

applies to the transfer. Under paragraph (b)(1) of this section, N reduces its basis in Asset 2 by \$5 to \$25 and, under section 362(a), takes a basis in Asset 1 of \$100. Under section 358(a), A receives N stock with a basis of \$105.

*Example 7. Property transfer subject to both sections 362(e)(1) and 362(e)(2).* (i) *Facts.* Foreign corporation FP transfers Asset 1 and Asset 2 to a domestic corporation DS in a transaction that qualifies under section 351. Asset 1 is not property described in section 362(e)(1)(B) and has a basis of \$80 and a fair market value of \$50. Asset 2 is property described in section 362(e)(1)(B) and has a basis of \$120 and a value of \$110. Section 367(b) does not apply to the transfer of Asset 1 or Asset 2.

(ii) *Analysis.* Under paragraphs (b)(1) and (b)(3) of this section, a transfer is described in section 362(e)(1), and thus not subject to this section, only if and to the extent there is a transfer of property described in section 362(e)(1)(B) that otherwise would have a net built-in loss in the hands of the transferee. Because Asset 2 is property described in section 362(e)(1)(B) and DS would otherwise receive Asset 2 with a basis of \$120 and a value of \$110, FP's transfer of property to DS is described in section 362(e)(1) only to the extent of the transfer of Asset 2. Asset 1 is not property described in section 362(e)(1)(B), and under section 362(a), DS would receive Asset 1 with a basis (\$80) in excess of its fair market value (\$50).

Accordingly, this section applies solely to the transfer of Asset 1. Under paragraph (b)(1) of this section, DS reduces its basis in Asset 1 by \$30 to \$50. Under section 358(a), FP receives the DS stock with a basis of \$200.

*Example 8. Section 304 sale of built-in loss stock.* (i) *Facts.* Individual A owns all the stock of corporation X and corporation Y. A sells all his X stock to Y for \$60. Under section 304, A is treated as though he transferred the X stock to Y in exchange for Y stock in a transaction to which section 351 applies. Then, Y is treated as redeeming the Y stock it was treated as having issued to A in the section 351 transaction. At the time of the transaction, A holds X stock with a basis of \$90 and a fair market value of \$60. A and Y do not elect to apply section 362(e)(2)(C) to reduce A's basis in the Y stock deemed received.

(ii) *Analysis.* Under section 362(a), Y would otherwise receive X stock with an aggregate basis of \$90, which exceeds its aggregate fair market value of \$60. As a result, the X stock has a net built-in loss of \$30, and, under paragraph (b)(1) of this section, Y reduces its basis in the X stock received by \$30 to \$60. Under section 358(a), A receives the deemed issued Y stock with a basis of \$90.

(e) *Effective date.* This section applies to transactions occurring after the date these regulations are published as final regulations in the **Federal Register**.

**Par. 5.** Section 1.705-1(a)(9) is added to read as follows:

**§ 1.705-1 Determination of basis of partner's interest.**

(a) \* \* \*

(9) For basis adjustments necessary to coordinate sections 705 and 362(e)(2), see § 1.362-4(c)(6).

\* \* \* \* \*

**Par. 6.** In § 1.1367-1, a new sentence is added at the end of paragraph (c)(2) to read as follows:

**§ 1.1367-1 Adjustments to basis of shareholder's stock in an S corporation.**

\* \* \* \* \*

(c) \* \* \*

(2) \* \* \* For basis adjustments necessary to coordinate sections 1367 and 362(e)(2), see § 1.362-4(c)(7).

\* \* \* \* \*

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

[FR Doc. E6-17649 Filed 10-20-06; 8:45 am]

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**DEPARTMENT OF HOMELAND SECURITY**

**Coast Guard**

**33 CFR Part 165**

[USCG-2006-25767; CGD09-06-123]

**Safety Zones; U.S. Coast Guard Water Training Areas, Great Lakes**

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of public meetings.

**SUMMARY:** This document provides the times and locations of for the additional public meetings which will be held by the Coast Guard to discuss issues relating to the proposed permanent safety zones located in the Great Lakes to conduct live gunnery training exercises. These meetings will be open to the public and are in addition to the four currently scheduled public meetings.

