

The purpose of these amendments is to make minor technical changes in Subpart Q applicable to food manufacturing activities.

ONE BASE PERIOD FOR MEAT MANUFACTURING

The previous definition of base period for revenue control purposes under Subpart Q made it clear that only one base period may be selected with respect to all food manufacturing activities other than slaughtering and meat manufacturing. The definition of base period was silent with respect to the number of base periods which might be used in connection with meat activities, as was the original gross margin rule for meat promulgated in Phase III.

This omission on the part of the Council was intended to leave undisturbed, as much as possible, the established practice of meat firms under the prior gross margin rule. The Council was not certain as to the practice of meat firms in this respect since reports were not filed under the old gross margin rule. However, the Council has now been informed that the practice of meat firms was generally to use one base period for all slaughtering and meat manufacturing under the original gross margin regulation in order to simplify compliance and to avoid "joint costing" problems. The Council has therefore amended the definition of base period in § 150.603 to make it clear that only one base period may be selected with respect to the slaughtering and processing of livestock and the manufacturing of meat products and only one base period may be selected with respect to all other food manufacturing activities. This change reflects the Council's view that in the absence of special factors the regulations should apply in the same way to meat manufacturing activities and to all other food manufacturing activities.

ITEMS PURCHASED AND RESOLD WITHOUT CHANGE

Section 150.606(c)(4)(i) previously stated that food raw material purchased and resold without change in form must be excluded in computing food or food raw material units and food raw material costs for any fiscal quarter ending after the effective date of Subpart Q. In view of the fact that some firms customarily do not maintain separate cost and revenue records with respect to this material, the section cited has been amended to require exclusion during the quarter concerned to the extent that customary practices and records permit identification of the material in question. This section has also been amended to extend its application to food items purchased and resold without change in form as well as to food raw material purchased and resold without change in form.

HEDGING ACTIVITIES

The provision concerning hedging activities under the gross margin rule has been restructured and restated to provide greater clarity.

BASE PERIOD FOR NEW PRODUCT LINES

Prior to these amendments, the base period for new product lines was the fiscal quarter in which the first sale occurs. In order to provide a longer base period in those cases where an early base period is selected for purposes of the pre-existing product lines and the new product line concerned is introduced after that base period but before the end of the last fiscal quarter which ended prior to May 11, 1973, Subpart Q now provides that the base period for the new product line is the first fiscal quarter in which a sale occurs plus any immediately ensuing consecutive fiscal quarter or quarters, not to exceed three, which ended prior to May 11, 1973. For new product lines first offered for sale after the end of the last fiscal quarter which ended before May 11, 1973, the base period remains the first fiscal quarter in which a sale occurs.

Because the purpose of these amendments is to provide immediate guidance and information with respect to the decisions of the Council, the Council finds that publication in accordance with normal rulemaking procedure is impracticable and that good cause exists for making these amendments effective in less than 30 days.

(Economic Stabilization Act of 1970, as amended, Pub. L. 92-210, 85 Stat. 743; Pub. L. 93-28, 87 Stat. 27; E.O. 11730, 38 FR 19345; Cost of Living Council Order No. 14, 38 FR 1489.)

In consideration of the foregoing, Part 150 of Title 6 of the Code of Federal Regulations is amended as follows, effective 11:59 p.m., e.s.t., September 9, 1973.

Issued in Washington, D.C., on October 12, 1973.

JAMES W. MCLANE,
Deputy Director,
Cost of Living Council.

§ 150.603 [Amended]

1. The definition of base period in § 150.603 is amended to read as follows:

"Base period" means:

(a) With respect to the slaughtering and processing of livestock and the manufacturing of meat products, any four consecutive fiscal quarters, at the option of the firm concerned, which began after May 25, 1970, and which ended prior to May 11, 1973; and

(b) With respect to all other food manufacturing activities, any four consecutive fiscal quarters, at the option of the firm concerned, of the eight fiscal quarters which ended prior to May 11, 1973.

(c) Only one base period may be selected with respect to the activities described in paragraph (a) and only one base period may be selected with respect to the activities described in paragraph (b) of this definition.

2. Section 150.606(c)(4)(i) is amended to read as follows:

§ 150.606 Food manufacturing: Price rules.

* * * * *

(c) *Price rules.* * * *

(4)(i) Food or food raw material purchased and resold without change in form may be excluded in computing the total sales revenue during the base period. To the extent that the customary accounting practices and records of the firm concerned permit identification of food or food raw material purchased and resold without change in form, those items or materials shall be excluded in computing food or food raw material units, food raw material costs, and revenues for any fiscal quarter ending after the effective date of this section.

* * * * *

3. Section 150.606(c)(4)(iii) is amended to read as follows:

§ 150.606 Food manufacturing: Price rules.

* * * * *

(c) *Price rules.* * * *

(4)(i) * * *

(iii)(A) *Applicability.*—This subparagraph applies only to firms which use the futures market in a nonspeculative manner to hedge against price risks.

(B) *Base period hedging.*—Any net hedging losses with respect to the purchase of food raw material concerned during the base period may be included as a food raw material cost during the base period and any net hedging gains with respect to the purchase of food raw material concerned during the base period may be included as an offset to food raw material costs during the base period. Any net hedging losses with respect to food sales during the base period may be included as an offset to total sales revenues during the base period and any net hedging gains with respect to food sales during the base period may be included as an addition to total sales revenues during the base period. However, a firm which includes any net loss pursuant to the preceding two sentences shall include as an offset any net gain as a result of hedging activities in accordance with the preceding two sentences.

(C) *Current quarter hedging.*—Any net hedging losses with respect to the purchase of food raw material concerned during the fiscal quarter concerned may be included as a food raw material cost for the fiscal quarter concerned and any net hedging gains with respect to the purchase of food raw material concerned during the fiscal quarter concerned shall be included as an offset to food raw material costs for the fiscal quarter concerned. Any net hedging losses with respect to food sales during the fiscal quarter concerned may be included as an offset to total sales revenues for the fiscal quarter concerned and any net hedging gains with respect to food sales during the fiscal quarter concerned shall be included as an addition to total sales revenues for the fiscal quarter concerned.

* * * * *

4. The first sentence of § 150.606(c)(5) is amended to read as follows:

§ 150.606 Food manufacturing: Price rules.

* * * * *

(c) *Price rules.* * * *

(5) For purposes of paragraph (c) of this section, the base period with respect to a new product line is, (i) in the case of a new product line first offered for sale after the end of the last fiscal quarter which ended prior to May 11, 1973, the first fiscal quarter in which a sale occurs; and (ii) in the case of a new product line first offered for sale before the end of the last fiscal quarter which ended prior to May 11, 1973, and after the base period selected for the other product lines concerned, the first fiscal quarter in which a sale occurs, plus any immediately ensuing consecutive fiscal quarter or fiscal quarters, not to exceed three, which ended prior to May 11, 1973.

* * * * *

[FR Doc.73-22557 Filed 10-18-73;1:01 pm]

Title 7—Agriculture

CHAPTER I—AGRICULTURAL MARKETING SERVICE (STANDARDS, INSPECTIONS, MARKETING PRACTICES), DEPARTMENT OF AGRICULTURE

PART 52—PROCESSED FRUITS AND VEGETABLES, PROCESSED PRODUCTS THEREOF, AND CERTAIN OTHER PROCESSED FOOD PRODUCTS

Subpart—United States Standards for Grades of Canned Grapefruit [1]

On August 13, 1973, a notice of proposed rulemaking was published in the FEDERAL REGISTER (38 FR 21785), regarding a proposed revision of the U.S. Standards for Grades of Canned Grapefruit (7 CFR 52.1141–52.1154). Corrections were subsequently published in the FEDERAL REGISTER of August 27, 1973 (38 FR 22897).

