electronics technicians or television repairman require experience or education beyond that offered by the Bell & Howell course; (2) the number of students who enrolled in the Bell & Howell courses and the graduation and drop-out percentages of those students; (3) the manner in which a student cancel his/her contract; (4) the manner in which a student's tuition obligation will be calculated if the student drops out of the course.

Additionally, the Agreement and order required Bell & Howell to deposit $1.2 million in escrow for the purpose of establishing a fund from which refunds can be paid to former Bell & Howell correspondence school students. For purposes of determining eligibility for redress, a student must have enrolled in a Bell & Howell correspondence course after January 1, 1971 and have made a tuition or loan payment after May 27, 1974.

The order provides that the Commission in its sole discretion, has the right to determine which students will be eligible and whether refunds to specific categories of students will be total or partial. Students who may be eligible to receive refunds are those who:

(1) Enrolled in the course to obtain employment, graduated, looked for a job in their field of study, and did not find one; or

(2) Dropped-out or were terminated from enrollment because they lacked adequate education or background to understand the course materials, or, were unable to get instructional assistance that they needed in order to understand the course materials, or did not have enough time to study for the course; or

(3) Enrolled in the accounting course with the expectation that they would be able to take the CPA exam in their State, and subsequently found out that the course did not qualify them to take the exam; or

(4) Were misled as to the amount they would have to pay for the courses; or

(5) Were terminated from their course because they failed to submit lessons on time and their delay was a result of not having supplies on hand to do the work; or

(6) Enrolled in the course to get a job and dropped out because they found out the course did not qualify them for a job.

No determination has been made about which of the six categories of eligible consumers will be considered for refunds. It is possible that eligible consumers in one or more of the six categories will not receive any refund.

The order provides that no refund shall exceed a student's tuition obligation less any reimbursement such student received from a Federal, State or local government agency or department. Despite the fact that the Commission staff objected to this limitation, which precludes the Commission from refunding money already paid to students by the Veterans' Administration, Bell & Howell insisted on its inclusion in the order. Students who accept a refund from the Commission will not have their tuition or loan obligation cancelled or reduced, but the students waive any claims they may have against Bell & Howell arising from their enrollment in the course.

The purpose of this analysis is to facilitate public comment on the proposed order, and it is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

CAROL M. THOMAS,
Secretary.

[FR Doc. 79-9776 Filed 3-29-79; 8:45 am]

[6750-01-M]

[16 CFR Part 13]

[File No. 9116]

RHINECHEM CORP., ET AL.

Consent Agreement With Analysis To Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Provisional consent agreement.

SUMMARY: In settlement of alleged violations of federal law prohibiting unfair acts and practices and unfair methods of competition, this provisionally accepted consent agreement, among other things, would require a New York City manufacturer and seller of organic pigments to terminate all agreements providing for the acquisition of the Chemetron Corporation's organic pigments business; return all confidential documents exchanged during the negotiations; and provide the Commission with evidence of its compliance with these requirements. Additionally, Rhinechem would be required, through December 31, 1981, to furnish the Commission with 90-days advance notice should it seek either to acquire Chemetron's organic pigment business or sell its own to Chemetron or Chemetron's corporate parent, Allegheny Ludlum Industries, Inc.

DATE: Comments must be received on or before May 29, 1979.

ADDRESS: Comments should be directed to: Office of the Secretary, Federal Trade Commission, 6th St. and Pennsylvania Ave., NW., Washington, D.C. 20580.

FOR FURTHER INFORMATION CONTACT:

Paul W. Turley, Director, 3R, Chicago Regional Office, Federal Trade Commission, 55 East Monroe St., Suite 1437, Chicago, Ill. 60603. (312) 353-4423.

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46 and § 3.25(f) of the Commission's rules of practice (16 CFR 3.25(f)), notice is hereby given that the following consent agreement containing a consent order to cease and desist and an explanation thereof, having been filed with and provisionally accepted by the Commission, has been placed on the public record for a period of sixty (60) days. Public comment is invited. Such comments or views will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with § 4.9(b)(14) of the Commission's rules of practice (16 CFR 4.9(b)(14)).

