

Inspection To Determine Actuator Part and Serial Numbers

(g) Within 50 flight hours after the effective date of this AD, do a one-time general visual inspection of the left and right aileron and elevator actuators to determine the part number (P/N) and serial number (S/N) of each actuator, in accordance with the applicable alert customer bulletin.

Note 2: For the purposes of this AD, a general visual inspection is: "A visual examination of an interior or exterior area, installation, or assembly to detect obvious damage, failure, or irregularity. This level of inspection is made from within touching distance unless otherwise specified. A mirror may be necessary to ensure visual access to all surfaces in the inspection area. This level of inspection is made under normally available lighting conditions such as daylight, hangar lighting, flashlight, or droplight and may require removal or opening of access panels or doors. Stands, ladders, or platforms may be required to gain proximity to the area being checked."

Initial and Repetitive Actuator Inspections and Corrective Action

(h) For any actuator identified during the inspection required by paragraph (g) of this AD with a P/N and S/N listed in the applicable alert customer bulletin, and for actuators for which the P/N and/or S/N were missing or unreadable: Before further flight, do a detailed inspection of each identified actuator to detect a broken damper shaft, in accordance with the applicable alert customer bulletin.

Note 3: For the purposes of this AD, a detailed inspection is: "An intensive examination of a specific item, installation, or assembly to detect damage, failure, or irregularity. Available lighting is normally supplemented with a direct source of good lighting at an intensity deemed appropriate.

Inspection aids such as mirror, magnifying lenses, etc., may be necessary. Surface cleaning and elaborate procedures may be required."

(1) If no damper shaft is found broken: Repeat the inspection required by paragraph (h) of this AD thereafter at intervals not to exceed 500 flight hours or 12 months, whichever occurs first.

(2) If any damper shaft is found broken: Before further flight, do the action specified in paragraph (h)(2)(i) or (h)(2)(ii) of this AD, in accordance with the applicable alert customer bulletin.

(i) Replace the actuator with a new or serviceable actuator having a P/N and S/N listed in the applicable alert customer bulletin, provided the new or serviceable actuator has been inspected in accordance with the requirements of paragraph (h) of this AD. Thereafter, repeat the inspection required by paragraph (h) of this AD at intervals not to exceed 500 flight hours or 12 months, whichever occurs first.

(ii) Replace the actuator with a new or serviceable actuator having a P/N and/or S/N not listed in the applicable alert customer bulletin. This replacement terminates the requirements of this AD for that actuator only.

Optional Terminating Action

(i) Replacement of all suspect actuators with new or serviceable actuators having a P/N and/or S/N not listed in the applicable alert customer bulletin terminates the requirements of this AD.

Reporting Requirement

(j) Submit a report of any broken damper shafts to the Manager, Atlanta Aircraft Certification Office (ACO), FAA, Small Airplane Directorate, One Crown Center, 1895 Phoenix Boulevard, suite 450, Atlanta, Georgia 30349; fax (770) 703-6097. The report must be done at the applicable time

specified in paragraph (j)(1) or (j)(2) of this AD. The report must include the inspection date, the airplane model and S/N, the actuator position (left or right aileron or elevator), and the actuator P/N and S/N. Information collection requirements contained in this AD have been approved by the Office of Management and Budget (OMB) under the provisions of the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*) and have been assigned OMB Control Number 2120-0056.

(1) If the inspection required by paragraph (h) of this AD was done after the effective date of this AD: Submit the report within 10 days after the inspection.

(2) If the inspection required by paragraph (h) of this AD was done before the effective date of this AD: Submit the report within 10 days after the effective date of this AD.

Parts Installation

(k) As of the effective date of this AD, no person may install an aileron or elevator actuator having a P/N and S/N specified in the applicable alert customer bulletin, on any airplane, unless the actuator has been inspected according to paragraph (h) of this AD.

Special Flight Permit

(l) Special flight permits (14 CFR 21.197 and 21.199) are not allowed.

Alternative Methods of Compliance (AMOCs)

(m) The Manager, Atlanta ACO, FAA, has the authority to approve AMOCs for this AD, if requested in accordance with the procedures found in 14 CFR 39.19.

Material Incorporated by Reference

(n) You must use the service information that is specified in Table 2 of this AD to perform the actions that are required by this AD, unless the AD specifies otherwise.

TABLE 2.—MATERIAL INCORPORATED BY REFERENCE

Alert customer bulletin—	Revision—	Dated—
Gulfstream GII/GIIB Alert Customer Bulletin 29A	A	August 23, 2004.
Gulfstream GIII Alert Customer Bulletin 15A	A	August 23, 2004.
Gulfstream GIV Alert Customer Bulletin 32A	A	August 23, 2004.
Gulfstream G300 Alert Customer Bulletin 32A	A	August 23, 2004.
Gulfstream G400 Alert Customer Bulletin 32A	A	August 23, 2004.