These grade standards are issued under the authority of the Agricultural Marketing Act of 1946 (Sec. 205, 60 Stat. 1090, as amended; 7 U.S.C. 1624) which provides for the issuance of official U.S. grades to designate different levels of quality for the voluntary use by producers, buyers, and consumers. Official grading services are also provided under this act upon request and upon payment of a fee to cover cost of such services.

Statement of consideration leading to the revision of the standard.—Interested persons were given until September 15, 1973, to study the proposal and submit written views, data, or arguments for consideration.

It was proposed to revise the current U.S. Standards for Grades of Canned Grapefruit to overcome problems associated with mechanized segmenting and filling operations.

One comment was received from a consumer. It was a general objection to any change without citing any reason or specific section.

The Florida Canners Association representing all of the processors of canned grapefruit favors adoption of the proposal with the following clarification:

The score points for character published in the descriptive section of the standards should be corrected. They are correctly stated elsewhere in the standard.

After consideration of all comments presented and except for editorial changes, the U.S. Standards for Grades of Canned Grapefruit are adopted as proposed and are set forth below pursuant to the authority contained in the Agricultural Marketing Act of 1946 (Sec. 205, 60 Stat. 1090, as amended; 7 U.S.C. 1624).

IDENTITY AND GRADES

[1] Compliance with the provisions of these standards shall not excuse failure to comply with the provisions of the Federal Food, Drug, and Cosmetic Act or with applicable State laws and regulations.

AUTHORITY.—Sec. 205, 60 Stat. 1090 (7 U.S.C. 1624).

IDENTITY AND GRADES

§ 52.1141 Identity.

"Canned Grapefruit" means the canned product prepared from clean, sound, and mature grapefruit (Citrus paradisi Macfadyen), as such product is defined in the standards of identity for canned grapefruit (21 CFR 27.90) issued pursuant to the Federal Food, Drug and Cosmetic Act.

§ 52.1142 Grades.

(a) "U.S. Grade A" (or "U.S. Fancy") is the quality of canned grapefruit that:

(1) Has an average drained weight of not less than 53 percent of the water capacity of the container, of which not less than 65 percent by weight of the drained grapefruit consists of whole or practically whole segments;

(2) Has a good color;

(3) Is practically free from defects;

(4) Has a good character;

(5) Has a good flavor and odor; and

(6) Scores not less than 90 points when scored in accordance with the scoring system outlined in this subpart.

(b) "U.S. Grade B" (or "U.S. Choice") is the quality of canned grapefruit that:

(1) Has an average drained weight of not less than 53 percent of the water capacity of the container, of which not less than 50 percent by weight of the drained grapefruit consists of whole or practically whole segments (sample average);

(2) Has reasonably good color;

(3) Is reasonably free from defects;

(4) Has a reasonably good character;

(5) Has a reasonably good flavor and odor; and

(6) Scores not less than 80 points when scored in accordance with the scoring system outlined in this subpart.

(c) "U.S. Broken" is the quality of canned grapefruit that:

(1) Has an average drained weight of not less than 53 percent of the water capacity of the container, of which less than 50 percent by weight of the drained grapefruit consists of whole or practically whole segments (sample average);

(2) Has at least a reasonably good color;

(3) Is at least reasonably free from defects;

(4) Has at least a reasonably good character;

(5) Has at least a reasonably good flavor and odor; and

(6) Scores not less than 70 points when scored in accordance with the scoring system outlined in this subpart.

(d) "Substandard" is the quality of canned grapefruit that fails to meet the requirements of U.S. Grade B and U.S. Broken.

LIQUID MEDIA AND BRIX MEASUREMENTS

§ 52.1143 Liquid media and Brix measurements.

(a) Brix measurement requirements for the liquid media in canned grapefruit are not incorporated in the grades of the finished product since syrup, or any other liquid medium, as such, is not a factor of quality for the purposes of these grades. The designation of liquid packing media and Brix measurements, where applicable, is as follows:

Designation	*Brix measurements*
Water	Not applicable.
Grapefruit juice	Not applicable.
Grapefruit juice and water	Not applicable.
Slightly sweetened water	12° or more, but less than 16°.
Slightly sweetened grapefruit juice	12° or more, but less than 16°.
Sirup	16° or more, but less than 18°.
Grapefruit juice sirup	16° or more, but less than 18°.
Heavy sirup	18° or more.
Heavily sweetened grapefruit juice sirup	18° or more.

(b) The densities of the packing media, as listed in this section, are measured on the refractometer, expressed as percent by weight sucrose (degrees Brix) with correction for temperature to the equivalent at 20°C. (68°F.), but without correction for invert sugars or other substances. The degrees Brix of the packing media may be determined by any other method which gives equivalent results.

(c) Brix determination is made on the packing media 15 days or more after the grapefruit is canned or on the blended homogenized slurry of the comminuted entire contents of the container if canned for less than 15 days.

FILL OF CONTAINER

§ 52.1144 Fill of container.

(a) The fill of container for canned grapefruit is not incorporated in the grades of the finished product since fill of container, as such, is not a factor of quality for the purpose of these grades. It is recommended that each container be filled as full as practicable with grapefruit without impairment of quality.

(b) Canned grapefruit shall also meet the fill of container requirements as set forth in the Regulations of Food and Drug Administration (21 CFR 27.92).

DRAINED WEIGHTS

§ 52.1145 Minimum drained weights.

(a) *General.*—The minimum drained weight requirements for the various container sizes are listed in Table I. The drained weight of the grapefruit is not less than 53 percent of the water capacity of the container.

(b) *Definitions.*—(1) Sample average—average of all the drained weights of the sample containers representing a lot.

(2) $\bar{X}_d$—means a specified minimum sample average drained weight.

(3) LL—lower limit for individual container drained weight.

(c) *Method for ascertaining drained weight.*—The drained weight of canned grapefruit is determined by emptying the contents of the container upon a U.S. Standard No. 8 circular sieve of proper diameter containing 8 meshes to the inch (0.0937 inch (2.3 mm), ± 3 percent square openings) so as to distribute the product evenly over the sieve. Without shifting the product, incline the sieve at an angle of 17° to 20° to facilitate drainage and allow to drain for 2 minutes. The weight of drained grapefruit is the weight of the sieve and product less the weight of the dry sieve. A sieve 8 inches in diameter is used if the contents of the container is less than 3 pounds and a sieve 12 inches in diameter is used if the contents of the container is 3 pounds or more.

(d) *Compliance with drained weight requirements.*—A lot of canned grapefruit is considered as meeting the minimum drained weight requirement when the following criteria are met:

(1) The sample average meets the specified minimum sample average drained weight (designated as "$\bar{X}_d$" in Table I); and

(2) The number of containers which fail to meet the minimum drained weight for individual containers (designated as "LL" in Table I) does not ex- exceed the applicable acceptance number ceed the applicable acceptance number specified in Table II.

TABLE I—MINIMUM DRAINED WEIGHTS

Container Designation	$\bar{X}_d$	LL
	ounces	ounces
8Z (211 x 304)	4.60	4.25
No. 303 (303 x 406)	8.95	8.50
No. 3 Cyl. (404 x 700)	27.40	26.30

TABLE II—SINGLE SAMPLING PLANS AND ACCEPTANCE NUMBERS

Sample Size (No. of sample containers	3	6	13	21	29	38	48	60
Acceptance numbers	0	1	2	3	4	5	6	7

SAMPLE UNIT SIZE

§ 52.1146 Sample unit size.

Compliance with reguirements for factors of quality is based on a sample unit comprised of the entire contents of one container, irrespective of container size.

FACTORS OF QUALITY

§ 52.1147 Ascertaining the grade of a sample unit.

(a) *General.*—The grade of a sample unit of canned grapefruit is ascertained by considering the factor of flavor and odor which is not scored; the ratings for the factors of wholeness, color, defects, and character which are scored; the total score; and the limiting rules which may be applicable.

