if the actual cost of the inventory (or, if
appropriate, the allocated cost of the
inventory) was less than or equal to 50
percent of the replacement cost of
physically identical inventory.
Inventory is not considered acquired in
a bargain purchase if the actual cost of the
inventory (or, if appropriate, the
allocated cost of the inventory) was
greater than or equal to 75 percent of the
replacement cost of physically identical
inventory.
(4) Effective date. The rules of this
paragraph (h) are applicable for transfers
on or after the date these regulations are
published in the Federal Register as
final regulations.
Robert E. Wenzel,
Deputy Commissioner of Internal Revenue.
[FR Doc. 00–12174 Filed 5–18–00; 8:45 am]
BILLING CODE 4830–01–U

DEPARTMENT OF THE TREASURY
Internal Revenue Service

26 CFR Part 1
[REG–105089–99]
RIN 1545–AX38
Guidance Under Section 356 Relating
to the Treatment of Nonqualified
Preferred Stock and Other Preferred
Stock in Certain Exchanges and
Distributions; Hearing Cancellation

AGENCY: Internal Revenue Service (IRS),
Treasury.

ACTION: Cancellation of notice of public
hearing on proposed rulemaking.

SUMMARY: This document provides
notice of cancellation of a public
hearing on proposed regulations relating
to the treatment of nonqualified
preferred stock and other preferred
stock in certain exchanges and
distributions under section 356 of the
Internal Revenue Code.

DATES: The public hearing originally
scheduled for Wednesday, May 31,
2000, at 10 a.m., is cancelled.

FOR FURTHER INFORMATION CONTACT:
LaNita Van Dyke of the Regulations
Unit, Assistant Chief Counsel
(Corporate), at (202) 622–7180 (not a
toll-free number).

SUPPLEMENTARY INFORMATION: A notice
of proposed rulemaking and notice of
public hearing that appeared in the
Federal Register on January 26, 2000,
(65 FR 4203), announced that a public
hearing was scheduled for May 31,
2000, at 10 a.m., in room 2615, Internal
Revenue Building, 1111 Constitution
Ave., NW., Washington, DC. The subject
of the public hearing is proposed
regulations under section 354, 355, 356,
and 1036 of the Internal Revenue Code.
The deadline for requests to speak and
outlines of oral comments expired on
The notice of proposed rulemaking
and notice of public hearing, instructed
those interested in testifying at the
public hearing to submit a request to
speak and an outline of the topics to be
addressed. As of May 15, 2000, no one
has requested to speak. Therefore, the
public hearing scheduled for May 31,
2000, is cancelled.

Cynthia E. Grigsby,
Chief, Regulations Unit, Assistant Chief
Counsel (Corporate).
[FR Doc. 00–12682 Filed 5–18–00; 8:45 am]
BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY
Bureau of Alcohol, Tobacco and
Firearms

27 CFR Part 9
[Notice No. 897]
RIN 1512–AA07
Red Mountain Viticultural Area (99R–
367P)

AGENCY: Bureau of Alcohol, Tobacco
and Firearms (ATF), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Bureau of Alcohol,
Tobacco and Firearms (ATF) has
received a petition proposing to
establish a viticultural area within the
State of Washington to be called “Red
Mountain.” The proposed viticultural
area is within Benton County and
totally within the existing Yakima
Valley viticultural area as described in
the regulations. Mr. Lorne Jacobson of
Hedges Cellars submitted the petition.
Mr. Jacobson believes that “Red
Mountain” is a widely known name for
a delimited grape-growing region
well distinguished from other areas by its
soil and climate.
The proposed viticultural area is
entirely within the existing Yakima
Valley viticultural area. The petition
should include:
• Evidence that the name of the
proposed viticultural area is locally
and/or nationally known as referring
to the area specified in the petition;
• Historical or current evidence that
the boundaries of the viticultural area
are as specified in the petition;
• Evidence relating to the
geographical characteristics (climate,
soil, elevation, topography, etc.,
distinguish it from surrounding areas.

What Is the Definition of an American
Viticultural Area?
An American viticultural area is a
delimited grape-growing region
distinguishable by geographic features.
Viticultural features such as soil,
elevation, topography, etc.,
distinguish it from surrounding areas.