The Director of the Federal Register approves the incorporation by reference of those documents in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. For copies of the service information, contact Gulfstream Aerospace Corporation, P.O. Box 2206, Mail Station D-10, Savannah, Georgia 31402-9980. You can review copies at the Docket Management Facility, U.S. Department of Transportation, 400 Seventh Street SW., room PL-401, Nassif Building, Washington, DC; or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call (202) 741-6030, or go to http://www.archives.gov/federal_register/

code_of_federal_regulations/ibr_locations.html.

Issued in Renton, Washington, on October 4, 2004.

Kalene C. Yanamura,

Acting Manager, Transport Airplane Directorate, Aircraft Certification Service.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 602

[TD 9144]

RIN 1545-BA75

Statutory Options; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document corrects final regulations (TD 9144) that were

published in the **Federal Register** on Tuesday, August 3, 2004 (69 FR 46401).

The document contains final regulations relating to statutory options. These final regulations affect certain taxpayers who participate in the transfer of stock pursuant to the exercise of incentive stock options and the exercise of options granted pursuant to an employee stock purchase plan (statutory options).

DATES: This document is effective on August 3, 2004.

FOR FURTHER INFORMATION CONTACT: Erinn Madden, (202) 622-6030 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9144) that is the subject of this correction are under sections 421, 422, and 424 of the Internal Revenue Code.

Need for Correction

As published, the final regulations (TD 9144) contains errors that may prove to be misleading and are in need of clarification.

List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 602

Reporting and recordkeeping requirements.

Correction of Publication

■ Accordingly, 26 CFR parts 1 and 602 are corrected by making the following correcting amendments:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

§ 1.421-1 [Corrected]

■ 1. Section 1.421-1(g), fifth sentence, the language “See § 1.422-1(b)(3) *Example 3.*” is removed and the language “See § 1.422-1(b)(3) *Example 2.*” is added in its place.

■ 2. Section 1.421-1(j)(2), third sentence, the language “For statutory options granted after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting on the granting corporation occurring 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or this section.” is removed and the language “For statutory options granted after June 9, 2003, and before the

earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring at least 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or this section.” is added in its place.

§ 1.421-2 [Corrected]

■ 3. Section 1.421-2(f)(2), second sentence, the language “For statutory options granted after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or this section.” is removed and the language “For statutory options granted after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation at least 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or section.” is added in its place.

§ 1.422-1 [Corrected]

■ 4. Section 1.422-1(b)(3), example 2, fourth sentence, the language “Additionally, at the time of the disposition, section 422 and § 1.422-1(a) no longer apply, and thus, section 83(a) is used to measure the consequences of the disposition.” is removed and the language “Additionally, at the time of the disposition, section 422 and § 1.422-1a) no longer apply, and thus, section 83(a) is used to measure the consequences of the disposition and the holding period for capital gain purposes begin on the vesting date, six months after exercise.” is added in its place.

§ 1.422-5 [Corrected]

■ 5. Section 1.422-5(e), tenth sentence, the language “Under the rules of paragraph (b)(3) of this section, A has sold all 60 of the non-section-1036 shares and 15 of the 40 section-1036 shares.” is removed and the language “Under the rules of paragraph (b)(2) and (b)(3) of this section, A has sold all 60 of the non-section-1036 shares and 15 of the 40 section-1036 shares.” is added in its place.

■ 6. Section 1.422-5(f)(2), third sentence, the language “For statutory options granted after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or this section.” is removed and the language “For statutory options granted after June 9, 2003, and before the earlier of January

1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring at least 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or this section.” is added in its place.

§ 1.424-1 [Corrected]

■ 7. Section 1.424-1(a)(3)(ii), first sentence, the language “A distribution (excluding an ordinary dividend or a stock split or stock dividend described in § 1.424-1(e)(v)) or change in the terms or number of outstanding shares of such corporation; and” is removed and the language “A distribution (excluding an ordinary dividend or a stock split or stock dividend described in § 1.424-1(e)(4)(v)) or change in the terms or number of outstanding shares of such corporation; and” is added in its place.

■ 8. Section 1.424-1(a)(10), *Example 8*, sixth sentence, the language “Based on these facts, a new option to purchase 200 shares of Y at an option price of \$25 per share could be granted to E in complete substitution of E’s old option.” is removed and the language “Based on these facts, and new option to purchase 200 shares of Y at an option price of \$25 per share could be granted to E in complete substitution of E’s old option. In the alternative, it would also be permissible in connection with the spin off, to grant E a new option to purchase 100 shares of Y, at an option price of \$25 per share, and E retains an option to purchase 100 shares of X under the old option, with the option price adjusted to \$25. However, because X is no longer a related corporation with respect to Y, E must exercise the option for 100 shares of X within three months from the date of the spin off for the option to be treated as a statutory option. See § 1.421-1(h).” is added in its place.

■ 9. Section 1.424-1(a)(10), paragraph (iii) of *Example 9*, third sentence, the language “Because the amendment of the plan to allow options on a different stock is considered the adoption of a new plan under § 1.422-2(b)(2)(iii), the stockholders of X must approve the plan within 12 months before or after the date of the amendment of the plan.” is removed and the language “Because the amendment of the plan to allow options on a different stock is considered the adoption of a new plan under § 1.422-2(b)(2)(iii), the stockholders of Y must approve the plan within 12 months before or after the date of the amendment of the plan.” is added in its place.