RHINECHEM CORP., ET AL.

[Docket No. 9116]

AGREEMENT CONTAINING CONSENT ORDER TO CEASE AND DESIST

This agreement by and between Rhinechem Coporation, a corporation, by its duly authorized officer, and its attorneys, and counsel for the Federal Trade Commission, is entered into in accordance with the Commission's Rule governing consent order procedure. In accordance therewith the parties agree that:

1. Respondent Rhinechem Corporation (hereinafter Rhinechem) is a corporation existing and doing business under and by virtue of the laws of the State of Delaware, with its principal place of business at 425 Park Avenue, New York, New York. Rhinechem is a wholly-owned subsidiary of Bayer International Finance N.V., which in turn is a wholly-owned subsidiary of Bayer AG, a West German corporation with headquarters in Leverkusen, Federal Republic of Germany.

2. Rhinechem has been served with the complaint issued by the Federal Trade Commission on August 23, 1978, charging it with violation of Section 5 of the Federal Trade Commmission Act and Section 7 of the Clayton Act.

3. Rhinechem admits all jurisdictional facts set forth in the Commission's complaint in this proceeding.

4. Rhinechem waives:

(a) Any further procedural steps;

(b) The requirement that the Commission's decision contain a statement of findings of fact and conclusions of law; and

(c) All rights to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement.

5. This agreement shall not become a part of the public record of the proceeding unless and until its accepted by the Commission. If this agreement is accepted by the Commission, it, together with related materials pursuant to Rule 3.25(f), will be placed on the public record for a period of sixty (60) days and information in respect thereto publicly released. The Commission thereafter may either withdraw its acceptance of this agreement and so notify Rhinechem, in which event it will take such action as it may consider appropriate, or issue and serve its decision in disposition of the proceeding. The Commission may at any time pending issuance of this order require hearings on the relief requirements provided by this order.

6. This agreement is for settlement purposes only and does not constitute an admission by Rhinechem that the law has been violated as alleged in the Commission's complaint in this proceeding.

7. This agreeement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of § 3.25(f) of the Commission's rules, the Commission may without further notice to Rhinechem (1) issue its decision containing the following order to cease and desist in disposition of the proceeding, and (2) make information public in resepect thereto. When so entered the order to cease and desist shall have the same force and effect and may be altered, modified or set aside in the same manner and within the same time provided by statute for other orders. The order shall become final upon service. Mailing of the decision containing the agreed-to order to Rhinechem's address as stated in this agreement shall constitute service. Rhinechem waives any right it might have to any other manner of service. The complaint may be used in construing the terms of the order, and no agreement, understanding, representation or interpretation not contained in the order or in the agreement may be used to vary or contradict the terms of the order.

8. Rhinechem has read the complaint and the order contemplated hereby. It understands that once the order has been issued, it will be required to file a compliance report showing that it has fully complied with the order and that it may be liable for civil penalties in the amount provided by law for each violation of the order after it becomes final.

ORDER

DEFINITIONS

For purposes of this order the following definition shall apply:

"Organic pigments" means insoluble color particles characterized by a chemical composition which includes carbon rings or chains as the basic part of their molecular structure and used to impart color to a variety of materials.

I.

It is ordered, That Rhinechem forthwith terminate all agreements which provided for the acquisition of the organic pigments business of Chemetron Corporation by a subsidiary of Rhinechem and provide evidence that all such agreements have been terminated and that all confidential documents provided to Rhinechem by Allegheny Ludlum Industries, Inc., and Chemetron Corporation in connection with the merger agreement have been returned or destroyed. Nothing herein contained shall relieve Rhinechem from any obligations of confidentiality imposed by agreement between the parties.

II.