(b) *Factors rated by score points.*—The relative importance of each factor which is scored is expressed numerically on the scale of 100. The maximum number of points that may be given each factor are:

Factors:	*Points*
Wholeness	25
Color	25
Defects	25
Character	25
Total	100

(c) *Definition.*—(1) "Good flavor and odor" means that the product has a distinct and normal flavor and odor typical of canned grapefruit and is free from objectionable flavors and objectionable odors of any kind.

(2) "Reasonably good flavor and odor" means that the product may be lacking in good flavor and odor but is free from objectionable flavors and objectionable odors of any kind.

§ 52.1148 Ascertaining the rating for the factors which are scored.

The essential variations within each factor which is scored are so described that the value may be ascertained for each factor and expressed numerically. The numerical range within each factor which is scored is inclusive (for example, "23 to 25 points" means 23, 24, or 25 points.)

§ 52.1149 Wholeness.

(a) *General.*—(1) A "whole segment" means any grapefruit segment that is substantially intact and retains its apparent original conformation.

(2) A "practically whole segment" means any portion of a grapefruit segment that is not less than 75 percent of its apparent original size and is not excessively trimmed.

(b) (*A*) *classification.*—Sample units of canned grapefruit that consist of not less than 65 percent by weight of the drained grapefruit in whole and/or practically whole segments may be given a score of 21 to 25 points.

(c) (*B*) *classification.*—Sample units of canned grapefruit that consist of less than 65 percent but not less than 40 percent by weight of the drained grapefruit in whole and/or practically whole segments may be given a score of 17 to 20 points. In addition the sample average (average of all sample units representing a lot) shall not be less than 50 percent by weight of whole and/or practically whole segments. Sample units of canned grapefruit that fall into this classification shall not be graded above U.S. Grade B, regardless of the total score for the product. (This is a limiting rule.)

(d) (*Broken*) *classification.*—Sample units of canned grapefruit that individually consist of less than 40 percent by weight of the drained grapefruit in whole and/or practically whole segments, or average (average of all sample units) is less than 50 percent by weight of the drained grapefruit in whole and/or practically whole segments may be given a score of 0 to 16 points. Sample units of canned grapefruit that fall into this classification shall not be graded above U.S. Broken, regardless of the total score for the product. (This is a limiting rule.)

§ 52.1150 Color.

(a) (*A*) *classification.*—Canned grapefruit that has a good color may be given a score of 23 to 25 points. "Good color" means a practically uniform, bright, typical color free from any noticeable tinge of amber.

(b) (*B*) *classification.*—Canned grapefruit that has a reasonably good color may be given a score of 21 or 22 points. Canned grapefruit that falls into this classification shall not be graded above U.S. Grade B, regardless of the total score for the product. (This is a limiting rule.) "Reasonably good color" means a fairly bright color which may be variable but is not off-color for any reason.

(c) (*SStd.*) *classification.*—Canned grapefruit that fails to meet the requirements in paragraph (b) of this section may be given a score of 0 to 20 points and shall not be graded above Substandard, regardless of the total score for the product. (This is a limiting rule.)

§ 52.1151 Defects.

(a) *General.*—The factor of defects refers to the degree of freedom from extraneous vegetable material, from seeds, from portions of albedo, from portions of tough membrane, from damaged units, and from other similar defects.

(1) "Extraneous vegetable material" means leaves, portions of leaves, small pieces of peel, and other similar material that is harmless.

(2) "Seed" means any seed or any portion thereof, whether or not fully developed, that measures more than 3/16 inch in any dimension.

(3) "Large seed" means any seed or any portion thereof, whether or not fully developed, that measures more than 3/8 inch in any dimension.

(4) "Damaged unit" means any grapefruit segment or portion thereof that is damaged by lye peeling, by discoloration, or by similar injury or that is otherwise damaged to such an extent that the appearance or eating quality of the unit is materially affected.

(b) (*A*) *classification.*—Canned grapefruit that is practically free from defects may be given a score of 23 to 25 points. "Practically free from defects" means that:

(1) All defects present, whether or not specifically defined or listed in this section, do not more than slightly affect the appearance or edibility of the product; and

(2) The defects that may be present in a sample unit and in the entire sample do not exceed the allowances specified in Table III.

(c) (B) *classification.*—Canned grapefruit that is reasonably free from defects may be given a score of 21 to 22 points. Canned grapefruit that falls into this classification shall not be graded above U.S. Grade B, regardless of the total score for the product. (This is a limiting rule.) "Reasonably free from defects" means that:

(1) All defects present, whether or not specifically defined or listed in this section, may materially, but not seriously, affect the apearance or edibility of the product; and

(2) The defects that may be present in a sample unit and in the entire sample do not exceed the allowances specified in Table IV.

(d) (*SStd.*) *classification.*—Canned grapefruit that fails to meet the requirements of paragraph (c) of this section may be given a score of 0 to 20 points and shall not be graded above Substandard, regardless of the total score for the product. (This is a limiting rule.)

TABLE III—ALLOWANCES FOR DEFECTS IN CANNED GRAPEFRUIT

U.S. GRADE A

Defects	8Z (211X304)		No. 303 (303X406)		No. 3 Cyl. (404X700)	
	Sample Unit	Sample Average	Sample Unit	Sample Average	Sample Unit	Sample Average
	Maximum		Maximum		Maximum	
Extraneous Vegetable Material.	1 Piece	0.25 Piece	1 Piece	0.50 Piece	1 Piece	0.75 Piece.
Seeds and large seeds.	Total of 3 seeds including not more than 1 large seed.	1.6 seeds including not more than 0.4 large seed.	Total of 4 seeds including not more than 2 large seeds.	3.2 seeds including not more than 0.8 large seed.	Total of 10 seeds including not more than 3 large seeds.	
Albedo and Tough Membrane.	1 Square inch.	½ Square inch.	2 Square inches.	1 Square inch.	5 Square inches.	4 Square inches.
Damaged Units	¼ ounce		½ ounce		1½ ounces	
Total—All Defects Specified Above and/or any Other Defects That May be Present.	Cumulative Effect—Does not More Than Slightly Affect the Appearance or Eating Quality of the Product.					

TABLE IV—ALLOWANCES FOR DEFECTS IN CANNED GRAPEFRUIT

U.S. GRADE B

Defects	8Z (211×304)		No. 303 (303×406)		No. 3 Cyl. (404×700)	
	Sample Unit	Sample Average	Sample Unit	Sample Average	Sample Unit	Sample Average
	Maximum		Maximum		Maximum	
Extraneous Vegetable Material.	2 Pieces	0.50 Piece	2 Pieces	0.75 Piece	2 Pieces	1 Piece.
Seeds and Large Seeds.	Total of 6 seeds including not more than 2 large seeds.	4.8 seeds including not more than 1.2 large seeds.	Total of 12 seeds including not more than 3 large seeds.	9.6 seeds including not more than 2.4 large seeds.	Total of 20 seeds including not more than 5 large seeds.	
Albedo and Tough Membrane.	1½ square inches.	¾ square inch.	3 square inches.	2 square inches.	7½ square inches.	6 square inches.
Damaged Units	¾ ounce		1½ ounces		4 ounces	
Total—All defects Specified Above and/or Any Other Defects That May Be Present.	Cumulative Effect—May Materially, but not Seriously, Affect the Appearance of Eating Quality of the Product.					

§ 52.1152 Character.

(a) *General.*—The factor of character refers to the structure and condition of the cells of the grapefruit and reflects the maturity of the grapefruit.

(b) *(A) classification.*—Canned grapefruit that has a good character may be given a score of 23 to 25 points. "Good character" means that the grapefruit segments are moderately firm and fleshy; that the segments or portions thereof possess a juicy, cellular structure free from dry cells, or "ricey" cells, or fibrous cells that materially affects the appearance or eating quality of the product.