What Is ATF’s Authority To Establish a
Viticultural Area?
Any interested person may petition
ATF to establish a grape-growing region
as a viticultural area. The petition
should include:
• Evidence that the name of the
proposed viticultural area is locally
and/or nationally known as referring
to the area specified in the petition;
• Historical or current evidence that
the boundaries of the viticultural area
are as specified in the petition;
• Evidence relating to the
geographical characteristics (climate,
soil, elevation, physical features, etc.)
which distinguish the viticultural
features of the proposed area from
surrounding areas:
• A description of the specific
boundaries of the viticultural area,
based on features which can be found
on United States Geological Survey
(U.S.G.S.) maps of the largest applicable
scale; and
• A copy (or copies) of the
appropriate U.S.G.S. map(s) with the
boundaries prominently marked.

2. Red Mountain Petition
ATF has received a petition proposing
to establish a viticultural area within the
State of Washington to be known as
“Red Mountain.” The petitioner is Mr.
Lorne Jacobson of Hedges Cellars. The
proposed viticultural area is entirely
within the existing Yakima Valley
viticultural area described in 27 CFR 9.69. According to Mr. Jacobson, Red Mountain has a distinct identity that sets it apart from the rest of the Yakima Valley viticultural area. He reports that grapes grown on Red Mountain are known for their quality and are highly sought after by Washington State winemakers.

The proposed area encompasses approximately 3,400 acres, of which approximately 600 acres are planted to vineyards. The petitioner estimates the proposed area can accommodate 2,700 acres of grape plantings.

What Name Evidence Has Been Provided?

The petitioner has submitted as evidence of name recognition several newspaper and magazine articles referencing Red Mountain as a wine producing area. These publications include: The Seattle Post-Intelligencer; the Globe and Mail, (Toronto); Wine Access (Canada); Decanter (UK); and Wine (UK). Other sources cited by the petitioner as referring to the wines of Red Mountain include: Decanter Magazine Guide to Oregon, Washington State and Idaho (Third Edition, 1996); Touring the Washington Wine Country, published by the Washington Wine Commission (1997 edition); and Connoisseur’s Guide to California (July 1997 edition).

Several of these references describe the geographic and climatic conditions of Red Mountain as particularly suited to grape growing. Examples include:


- Vine Access, November 1998: “Although most of Eastern Washington’s vineyards bask in a hot, dry climate, Klipsun [an area vineyard] sits between a gap in the Rattlesnake and Red Mountains in the lower Yakima Valley that is regularly blessed with slightly cooler air that filters through the gap from Canada. This, along with its stony soils best described as sandy, silty loam, and silty loam over gravel, helps to explain the elegant, concentrated nature of the Klipsun fruit.”

- Touring the Washington Wine Country, by the Washington Wine Commission (1997 edition): “Many of the award-winning Cabernet Sauvignons that emerged from Washington’s first quarter-century of fine winemaking used a percentage of their fruit from the vineyards sloping down from Red Mountain toward the Yakima River just above Benton City near Richland. This site offers good air drainage and light soils that encourage grape vines to seek nutrients via deep roots. Irrigated vineyards allow the grape growers to control vine vigor and to ease the vines into dormancy before winter.”

What Boundary Evidence Has Been Provided?

The petitioner has submitted as boundary evidence one U.S.G.S. map titled “Benton City, Washington” (1974) on which Red Mountain is prominently labeled. The proposed viticultural area starts on the ridgeline of Red Mountain and then sweeps down in a triangle toward the southwest, encompassing the southern slope of the mountain down to an elevation of 360 feet. The petitioner notes that there is a small vineyard site on the eastern bank of the Yakima River, due west of the proposed boundaries. He states that this valley floor site has different growing conditions than those on the higher elevations of Red Mountain. There are currently 13 vineyards on Red Mountain, all on the southwestern slope and within the proposed boundaries. The oldest of these vineyards was planted in 1975. According to the petitioner, these boundaries contain a grape growing area with a distinctive character based on soil, topography and climate.

What Evidence Relating to Geographical Features Has Been Provided?

The petitioner asserts that geographical and climatic features of Red Mountain distinguish it from the surrounding Yakima Valley viticultural area.

- Soil: The petitioner states that Red Mountain’s soil associations (landscapes with distinctive proportional patterns of soils) are unique in the Yakima Valley viticultural area. In support of this statement, the petitioner has submitted soil survey maps issued by the U.S. Department of Agriculture’s Soil Conservation Service for the Yakima County and Benton County areas. Using these maps, the petitioner compared the soil associations for Red Mountain and other grape growing areas in the Yakima Valley viticultural area.