It is further ordered, That through December 31, 1981, Rhinechem, its successors or assigns, shall not acquire, either directly or indirectly, any or all of the organic pigments business of Chemetron Corporation nor shall it sell any or all of its organic pigments business to Allegheny Ludlum Industries, Inc., or Chemetron Corporation, whether represented by securities or assets, until ninety (90) days following receipt by the Director of the Bureau of Competition of the Federal Trade Commission of written notice of the proposed acquisition or merger, such written notice to be similar in form and content to the notice required under Section 7A of the Clayton Act and the premerger notification rules promulgated thereunder and shall specifically refer to this order. (This provision shall not prohibit sales of organic pigments or other transactions between Rhinechem and Chemetron Corporation in the ordinary course of business.) If within ninety (90) days of receipt by the Director of such notice the Commission issues an administrative complaint challenging the proposed acquisition or merger, such proposed acquisition or merger shall not be consummated, nor shall any steps be taken to effectuate such proposed acquisition or merger until the administrative complaint issued by the Commission is dismissed by the Commission, until a final order as defined in 15 U.S.C. Sections 21 and 45 is entered or until a consent order is entered and served upon Rhinechem in the administrative proceeding. If within the aforesaid ninety (90) days the Bureau of Competition receives any written position papers from Rhinechem and the Bureau recommends issuance of a complaint, the Bureau shall promptly forward to the Commission such papers together with the written notice submitted to the Bureau Director. In the event that within ninety (90) days of the Director's receipt of such notice the Commission issues an administrative complaint challenging the proposed acquisition or merger, the Bureau of Competition shall exert its best efforts to complete the administrative proceeding in an expedited manner.

III.

It is further ordered, That Rhinechem shall notify the Commission at least thirty (30) days prior to any proposed corporate change such as dissolution, assignment or sale, resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change which may affect compliance obligations arising out of this order.

IV.

It is further ordered, That Rhinechem shall within sixty (60) days after service upon it of this order file with the Commission a written report setting forth in detail the manner and form in which it has complied with this order.

RHINECHEM CORP. ET AL

[Docket No. 9116]

ANALYSIS OF PROPOSED CONSENT ORDER TO AID PUBLIC COMMENT

The Federal Trade Commission has accepted an agreement to a proposed consent order from Rhinechem Corporation (hereinafter referred to as "respondent").

The proposed consent order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and the comments received and then will decide whether it should withdraw from the agreement or issue the agreement's proposed order.

On August 23, 1978, the Commission issued a complaint against Rhinechem Corporation (Rhinechem), Allegheny Ludlum Industries, Inc. (Allegheny) and Chemetron Corporation (Chemetron) alleging that the proposed acquisition of Chemetron's pigment division by Rhinechem, if consummated, would violate Section 7 of the Clayton Act and Section 5 of the Federal Trade Commission Act. Section 7 of the Clayton Act prohibits any acquisition which may have the effect of substantially lessening competition or tending to create a monopoly in any line of commerce, and Section 5 of the Feder-

al Trade Commission Act prohibits unfair methods of competition as well as deceptive acts or practices in or affecting commerce.

The Commission's complaint alleged that Rhinechem (principally through its wholly owned subsidiary Harmon Colors) and Chemetron compete in the manufacture and sale of organic pigments. The complaint alleged further that the merger agreement between Rhinechem and Allegheny was itself a violation of Section 5 of the Federal Trade Commission Act because, if the merger was consummated, it would lessen actual competition, eliminate Chemetron as a substantial independent competitor, and lead to other harmful results.

The Commission, on August 28, 1978, also filed an Application for a Preliminary Injunction and Temporary Restraining Order in the United States District Court for the Northern District of Illinois, Eastern Division. After a proceeding pursuant to 13(b) of the FTC Act, 15 U.S.C. Section 53(b), the Judge granted, on October 20, 1978, the FTC's Application for the issuance of an injunction during the pendency of the administrative proceedings and any subsequent review.

The proposed consent agreement incorporates into an administrative order certain key provisions that will be enforceable against respondent. This will avert the expenditure of resources of an administrative trial, which otherwise would be necessary before the Commission could impose a remedial order, and assure a lasting effect of the Commission's efforts in this action.

The proposed order has four (4) sections, the substance of which are decribed below.

In Paragraph I respondent is ordered to present evidence to the Commission that the merger agreement has been terminated, and to return any confidential documents exchanged during negotiations.