(c) *(B) classification.*—Canned grapefruit that has a reasonably good character may be given a score of 21 or 22 points. Canned grapefruit that falls into this classification shall not be graded above U.S. Grade B, regardless of the total score for the product. (This is a limiting rule.) "Reasonably good character" means that the grapefruit segments may be affected, but not seriously so, by dry cells, "ricey" cells or fibrous cells that detract from the appearance or eating quality of the product.

(d) *(SStd.) classification.*—Canned grapefruit that fails to meet the requirements of paragraph (c) of this section may be given a score of 0 to 20 points and shall not be graded above Substandard, regardless of the total score for the product. (This is a limiting rule.)

LOT INSPECTION AND CERTIFICATION

§ 52.1153 Ascertaining the grade of a lot.

The grade of a lot of canned grapefruit covered by these standards is determined by the procedures set forth in the Regulation Governing Inspection and Certification of Processed Fruits and Vegetables, Processed Products Thereof, and Certain Other Processed Food Products (§§ 52.1 through 52.87).

SCORE SHEET

§ 52.1154 Score sheet for canned grapefruit.

Size and kind of container
Container mark or identification
Label
Net weight (ounces)
Vacuum (inches)
Drained weight (ounces)
Brix measurement
Syrup designation

Factors		Score Points	
Wholeness	25	(A)	21-25
		(B)	[1] 17-20
		(Broken)	[1] 0-16
Color	25	(A)	23-25
		(B)	[1] 21-22
		(Broken)	[1] 21-25
		(SStd.)	[1] 0-20
Defects	25	(A)	23-25
		(B)	[1] 21-22
		(Broken)	[1] 21-25
		(SStd.)	[1] 0-20
Character	25	(A)	23-25
		(B)	[1] 21-22
		(Broken)	[1] 21-25
		(SStd.)	[1] 0-20
Total score	100		
Flavor and odor	Good; Reasonably Good		
Grade			

[1] Indicates Limiting Rule.

It is hereby found that good cause exists for not postponing the effective date of this revision until 30 days after publication hereof in the FEDERAL REGISTER (5 U.S.C. 553) in that:

(1) The processing of canned grapefruit will begin in mid-October in Florida, the only producing area;

(2) Processors of canned grapefruit are aware of the provisions of this revision, its purpose, and the effect it will have on the evaluation of canned grapefruit; and

(3) No changes in production are required that cannot be effectuated immediately.

Effective date.—The revisions to the U.S. Standards for Grades of Canned Grapefruit shall be effective October 25, 1973.

Dated October 16, 1973.

E. L. PETERSON,
Administrator,
Agricultural Marketing Service.

[FR Doc.73-22384 Filed 10-19-73;8:45 am]

CHAPTER IX—AGRICULTURAL MARKETING SERVICE (MARKETING AGREEMENTS AND ORDERS; FRUITS, VEGETABLES, NUTS), DEPARTMENT OF AGRICULTURE

PART 958—ONIONS GROWN IN DESIGNATED COUNTIES IN IDAHO AND MALHEUR COUNTY, OREGON

Expenses and Rate of Assessment

This document authorizes the Idaho-Eastern Oregon Onion Committee to spend not more than $152,580 for its operations during the fiscal period ending June 30, 1974, and to collect $0.035 per hundredweight on assessable onions handled by first handlers.

The committee was established under Marketing Agreement No. 130 and Order No. 958, both as amended (7 CFR Part 958), regulating the handling of onions grown in designated counties in Idaho and Malheur County, Oregon. This program is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601 et seq.).

Notice was published in the October 3 FEDERAL REGISTER (38 FR 27405) regarding the proposals. It afforded interested persons an opportunity to file written comments not later than October 12, 1973. None was filed.

After consideration of all relevant matters, including the proposals set forth in the notice, it is found that the following budget and rate of assessment should be issued.

§ 958.217 Expenses and rate of assessment.

(a) The reasonable expenses that are likely to be incurred during the fiscal period ending June 30, 1974, by the Idaho-Eastern Oregon Onion Committee for its maintenance and functioning and for such other purposes as the Secretary determines to be appropriate, will amount to $152,580.

(b) The rate of assessment to be paid by each handler in accordance with this part shall be $0.035 per hundredweight, or equivalent quantity, of assessable onions handled by him as the first handler during the fiscal period.

(c) Unexpended income in excess of expenses for the fiscal period may be carried over as a reserve to the extent authorized in § 958.44.

(d) Terms used in this section shall have the same meaning as when used in the marketing agreement and this part.

It is hereby found that good cause exists for not postponing the effective date of this section until 30 days after publication in the FEDERAL REGISTER (5 U.S.C. 553) in that the relevant provisions of this part require that the rate of assessment for a particular fiscal period shall be applicable to all assessable onions from the beginning of such period.

(Secs. 1-19, 48 Stat. 31, as amended; 7 U.S.C. 601-674.)

Dated October 16, 1973.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc.73-22407 Filed 10-19-73;8:45 am]

PART 966—TOMATOES GROWN IN FLORIDA

Expenses and Rate of Assessment

This document authorizes the Florida Tomato Committee to spend not more than $139,500 for its operations during the fiscal period ending July 31, 1974, and to collect one-half cent per 30-pound equivalent of assessable tomatoes handled by first handlers.

The committee was established under Marketing Agreement No. 125 and Order No. 966, both as amended (7 CFR Part 966), regulating the handling of tomatoes grown in designated counties in the State of Florida. This program is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601 et seq.).

Notice was published in the October 3 FEDERAL REGISTER (38 FR 27405) regarding the proposals. It afforded interested persons an opportunity to file written comments not later than October 15, 1973. None was filed.

After consideration of all relevant matters, including the proposals set forth in the notice, it is found that the following budget and rate of assessment should be issued:

§ 966.210 Expenses and rate of assessment.

(a) The reasonable expenses that are likely to be incurred during the fiscal period ending July 31, 1974, by the Florida Tomato Committee for its maintenance and functioning and for such other purposes as the Secretary determines to be appropriate will amount to $139,500.

(b) The rate of assessment to be paid by each handler in accordance with this part shall be one-half cent ($0.005) per 30-pound container or equivalent quantity of assessable tomatoes handled by him as the first handler during the fiscal period.

(c) Unexpended income in excess of expenses for the fiscal period may be carried over as a reserve to the extent authorized in § 966.44(a)(2).

(d) Terms used in this section have the same meaning as when used in the marketing agreement and this part.

It is hereby found that good cause exists for not postponing the effective date of this section until 39 days after publication in the FEDERAL REGISTER (5 U.S.C. 553) in that the relevant provisions of this part require that the rate of assessment for a particular fiscal period shall be applicable to all assessable tomatoes from the beginning of such period.

(Secs. 1-19, 48 Stat. 31, as amended; 7 U.S.C. 601-674.)

Dated October 16, 1973.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc.73-22408 Filed 10-19-73;8:45 am]

Title 9—Animals and Animal Products

CHAPTER III—ANIMAL AND PLANT HEALTH INSPECTION SERVICE (MEAT AND POULTRY PRODUCTS INSPECTION), DEPARTMENT OF AGRICULTURE

SUBCHAPTER A—MANDATORY MEAT INSPECTION

SUBCHAPTER B—VOLUNTARY INSPECTION AND CERTIFICATION SERVICE

MISCELLANEOUS AMENDMENTS

Statement of considerations.—Pursuant to the authority contained in the Federal Meat Inspection Act, as amended (21 U.S.C. 601 et seq.) and the Agricultural Marketing Act of 1946, as amended (7 U.S.C. 1621 et seq.), the Animal and Plant Health Inspection Service is amending certain provisions of the regulations under said Acts in Subchapters A and B 9 CFR, Ch. III. All changes except those in item 10 are word corrections, deletions, or substitutions to correct language in the regulations, or for accuracy of information.