According to the Benton County area soil survey maps, the dominant soil association of Red Mountain is Warden-Shano. A more specific analysis reveals that the following soils are present within the Warden-Shano association: Warden silt loam, Hezel loamy fine sand, Scooteney silt loam, and Kiona very stony silt loam. The petitioner compared this data with soil data for Gleeed, Buena, and Sunnyside, other grape growing areas in Washington State within the Yakima Valley viticultural area. The soil associations of these areas are composed of Weirman-Ashue, Harwood-Gorst-Selah, Ritzville-Starbuck, Cowiche-Roza, Warden Esquistel, and Quincy-Hezel. Thus, argues the petitioner, Red Mountain has a soil association which sets it apart from the rest of the Yakima Valley viticultural area.

- Climate: According to the petitioner, temperatures on Red Mountain tend to be hotter during the growing season than those in other areas of the Yakima Valley viticultural area.

To support this contention, the petitioner submitted temperature data gathered from weather stations in the Washington Public Agriculture Weather System administered by Washington State University. He compared data from the weather stations of Benton City, Sunnyside, Buena, and Gleeed, all located in the Yakima Valley viticultural area. The Benton City station is located on Red Mountain within the proposed viticultural area. A comparison of average annual air temperatures for the years 1995 through 1999 shows that the Benton City station consistently had the warmest temperatures. The average temperature difference between Benton City and Gleeed, the coolest site, ranged from 3.92 to 5.61 degrees.

The petitioner states that the difference of only a few degrees over the course of a growing season can produce dramatic results on the oenological characteristics of wine. He further states that Red Mountain is typically the first grape growing area in Washington State to harvest grapes because of its warmer temperatures. According to the petitioner, the warmer temperatures also help to produce fully mature, ripe grapes with exceptional balance that differ substantially in quality from those of other growing areas in the state.

- Topography: Existing vineyards in the proposed viticultural area lie on the southwest-facing slope of Red Mountain. Elevation ranges of these vineyards are from approximately 600 to 1,000 feet. The petitioner notes that there is an immense gap separating the northwest end of Red Mountain from the southeast extremity of nearby Rattlesnake Ridge. He states that cooler, continental air masses flow south from Canada through this gap. In addition, the Yakima River flows around Red Mountain before joining the Columbia River, creating an air drainage
system. The petitioner further states that these characteristics, along with the predominate southwest facing slope of Red Mountain, serve to flush the warm daytime air off the face of Red Mountain and replace it with a cooler air mass. According to the petitioner, the resulting growing environment yields grapes that are both high in sugar (due to warmer daytime temperatures) and high in acid (due to lower evening temperatures).

3. Public Participation

Who May Comment on This Notice?

ATF requests comments from all interested persons. In addition, ATF specifically requests comments on the clarity of this proposed rule and how it may be made easier to understand. Comments received on or before the closing date will be carefully considered. Comments received after that date will be given the same consideration if it is practical to do so. However, assurance of consideration can only be given to comments received on or before the closing date.

Can I Review Comments Received?

Copies of the petition, the proposed regulations, the appropriate map, and any written comments received will be available for public inspection during normal business hours at the ATF Reading Room, Office of Liaison and Public Information, Room 6480, 650 Massachusetts Avenue, NW, Washington, DC, 20226.

Will ATF Keep My Comments Confidential?

ATF cannot recognize any material in comments as confidential. All comments and materials may be disclosed to the public. If you consider your material to be confidential or inappropriate for disclosure to the public, you should not include it in the comments. We may also disclose the comments and materials may be published in the Federal Register. If you consider your material to be confidential or inappropriate for disclosure to the public, you should not include it in the comments. We may also disclose the comments in response to a public request. If you consider your material to be confidential or inappropriate for disclosure to the public, you should not include it in the comments.

How Do I Send Facsimile Comments?

You may submit comments by facsimile by sending the comments to nprm@atfhq.atf.treas.gov. You must follow these instructions. E-mail comments must:

• Contain your name, mailing address, and e-mail address.
• Reference this notice number.
• Be legible when printed on not more than three pages 8½” x 11” in size.

We will not acknowledge receipt of e-mail. We will treat e-mail as originals.

How Do I Send Electronic Mail (E-mail) Comments?

You may submit comments by e-mail by sending the comments to nprm@atfhq.atf.treas.gov. You must follow these instructions. E-mail comments must:

• Be legible.
• Reference this notice number.
• Be legible when printed on not more than three pages 8½” x 11” in size.

We will not acknowledge receipt of e-mail. We will treat e-mail as originals.

How Do I Send Comments to the ATF Internet Web Site?

You may also submit comments using the comment form provided with the online copy of the proposed rule on the ATF Internet web site at http://www.atf.treas.gov/core/regulations/rules.htm.