Paragraph II requires the respondent to provide the Director of the Bureau of Competition with ninety (90) days advance notice if it seeks to acquire any of the organic pigments business of Chemetron Corporation or seeks to sell any of its organic pigments business to Allegheny Ludlum Industries, Inc. or Chemetron Corporation through December 31, 1981. This paragraph further provides that if the Commission within that ninety (90) day period issues an administrative complaint challenging such transaction, the respondent will not go forward with the transaction until the administrative proceeding has been completed and a final order or consent order has been entered. Thus, by issuing an administrative complaint, the Commission can effectively enjoin the consummation of a proposed merger between Rhinechem and Allegheny concerning Chemetron's pigment division. If the Commission should issue such a complaint the Bureau of Competition agrees to exert its best efforts to complete the administrative proceeding in an expedited manner.

Paragraphs III and IV relate to compliance. In the former, the respondent is required to notify the Commission of corporate changes which may affect its compliance obligations, while in the latter the respondent is required to file compliance reports sixty (60) days after service of the order.

The purpose of this analysis is to facilitate public comment on the proposed order; it is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

CAROL M. THOMAS,
Secretary.

[FR Doc. 79-9777 Filed 3-29-79; 8:45 am]

[4830-01-M]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

[26 CFR Part 1]

[EE-145-78]

INCOME TAX

Income of Mutual or Cooperative Telephone Companies

AGENCY: Internal Revenue Service, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains a proposed regulation relating to the income of tax exempt mutual or cooperative telephone companies. Changes to the applicable tax law were made by the Act of August 15, 1978. The regulation would provide the public with the guidance needed to comply with that Act and would affect mutual or cooperative telephone companies which are exempt from Federal income tax.

DATES: Written comments and requests for a public hearing must be delivered or mailed by May 29, 1979. The amendment is proposed to be effective for taxable years beginning after December 31, 1974.

ADDRESS: Send comments and requests for a public hearing to: Commissioner of Internal Revenue, Attention: CC:LR:T:EE-145-78, Washington, D.C. 20224.

FOR FURTHER INFORMATION CONTACT:

Ray K. Kamikawa of the Employee Plans and Exempt Organizations Division, Office of the Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D.C. 20224, Attention: CC:LR:T:EE-145-78, (202) 566-6271 (Not a toll-free number).

SUPPLEMENTARY INFORMATION:

BACKGROUND

This document contains a proposed amendment to the Income Tax Regulations (26 CFR Part 1) under section 501(c)(12) of the Internal Revenue Code of 1954. The amendment is proposed to conform the regulations to section 1 of the Act of August 15, 1978, Pub. L. 95-345 (92 Stat. 481) and is to be issued under the authority contained in section 7805 of the Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805).

REVENUE RULING 74-362

A mutual or cooperative telephone company qualifies for recognition of tax exemption under section 501(a) only if at least 85 percent of its income consists of amounts collected from members for the sole purpose of meeting losses and expenses. In Rev. Rul. 74-362, 1974-2 C.B. 170, the Internal Revenue Service ruled that certain amounts earned by a telephone cooperative in connection with completing calls between its members and subscribers of other telephone companies constituted nonmember income. If it could not be established that such amounts were less than 15 percent of total receipts, the telephone cooperative could not qualify for exempt status.

ACT OF AUGUST 15, 1978

In the Act of August 15, 1978, Congress provided that income received by a telephone cooperative from another telephone company for calls involving members of the telephone cooperative do not enter into the 85 percent member-income test in determining whether the telephone cooperative is tax exempt. The effect of this provision is to exclude from the member-income computation any amounts which, under Rev. Rul. 74-362, would be considered as paid for performance by the telephone cooperative of telephone call-connection services for nonmembers.

COMMENTS AND REQUESTS FOR A PUBLIC HEARING

Before adopting the proposed regulation, consideration will be given to any written comments that are submitted (preferably six copies) to the Commissioner of Internal Revenue. All comments will be available for public inspection and copying. A public hearing will be held upon written request to the Commissioner by