The first change in item 10 reflects a change in codification. Prior to enactment of the Egg Products Inspection Act (EPIA) in 1970 (21 U.S.C. 1031 et seq.), egg products were required to be inspected under the regulations in 7 CFR Part 55, if they were to be used in the preparation of a meat food product for human consumption. However, upon enactment of the EPIA, the regulations for inspection of egg products were revised and published in 7 CFR Part 59. Therefore, in § 318.6(b)(9) of the Federal meat inspection regulations, the reference to 7 CFR Part 55 will be changed to 7 CFR Part 59.

The second change made in item 10 reflects the change in codification of the poultry products inspection regulations. After extensive revisions of the Poultry Products Inspection Act in 1968 (21 U.S.C. 451 et seq.), the poultry products inspection regulations had to be revised. A proposal to accomplish that was published in the FEDERAL REGISTER on May 27, 1971 (36 FR 9716-9754). That proposal was to revise the regulations then codified in 7 CFR Part 81. Subsequent to publishing that proposal, and as a result of a departmental reorganization, the revised poultry products inspection regulations were published in the FEDERAL REGISTER in final form on May 16, 1972 (37 FR 9706-9747), and codified under 9 CFR Part 381. Therefore, in § 318.-b(b)(9) of the Federal meat inspection regulations, the reference to 7 CFR Part 81 will be changed to 9 CFR Part 381.

Accordingly, the provisions of 9 CFR Ch. III, are hereby amended to make the following corrections or changes:

PART 303—EXEMPTIONS

1. In § 303.1(g), the word "Administration" is changed to "Administrator."

PART 308—SANITATION

2. In § 308.12(a), in the caption for § 308.12, and in the Table of Contents for § 308.12, the word "Secondhand" is changed to "Second-hand."

PART 309—ANTE-MORTEM INSPECTION

3. In § 309.2(k), the word "authorities" is deleted.

4. In § 309.4(b), the word "official" is deleted, and the words "that Division" are changed to read "said unit."

PART 311—DISPOSAL OF DISEASED OR OTHERWISE ADULTERATED CARCASSES AND PARTS

5. In § 311.2(d)(2), the word "Inspection" is inserted between the words "Health Service."

PART 312—OFFICIAL MARKS, DEVICES AND CERTIFICATES

6. In § 312.6(b), the phrase reading paragraphs (a), (b), and (c) of this section" is changed to read "paragraph (a) of this section."

PART 316—MARKING PRODUCTS AND THEIR CONTAINERS

7. In § 316.16, the word "three-eights" is changed to "three-eighths."

PART 317—LABELING, MARKING DEVICES, AND CONTAINERS

8. In § 317.4(a), the words "through the inspector in charge" are deleted in both places and the words "in Washington, D.C." are added after the word "Program" in both places.

PART 318—ENTRY INTO OFFICIAL ESTABLISHMENTS; REINSPECTION AND PREPARATION OF PRODUCTS

9. In § 318.1(d), the reference to "§ 318.7(b)(4)" is changed to "§ 318.7(c)(4)."

10. In § 318.6(b)(9), the reference to "7 CFR Part 55, 70, or 81" is changed to read "7 CFR Part 59 or 70, or 9 CFR Part 381."

11. In 318.7(c)(4) in that portion of the chart dealing with "Coloring agents (artificial)," under the "Class of Substance" column, the reference to "officer in charge" in the "Substance" column is changed to "inspector in charge."

12. In that portion of the chart in § 318.7(c)(4) dealing with "Emulsifying agents" under the "Class of Substance" column, "Steryl-2-lactylic acid," in the "Substance" column is changed to "Stearyl-2-lactylic acid," and "Steryl monoglyceridyl" in the "Substance" column is changed to "Stearyl monoglyceridyl."

13. In § 318.8, paragraph (1) is redesignated as paragraph (l).

14. In § 318.13, the word "proveded" is changed to "provided."

PART 319—DEFINITIONS AND STANDARDS OF IDENTITY OR COMPOSITION

15. In the Table of Contents for Part 319, in the heading for Subpart Q, the words "Soups Mixes" are changed to "Soup Mixes."

16. In § 319.15(d), the word "Hydrolized" is changed to "Hydrolyzed."

17. In the last sentence of § 319.81, the word "are" is changed to "is."

18. In the fifth sentence in § 319.100, the word "are" is changed to "is."

PART 325—TRANSPORTATION

19. In § 325.10(b), the word "Director" is changed to "Program official."

20. In § 325.11(e)(2), the word "of" is inserted between the words "consists" and "less."

PART 327—IMPORTED PRODUCTS

21. In § 327.3(a), the word "adultrated" is changed to "adulterated."

22. In § 327.3(b)(1), the word "labled" is changed to "labeled."

23. In § 327.6(g), where the word "that" appears twice in succession, the second "that" is deleted.

PART 350—SPECIAL SERVICES RELATING TO MEAT AND OTHER PRODUCTS

24. Immediately following § 350.3(d), enclosed in parentheses, the abbreviation "Secs." is changed to "Sec."

PART 355—CERTIFIED PRODUCTS FOR DOGS, CATS, AND OTHER CARNIVORA; INSPECTION, CERTIFICATION, AND IDENTIFICATION AS TO CLASS, QUALITY, QUANTITY, AND CONDITION

25. In § 355.33, the word "officials" is changed to "official."

26. The address of the Regional Director for the Western Region, given in the footnote to § 301.2(iii), is changed to read as follows: Room 102, Building 2C, 620 Central Avenue, Alameda, CA 94501.

27. In §§ 350.3(a)(2), (b), (c), and (d) the word "subchapter" is changed to "chapter."

(Sec. 21, 34 Stat. 1260, as amended (21 U.S.C. 621); secs. 203, 205, 60 Stat. 1087, 1090 (7 U.S.C. 1622, 1624); 37 FR 28464, 28477).)

These amendments are mainly editorial in nature and contain no change in policy. They do not substantially affect any member of the public. Accordingly, under the administrative procedure provisions in 5 U.S.C. 553, it is found upon good cause that notice and other public rulemaking procedures concerning the amendments are impracticable and unnecessary and good cause is found for making the amendments effective in less than 30 days after publication in the FEDERAL REGISTER.

The foregoing amendments shall become effective October 23, 1973.

Done at Washington, D.C., on October 16, 1973.

G. H. WISE,
Acting Administrator, Animal and Plant Health Inspection Service.

[FR Doc.73-22382 Filed 10-19-73;8:45 am]

Title 17—Commodities and Securities Exchanges

CHAPTER II—SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-5428, 34-10421, 35-18111, AS-147]

PART 210—FORM AND CONTENT OF FINANC'AL STATEMENTS, SECURITIES ACT OF 1933, SECURITIES EXCHANGE ACT OF 1934, PUBLIC UTILITIES HOLDING COMPANY ACT OF 1935, INVESTMENT COMPANY ACT OF 1940

Improved Disclosure of Leases

A. *Introduction.*—The Securities and Exchange Commission today adopted amendments to Rule 3-16 of Regulation S-X (17 CFR 210.3-16) which require increased disclosure of lease commitments by lessees in the footnotes to financial statements filed with the Commission. The proposal to amend Regulation S-X for this purpose was published for comment in Securities Act Release No. 5401 (Securities Exchange Act Release No. 10203, Public Utility Holding Company Act Release No. 17987) on June 6, 1973 (38 FR 16085). Many letters of comment have been received and considered.

In its release proposing these amendments the Commission noted that it was acting to provide adequate information to investors in regard to an important and dramatically growing form of asset acquisition and financing. It also observed that it had referred the basic problem of accounting measurement of leases to the Financial Accounting Standards Board in Accounting Series Release No. 132 (37 FR 26516).