Can I Request a Public Hearing?

If you desire the opportunity to comment orally at a public hearing on this proposed regulation, you must submit your request in writing to the Director within the 60-day comment period. The Director reserves the right to determine, in light of all circumstances, whether a public hearing will be held.

4. Regulatory Analyses and Notices

Does the Paperwork Reduction Act Apply to This Proposed Rule?

The provisions of the Paperwork Reduction Act of 1995, 44 U.S.C. Chapter 35, and its implementing regulations, 5 CFR part 1320, do not apply to this notice because no requirement to collect information is proposed.

How Does the Regulatory Flexibility Act Apply to This Proposed Rule?

These proposed regulations will not have a significant economic impact on a substantial number of small entities. The establishment of a viticultural area is neither an endorsement or approval by ATF of the quality of wine produced in the area, nor the identification of an area that is distinct from surrounding areas. ATF believes that the establishment of viticultural areas merely allows wineries to more accurately describe the origin of their wines to consumers, and helps consumers identify the wines they purchase. Thus, any benefit derived from the use of a viticultural area name is the result of the proprietor’s own efforts and consumer acceptance of wines from that area. No new requirements are proposed. Accordingly, a regulatory flexibility analysis is not required.

Is This a Significant Regulatory Action as Defined by Executive Order 12866?

It has been determined that this proposed regulation is not a significant regulatory action as defined by Executive Order 12866. Therefore, a regulatory assessment is not required.

Drafting Information: The principal author of this document is Jennifer Berry, Regulations Division, Bureau of Alcohol, Tobacco, and Firearms.

List of Subjects in 27 CFR Part 9

Administrative practices and procedures, Consumer protection, Viticultural areas, Wine.

Authority and Issuance

Accordingly, for the reasons set out in the preamble, Title 27, Code of Federal Regulations, part 9, American Viticultural Areas, is proposed to be amended as follows:

PART 9—AMERICAN VITICULTURAL AREAS

Paragraph 1. The authority citation for part 9 continues to read as follows:

Authority: 27 U.S.C. 205

Subpart C—Approved American Viticultural Areas

Par. 2. Subpart C is amended by adding § 9.167 to read as follows:

§ 9.167 Red Mountain.

(a) Name. The name of the viticultural area described in this section is “Red Mountain.”

(b) Approved Maps. The appropriate map for determining the boundaries of the Red Mountain viticultural area is one U.S.G.S. map titled “Benton City, Washington” 7.5 minute series (topographic), (1974).

(c) Boundaries. The Red Mountain viticultural area is located within Benton County, Washington, entirely within the existing Yakima Valley viticultural area. The boundaries are as follows:

(1) The northwest boundary beginning on this map at the intersection of the 560-foot elevation level and the aqueduct found northwest of the center of section 32.

(2) Then following the aqueduct east to its endpoint at an elevation of approximately 650-feet, again in section 32.

(3) From this point in a straight line southeast to the 1173-foot peak, located southeast of the center of section 32.

(4) From this peak southeast in a straight-line across the lower southwest corner of section 33 to the 1253-foot
The study area included the navigable waters of Los Angeles and Long Beach harbors, the Los Angeles/Long Beach TSS, and all waters bounded by the coastline and the following coordinates:

<table>
<thead>
<tr>
<th>Latitude</th>
<th>Longitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>33°47.00′ N</td>
<td>118°25.40′ W</td>
</tr>
<tr>
<td>33°47.00′ N</td>
<td>118°38.60′ W</td>
</tr>
<tr>
<td>33°45.50′ N</td>
<td>118°38.60′ W</td>
</tr>
<tr>
<td>33°15.50′ N</td>
<td>117°52.70′ W</td>
</tr>
<tr>
<td>33°35.30′ N</td>
<td>117°52.70′ W</td>
</tr>
</tbody>
</table>

Major port improvement projects for the Ports of Los Angeles and Long Beach began in 1995 and should be completed by June, 2000. These projects include the following:

- Lengthening of the Los Angeles Approach Channel to extend approximately 3.5 nautical miles beyond the Los Angeles breakwater.
- Deepening of the Los Angeles Approach Channel to a project depth of 81 feet.
- Slight shift of the Long Beach Approach to a 355 degrees True inbound course.
- Deepening of the Long Beach Approach Channel to a project depth of 69 feet.

Fill and construction activities within the Los Angeles/Long Beach Harbors and development of a shallow water habitat have constricted the amount of room available for small commercial and recreational traffic to maneuver within the Outer Harbor and in the area.