■ 10. Section 1.424-1(a)(10), paragraph (iii) of *Example 9*, fourth sentence, the language “If the stockholders of X timely approve the plan, the future grants to acquire Y stock will be incentive stock options (assuming the other

requirements of § 1.422-2 have been met)." is removed and the language "If the stockholders of Y timely approve the plan, the future grants to acquire Y stock will be incentive stock options (assuming the other requirements of § 1.422-2 have been met)." is added in its place.

■ 11. Section 1.424-1(c)(4)(vi), the last sentence is removed.

■ 12. Section 1.424-1(c)(4)(viii), second sentence, the language "Thus, for example, if the terms of an option are inadvertently changed on March 1 to extend the exercise period and the change is removed on November, then if the option is not exercised prior to November 1, the option is not considered modified under this paragraph (e)." is removed and the language "Thus for example, if the terms of an option are inadvertently changed on March 1 to extend the exercise period and the change is removed on November 1, then if the option is not exercised prior to November 1, the option is not considered modified under this paragraph (e)." is added in its place.

■ 13. Section 1.424-1(g)(2), third sentence, the language "For statutory options granted after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or this section." is removed and the language "For statutory options granted after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring at least 6 months after August 3, 2004, taxpayers may rely on either the REG-122917-02 or this section." is added in its place.

§ 1.6039-1 [Corrected]

■ 14. Section 1.6039-1(g)(2), second sentence, the language "For statutory options transferred after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring 6 months after August 3, 2004, taxpayers may rely on either REG-122917-02 or this section." is removed and the language "For statutory options transferred after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring at least 6 months

after August 3, 2004, taxpayers may rely on either REG-122917-02 or this section." is added in its place.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

■ **Par. 2.** The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

§ 602.101 [Corrected]

■ 15. Section 602.101(b) is amended by adding the entry "1.422-1 * * * 1545-0820" to the table in numerical order.

Cynthia E. Grigsby,

Acting Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel, (Procedures and Administration).

[FR Doc. 04-22858 Filed 10-15-04; 8:45 am]

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DEPARTMENT OF DEFENSE

Department of the Navy

32 CFR Part 706

Certifications and Exemptions Under the International Regulations for Preventing Collisions at Sea, 1972

AGENCY: Department of the Navy, DoD.
ACTION: Final rule.

SUMMARY: The Department of the Navy is amending its certifications and exemptions under the International Regulations for Preventing Collisions at Sea, 1972 (72 COLREGS), to reflect that the Deputy Assistant Judge Advocate General (Admiralty and Maritime Law) has determined that USS VIRGINIA (SSN 774) is a vessel of the Navy which, due to its special construction and purpose, cannot fully comply with certain provisions of the 72 COLREGS without interfering with its special function as a naval ship. The intended effect of this rule is to warn mariners in waters where 72 COLREGS apply.

DATES: Effective January 12, 2004.

FOR FURTHER INFORMATION CONTACT: Commander Scott A. Kenney, JAGC, U.S. Navy, Deputy Assistant Judge Advocate General (Admiralty and Maritime Law), Office of the Judge Advocate General, Department of the Navy, 1322 Patterson Ave., SE., Suite 3000, Washington Navy Yard, DC

20374-5066, Telephone number: (202) 685-5040.

SUPPLEMENTARY INFORMATION: Pursuant to the authority granted in 33 U.S.C. 1605, the Department of the Navy amends 32 CFR part 706. This amendment provides notice that the Deputy Assistant Judge Advocate General (Admiralty) of the Navy, under authority delegated by the Secretary of the Navy, has certified that USS VIRGINIA (SSN 774) is a vessel of the Navy which, due to its special construction and purpose, cannot comply fully with the following specific provisions of 72 COLREGS without interfering with its special function as a naval ship: Rule 21(c), pertaining to the arc of visibility of the sternlight; Annex I, section 2(a)(i), pertaining to the height of the masthead light; Annex I, section 2(k), pertaining to the height and relative positions of the anchor lights; and Annex I, section 3(b), pertaining to the location of the sidelights. The Deputy Assistant Judge Advocate General (Admiralty) has also certified that the aforementioned lights are located in closest possible compliance with the applicable 72 COLREGS requirements.

Moreover, it has been determined, in accordance with 32 CFR parts 296 and 701, that publication of this amendment for public comment prior to adoption is impracticable, unnecessary, and contrary to public interest since it is based on technical findings that the placement of lights on this vessel in a manner differently from that prescribed herein will adversely affect the vessel's ability to perform its military functions.

List of Subjects in 32 CFR Part 706

Marine safety, Navigation (water), and Vessels.

■ Accordingly, 32 CFR part 706 is amended as follows:

PART 706—[AMENDED]

■ 1. The authority citation for 32 CFR part 706 continues to read as follows:

Authority: 33 U.S.C. 1605.

■ 2. Table One of § 706.2 is amended by adding, in numerical order, the following entry for the USS VIRGINIA:

§ 706.2 Certifications of the Secretary of the Navy under Executive Order 11964 and 33 U.S.C. 1605.

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