Subsequent to the date of the Commission's proposal the Accounting Principles Board of the American Institute of Certified Public Accountants reversed its previously announced decision to take no action on lease disclosure and issued its Opinion No. 31 dealing with this subject. The disclosure called for in this Opinion was substantially less than that identified in the Commission's release as needed by investors. The Commission has carefully considered the contents of Opinion No. 31 to determine whether it provided for sufficient disclosure to meet the needs of investors and has concluded that it does not, although much of the disclosure called for by the Opinion will be useful to investors. Specifically, the Commission believes that disclosure of the present value of financing leases and of the impact on net income of capitalization of such leases, neither of which is required by Opinion No. 31, are essential to investors. Accordingly, the amendments adopted herein require such disclosure. In other respects, the disclosure requirements herein have been substantially conformed to those in the Opinion so as to minimize duplication of effort by registrants. The additional disclosures required by the amendments are felt necessary to enable investors to compare meaningfully the capital and asset structures and the operating results of companies making use of different methods of acquiring and financing assets.

The Commission does not intend by adopting these amendments to prejudge the issues of lease accounting now being considered by the Financial Accounting Standards Board. At such time as that body develops improved standards of accounting for leases, the Commission expects to reconsider the disclosure requirements set forth herein.

B. *Interpretations and comments.*—In the comments received on the proposal a number of questions were raised. Some of these were the basis for certain changes in the proposals, while others seemed to call for clarifying interpretive comments which did not warrant inclusion in the text of the rule. These items are discussed below in the order in which they appear in Rule 3-16(q) (§ 210.3-16(q)).

1. *Renewal options.*—It was pointed out by many commentators that renewal options are generally a matter of prudent business precaution by lessees and do not necessarily constitute an assured stream of financial payments to the lessor. The Commission accepted these comments and deleted renewal options from the period to be used in determining whether the lease covers 75 percent of the economic life of the property. However, if the terms of the renewal option (or the nature and useful life of any lessee-provided improvements to the leased property) are such that the probability of the option being exercised is extremely high, the renewal period may in substance be part of the noncancelable period and it should be treated as such in applying the 75 percent test. In the normal case renewal options with such terms are likely to require capitalization of leases under the building up equity test of APB Opinion No. 5.

2. *Recovery of the lessor's investment.*—A number of questions were raised as to whether a lease (such as a leveraged lease), where both the lessor's recovery of investment and his return are based on the timing of tax benefits which he receives as well as lease payments, should be considered as one which meets the second criterion of a financing lease even though the lease payments alone would not have that effect. The Commission believes that such a lease does meet the test set forth since it does have terms which assure the lessor a recovery of his investment and an economic return. In measuring the lessor's investment any investment credit received by him should be treated as a reduction of investment.

3. *Fair market value of leased asset.*—It was pointed out that a lessor may sometimes have acquired an asset at a date far preceding the date a lease is entered into and, accordingly, his investment may be an unrealistic basis

for determining whether a financing lease is being entered into. Accordingly, the proposed rule's definition of a financing lease was changed to provide that the lessor should be assured recovery of the fair market value of the property. In the normal case the lessor's cost will represent fair market value unless a substantial time period has passed between acquisition and the date of lease except that in the case of a manufacturer-dealer lessor who meets the tests of Accounting Principles Board Opinion No. 27 for revenue recognition at the date of lease, the amount of revenue recognized may be used as a measure of fair market value.

4. *Minimum rentals.*—It was pointed out that in a number of circumstances contractual minimum rentals were not a good measure of the cash inflows anticipated by the lessor. In some such cases contractual minimum rentals would not recover the lessor's investment, but contingent rentals are set at such a level that the lessor is virtually certain to recover his investment plus a fair return. While the rule adopted deals only with minimum lease commitments, registrants are urged to look at the economic substance underlying the lease agreement. In cases where a lessor's recovery is in fact but not contractually assured, present value computations may be most meaningfully made on the basis of expected rental payments. Such a practice would be consistent with the rule adopted.

Other cases were cited where no minimum rental was called for in the lease agreement but the lessor's debt service was guaranteed by the lessee. In such a case it would normally be expected that the asset and related liability would be reflected on the balance sheet. If the total lease terms did not require capitalization, the guaranteed payments would constitute the minimum rentals required to be disclosed at their present value under this rule.

5. *Net lease payments.*—Many comments were received as to the difficulty in determining amounts included in lease payments applicable to taxes, insurance, maintenance and other operating expenses. In the case of financing leases, these items are frequently explicitly set forth or excluded from lease payments. The rule as adopted provides that an estimate of such costs be subtracted if practicable. If costs cannot be reasonably estimated for some leases, it is acceptable to disclose the present value of those lease payments on a gross basis, with disclosure of the amount so computed.

6. *Interest rate implicit in the terms of the lease.*—In most cases such interest rates are explicitly negotiated in financing leases. Where this is not the case, interest rates applicable to the financing of purchases of similar types of properties by the lessees at the times of entering into the lease agreements may be indicative of the interest rates implicit in the terms of the lease. Paragraphs 13 and 14 of Accounting Principles Board Opinion No. 21 also discuss this problem.

In some cases interest rates negotiated in leasing arrangements are variable and depend upon the rates for the short-term paper used to finance leased assets. In such situations present value must be calculated through the use of an estimated rate over the life of the lease, but calculations of the current impact on net income should use the current interest rate in determining the interest charge.

7. *Materiality.*—Comments indicated that the originally proposed test of materiality for present value disclosure which was based on debt and the present value of leases discriminated against the company with little or no debt. In response, the Commission has changed the test to require disclosure of present value only when the amount exceeds five percent of long-term capitalization (the sum of long-term debt, stockholders' equity and the present value of leases) or when the effect on net income of capitalizing leases is greater than three percent of average net income for the most recent three years. In calculating average net income, loss years should be excluded. If losses were incurred in each of the most recent three years, the average loss shall be used for purposes of this test.

C. *Amendments to Regulation S-X—Commission action.*—The Commission hereby amends § 210.3-16 of Chapter II of Title 17 of the Code of Federal Regulations by the insertion of the words "and for item (q) as specified therein." at the end of the second sentence of the introductory text; the deletion of subparagraph (2) of paragraph (i) and redesignation of subparagraph (3) as new subparagraph (2); and the addition of new paragraph (q) as follows:

§ 210.3-16 General notes to financial statements.

* * * * *

(q) *Leased assets and lease commitments.*—Any contractual arrangement which has the economic characteristics of a lease, such as a "heat supply contract" for nuclear fuel, shall be considered a lease for purposes of this rule. Leases covering oil and gas production rights and mineral and timber rights are not to be considered leases for purposes of this rule. For purposes of this rule, a financing lease is defined as a lease which, during the noncancelable lease period, either: Covers 75 percent or more of the economic life of the property; or has terms which assure the lessor a full recovery of the fair market value (which would normally be represented by his investment) of the property at the inception of the lease plus a reasonable return on the use of the assets invested subject only to limited risk in the realization of the residual interest in the property and the credit risks generally associated with secured loans. The disclosures set forth under paragraph (q) (1) and (2) of this section are only required if gross rental expense in the most recent fiscal year exceeds one percent of consolidated revenues.

(1) Total rental expense (reduced by rentals from subleases, with disclosure of such amounts) entering into the determination of results of operations for each period for which an income statement is presented shall be disclosed. Rental payments under short-term leases for a month or less which are not expected to be renewed need not be included. Contingent rentals, such as those based upon usage or sales, shall be reported separately from the basic or minimum rentals. Rentals on noncapitalized financing leases shall be shown separately for both categories of rentals reported.

(2) The minimum rental commitments under all noncancelable leases shall be disclosed, as of the date of the latest balance sheet presented, in the aggregate (with disclosure of the amounts applicable to noncapitalized financing leases) for (i) each of the five succeeding fiscal years; (ii) each of the next three five year periods; and (iii) the remainder as a single amount. The amounts so determined should be reduced by rentals to be received from existing noncancelable subleases (with disclosure of the amounts of such rentals). For purposes of this rule, a noncancelable lease is defined as one that has an initial or remaining term of more than one year and is noncancelable, or is cancelable only upon the occurrence of some remote contingency or upon the payment of a substantial penalty.

(3) Additional disclosures shall be made to report in general terms: (i) The basis for calculating rental payments if dependent upon factors other than the lapse of time; (ii) existence and terms of renewal or purchase options, escalation clauses, etc.; (iii) the nature and amount of related guarantees made or obligations assumed; (iv) restrictions on paying dividends, incurring additional debt, further leasing, etc.; and (v) any other information necessary to assess the effect of lease commitments upon the financial position, results of operations, and changes in financial position of the lessee.

(4) For all noncapitalized financing leases there shall be disclosed:

(i) The present values of the minimum lease commitments in the aggregate and by major categories of properties, such as real estate, aircraft, truck fleets and other equipment. Present values shall be computed by discounting net lease payments (after subtracting, if practicable, estimated or actual amounts, if any, applicable to taxes, insurance, maintenance and other operating expenses) at the interest rate implicit in the terms of each lease at the time of entering into the lease. Such disclosure shall be made as of the date of any balance sheet presented. If the present value of the minimum lease commitments is less than five percent of the sum of long-term debt, stockholders' equity and the present value of the minimum lease commitments, and if the impact on net income required to be disclosed under paragraph (q) (4) (iv) of this section is less than three percent of the average net income for the most recent three years, this disclosure is not required.

(ii) Either the weighted average interest rate (based on present value) and range of rates or specific interest rates for all lease commitments included in the amount disclosed under paragraph (q) (4) (i) of this section.

(iii) The present value of rentals to be received from existing noncancelable subleases of property included under paragraph (q) (4) (i) of this section based on the interest rate implicit in the terms of the subleases at the times of entering into the subleases.

(iv) The impact upon net income for each period for which an income statement is presented if all noncapitalized financing leases were capitalized, related assets were amortized on a straight-line basis and interest cost was accrued on the basis of the outstanding lease liability. The amounts of amortization and interest cost included in the computation shall be separately identified. If the impact on net income is less than three percent of the average net income for the most recent three years, that fact may be stated in lieu of this disclosure. In calculating average net income, loss years should be excluded. If losses were incurred in each of the most recent three years, the average loss shall be used for purposes of this test.

The foregoing amendments are adopted pursuant to sections 6, 7, 8, 10 and 19(a) of the Securities Act of 1933; sections 12, 13, 15(d) and 23(a) of the Securities Exchange Act of 1934; and sections 5(b), 14 and 20(a) of the Public Utility Holding Company Act of 1935.

(Secs. 6, 7, 8, 10, 19(a), 48 Stat. 78, 79, 81, 85, secs. 205, 209, 48 Stat. 906, 908, sec. 8, 68 Stat. 685, 15 U.S.C. 77f, 77g, 77h, 77j, 77s; secs. 12 13, 15(d), 23(a), 48 Stat. 892, 894, 895, 901, secs. 3, 8, 49 Stat. 1377, 1379, secs. 3, 4, 6, 10, 78 Stat. 565, 569, 570, 580, secs. 1, 2, 84 Stat. 1497, 15 U.S.C. 781, 78m, 78o(d) 78w; secs. 5(b), 14, 20(a), 49 Stat. 812, 827, 833, 15 U.S.C. 79e, 79n, 79t.)

The amendments shall be effective with respect to financial statements filed with the Commission subsequent to November 30, 1973.

By the Commission.

GEORGE A. FITZSIMMONS,
Secretary.

OCTOBER 5, 1973.

[FR Doc.73-22433 Filed 10-19-73;8:45 am]

[Release No. 34-10429]

PART 241—INTERPRETATIVE RELEASE RELATING TO THE SECURITIES EXCHANGE ACT OF 1934 AND GENERAL RULES AND REGULATIONS THEREUNDER

Guidelines for Control Locations for Foreign Securities

Rule 15c3-3 (17 CFR 240.15c3-3) under the Securities Exchange Act of 1934 requires a broker or dealer promptly to obtain possession or control of all fully paid and excess margin securities carried for the account of its customers and to take action within designated time frames where possession or control has not been established. Subparagraphs (c)(4) and (c)(7) of Rule 15c3-3 deem control of customer securities to have been established if such securities are in the custody of a foreign depository, foreign clearing agency, foreign custodian bank, or such other location which the Commission upon application shall designate as a satisfactory control location for such securities.

INTRODUCTION

On January 30, 1973, in Securities Exchange Act Release No. 9969 (38 FR 3313) the Commission indicated it had received numerous requests to designate certain entities as satisfactory control locations for customers' foreign securities lodged in foreign locations (abroad) pursuant to paragraphs (c)(4) and (7) of Rule 15c3-3 in order that brokers or dealers may comply with the requirements of that rule to reduce such customer securities to their possession or control. The Commission anticipated that after reviewing the requests and obtaining such additional information as may be necessary it would publish guidelines for control locations for foreign securities. The release stated that the Commission had determined that, "to the extent a broker-dealer has utilized a foreign entity (e.g., a foreign custodian bank) for holding customers' foreign securities in a foreign location, or a domestic entity which holds such broker's or dealer's customers' foreign securities in a foreign location, as of January 15, 1973, or at any time within two years immediately preceding such date, such broker-dealer shall be permitted to utilize such entity as a satisfactory control location for such foreign securities under Rule 15c3-3 until May 31, 1973." On May 30, 1973, in Securities Exchange Act Release No. 10178 (38 FR 15622) the Commission announced its intention to continue the availability of these locations as permissible control locations for foreign securities and that it would publish guidelines for control locations for foreign securities.

The Commission has now determined to establish the following criteria for satisfactory control locations for foreign securities pursuant to paragraph (c)(4) and (7) of Rule 15c3-3.

CRITERIA FOR CONTROL LOCATIONS FOR FOREIGN SECURITIES

The Commission has determined:

(1) Pursuant to paragraph (c)(4) and (7) of Rule 15c3-3 that foreign securities lodged in the custody of foreign depositories, foreign clearing agencies, foreign custodian banks or foreign brokers or dealers for the account of customers of brokers or dealers shall be deemed to be lodged in satisfactory control locations for brokers or dealers subject to Rule 15c3-3; and

(2) Pursuant to paragraph (c)(7) of Rule 15c3-3 that foreign securities carried by registered brokers or dealers for the account of customers of other brokers or dealers shall be deemed in satisfactory control locations for brokers or dealers subject to Rule 15c3-3.

Provided, That:

(a) The foreign securities lodged abroad shall be considered to be in the control of the broker or dealer for whom they are held pursuant to paragraph (c)(4) and (7), (1) to the extent that such securities are not subject to any right, charge, security interest, lien or claim of any kind in favor of the foreign entity except for their safe custody or administration and (2) to the extent that beneficial ownership of such securities is freely transferable without the payment of money or value other than for safe custody or administration;[1] and

(b) With respect to a registered broker or dealer carrying such foreign securities for another broker or dealer, (i) such securities shall be carried by the carrying broker or dealer in an account to be designated as a "Special Custody Account for the Exclusive Benefit of Customers of (name of the broker or dealer)" pursuant to paragraph (c)(7), (ii) the account shall contain only the securities of customers of that particular broker or dealer and (iii) the particular broker or dealer for whose customers those securities are carried shall have instructed the carrying broker or dealer to maintain physical possession or control of such securities free of any charge, lien, or claim of any kind in favor of such carrying broker or dealer. Additionally, security transactions shall not be effected through the account; its purpose being exclusively for the custody of customers' foreign securities. The carrying broker or dealer must also comply with the conditions set forth in (a) above.

The Commission has also determined in addition to the above criteria that, within 120 days of the publication of this release, any broker or dealer utilizing such locations must submit to George A. Fitzsimmons, Secretary, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549, the name, address, and principal place of business of the foreign entity which serves as a location for the lodgment of customer's foreign securities and the name and address of the governmental agency or other regulatory authority which supervises or regulates the respective foreign entity or in the case where such securities are carried in a "Special Custody Account" as described above by another registered broker or dealer, the name of that broker or dealer must be

[1] While the Commission recognizes that it is the practice in many foreign countries for the foreign entity to maintain a lien, claim, or other charge on customers' foreign securities for custody and administration charges, it is the broker's or dealer's responsibility to pay charges, claims, etc., promptly and to be certain that the amount of such charges, claims, etc., remain at all times minimal.

submitted.[2] Such submissions shall be considered an application to utilize such entities as satisfactory control locations pursuant to paragraph (c)(4) or (7) of Rule 15c3-3 and shall contain a representation of the broker or dealer that such entities meet the criteria specified above. An application submitted shall be considered accepted unless the Commission rejects such application within 90 days of its receipt by the Commission. During the 120 day period immediately following publication of this release, or during any period when an application is being considered by the Commission, to the extent a broker or dealer has utilized a foreign entity (e.g., a foreign custodian bank) for holding customer's foreign securities in a foreign location, or a domestic entity which holds such broker's or dealer's customers' foreign securities in a foreign location, as of January 15, 1973, or at any time within two years immediately preceding such date, such broker or dealer shall be permitted to continue to utilize such entities as satsifactory control locations for customers' foreign securities.

To the extent a broker or dealer wishes to utilize a new foreign entity or registered broker or dealer as a control location for customers' foreign securities and such entity meets the criteria outlined above he shall be permitted to do so provided he submits to the Secretary of the Commission the information required above prior to commencing the use of such locations.[3] An application submitted shall be considered accepted unless the Commission rejects such application within 90 days of its receipt by the Commission. Such new locations shall be deemed satisfactory control locations during any period that such applications are being considered by the Commission.

The above criteria are initial guidelines to be supplemented or altered as the Commission gains further experience in the operation of Rule 15c3-3. The Commission may find that any specific entity, although meeting the above criteria, shall not be a satisfactory control location for customers' foreign securities if the Commission determines that it would not be in the public interest or for the protection of investors to permit such entity to continue as a satisfactory control location.

In establishing the above criteria the Commission wishes to emphasize that these criteria are in no way intended to diminish a broker's or dealer's responsibility to (1) periodically compare and verify in conformity with the requirements of Rule 17a-13 under the Securities Exchange Act of 1934 foreign securities for which he has accountability; (2) be aware at all times of the amount of customers' fully paid foreign securities required to be in possession or control pursuant to Rule 15c3-3; and (3) take prompt steps to reduce fully paid foreign securities to the possession or control of the broker or dealer where such possession or control is required by Rule 15c3-3.

DEFINITION OF THE TERM CUSTOMER

Paragraph (a)(1) of Rule 15c3-3 defines the term customer for the purposes of that rule. The Commission has also determined that the term customer shall be further interpreted to include a broker or dealer to the extent he maintains with another broker or dealer an account designated as a "Special Custody Account for the Exclusive Benefit of Customers of (name of the broker or dealer)" which meets the criteria set forth above.

By the Commission.

GEORGE A. FITZSIMMONS,
Secretary.

OCTOBER 12, 1973.

[FR Doc.73-22432 Filed 10-19-73;8:45 am]

[2] The submission shall be filed in duplicate and shall be entitled "Application for Control Locations for Foreign Securities" pursuant to paragraphs (c)(4) and (7), as appropriate. The Commission has examined the question of whether an "Application for Control Locations for Foreign Securities" should be treated as confidential and is satisfied that it may and should treat such applications as confidential. Under Section 24(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78x(a), the Commission is forbidden to require disclosure of trade secrets. The identity of these foreign entities is information that may fall within that description. Even if it is not, the Commission is satisfied that the identity of these foreign entities is the type of sensitive commercial information exempt from the disclosure requirements of the Freedom of Information Act under 5 U.S.C. 552(b)(4).

[3] If a broker or dealer wishes to utilize an entity other than a foreign depository, foreign clearing agency, foreign custodian bank or registered broker or dealer as a control location for foreign securities pursuant to paragraphs (c) (4) and (7) of Rule 15c3-3, it shall make application pursuant to paragraph (c)(7).

Title 19—Customs Duties

CHAPTER I—UNITED STATES CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

[T.D. 73-297]

PART 1—GENERAL PROVISIONS

Changes in Customs Field Organization

OCTOBER 11, 1973.

On July 31, 1973, a notice of a proposal to establish a consolidated Dallas/Fort Worth Customs port of entry with geographical limits to include the area within Dallas and Tarrant Counties, Texas, was published in the FEDERAL REGISTER (38 FR 20338). No comments were received regarding this proposal.

Accordingly, by virtue of the authority vested in the President by sec. 1 of the Act of August 1, 1914, 38 Stat. 623, as amended (19 U.S.C. 2), and delegated to the Secretary of the Treasury by Executive Order No. 10289, September 17, 1951 (3 CFR Ch. II), and pursuant to authority provided by Treasury Department Order No. 190, Rev. 9 (38 FR 17517), Dallas and Forth Worth, Texas, are hereby consolidated as a Customs port of entry designated as the Dallas/Fort Worth Customs port of entry with the geographical limits to include all of the area within Dallas and Tarrant Counties, Texas, effective upon publication.

To reflect this change, the table in § 1.2(c) of the Customs Regulations is amended by inserting "Dallas/Fort Worth, Texas (including territory described in T.D. 73-297)" directly above "Oklahoma City, Okla. (including territory described in T.D. 66-132)." and deleting "Dallas, Tex." and "Fort Worth, Tex. (T.D. 55792)." in the column headed "Ports of entry" in the Houston, Texas, district (Region VI).

It is desirable to make the Customs port of entry available to the public as soon as possible. Therefore, good cause is found for dispensing with the delayed effective date provision of 5 U.S.C. 553 (d).

(Sec. 1, 37 Stat. 434, sec. 1, 38 Stat. 623, as amended; 19 U.S.C. 1, 2.)

[SEAL] JAMES B. CLAWSON,
Acting Assistant Secretary of the Treasury.

[FR Doc.73-22415 Filed 10-19-73;8:45 am]

Title 31—Money and Finance: Treasury

CHAPTER II—FISCAL SERVICE, DEPARTMENT OF THE TREASURY

SUBCHAPTER A—BUREAU OF ACCOUNTS

PART 257—PAYMENT ON ACCOUNT OF DEPOSITS IN THE POSTAL SAVINGS SYSTEM

Alternate Form

The Department of the Treasury has determined that it is necessary to amend its regulations governing Payment on Account of Deposits in the Postal Savings System, at 31 CFR Part 257, by adding a new § 257.3, to allow for the use of Standard Form No. 1055 (SF-1055) in lieu of Post Office Department Form 1680 (POD-1680) when supplies of the latter form are exhausted, or are otherwise unavailable.

Since the new section concerns a matter which is essentially procedural and has minimal public effect, notice and public procedure respecting this action is not deemed appropriate or necessary. Accordingly, Part 257, Subchapter A, Chapter II of Title 31 of the Code of Federal Regulations is amended by: (1) amending the table of sections to read as follows:

§ 257.1 Scope of regulations.
§ 257.2 Application for payments by individuals.
§ 257.3 Alternate form.
§ 257.4 Interest.

and (2) adding a new § 257.3 to read as follows:

§ 257.3 Alternate Form.

Whenever the stock of Form No. 1680, the use of which is prescribed in this part, is exhausted, or the form is otherwise unavailable, Standard Form 1055 (SF-1055)—Claim Against the United