**DATES:** The Coast Guard will hold five additional public meetings as follows: Monday, October 30, 2006 in Rochester, NY; Wednesday November 1, Waukegan, IL (Milwaukee, WI / Chicago, IL area); Friday November 3, in Charlevoix, MI; Monday, November 6, in Erie, PA; and Wednesday, November 8, Sturgeon Bay, WI. If you are unable to attend, you may submit comments to the Docket Management Facility by November 13, 2006.

**ADDRESSES:** The Coast Guard will hold additional public meetings at the following addresses:

1. Rochester, NY: Rochester Fast Ferry Terminal, 1000 N. River Street, Rochester, NY 14612, (877) 283-7327;

2. Chicago, IL/ Milwaukee, WI: Genesee Theatre, 203 N. Genesee Street, Waukegan, IL 60085, (847) 782-2366;

3. Charlevoix, MI: Charlevoix Public Library, 220 W. Clinton Street, Charlevoix, MI 49720, (231) 547-2651;

4. Erie, PA: Port of Erie Cruise Boat Terminal, 1 Holland Street, Erie PA 16507, (814) 455-7557; and

5. Sturgeon Bay, WI: Stoneharbor Resort, 107 North First Avenue, Sturgeon Bay, WI (877) 746-0700.

You may submit your comments and related material by one of the following means:

(1) By mail to the Docket Management Facility (USCG-2006-2567), U.S. Department of Transportation, room PL-401, 400 Seventh Street, SW., Washington, DC 20590-0001.

(2) By delivery to room PL-401 on the Plaza level of the Nassif Building, 400 Seventh Street, SW., Washington, DC between 9 a.m. and 5 p.m. Monday through Friday, except Federal holidays. The telephone number is 202-366-9329.

(3) By fax to the Docket Management Facility at 202-493-2251.

(4) Electronically through the Web site for the Docket Management System at <http://dms.dot.gov>.

The Docket Management Facility maintains the public docket for the rulemaking. Comments and material received from the public will become part of this docket and will be available for inspection or copying at room PL-401, located on the Plaza level of the Nassif Building at the same address between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. You may electronically access the public docket by performing a "Simple Search" for docket number 25767 on the Internet at <http://dms.dot.gov>.

Electronic forms of all comments received into any of our dockets can be searched by the name of the individual submitting the comment (or signing the comment, if submitted on behalf of an association, business, labor unit, etc.) and is open to the public without restriction. You may review the Department of Transportation's complete Privacy Act Statement in the **Federal Register** published on April 11, 2000 (65 FR 19477-78), or you may visit <http://dms.dot.gov>.

**FOR FURTHER INFORMATION CONTACT:** For further information concerning this notice and the public meeting, contact Commander Gustav Wulfkuhle, Chief Enforcement Branch, Ninth Coast Guard District, Cleveland, Ohio at (216) 902-6091. If you have any questions on viewing or submitting material to the docket, call Renee V. Wright, Program

Manager, Docket Operations, telephone 202-493-0402.

#### SUPPLEMENTARY INFORMATION:

##### Public Meetings

The Coast Guard will hold five additional public meetings as follows: Monday, October 30, 2006 in Rochester, NY; Wednesday November 1, Waukegan, IL (Milwaukee, WI/Chicago, IL area); Friday, November 3, in Charlevoix, MI; Monday, November 6, in Erie, PA; and Wednesday, November 8, in Sturgeon Bay, WI. These meetings will be held to take comments regarding the proposed Safety Zones; U.S. Coast Guard Water Training Areas, Great Lakes, published on August 1, 2006, in the **Federal Register** at 71 FR 43402.

The Coast Guard encourages interested persons to submit written data, views, or comments. Persons submitting comments should please include their name and address and identify the docket number (USCG-2006-25767). You may submit your comments and material by mail, hand delivery, fax or electronic means to the Docket Management Facility at the address under **ADDRESSES**.

##### Regulatory History

On August 1, 2006, the Coast Guard published a notice of proposed rulemaking (NPRM) (71 FR 43402) to establish permanent safety zones throughout the Great Lakes, which would restrict vessels from portions of the Great Lakes during live fire gun exercises that will be conducted by Coast Guard cutters and small boats. The initial comment period for this NPRM ended on August 31, 2006. In response to public requests, the Coast Guard re-opened the comment period on this NPRM. (71 FR 53629, September 12, 2006) Re-opening the comment period from September 12, 2006 to November 13, 2006, provides the public more time to submit comments and recommendations. On September 19, 2006, the Coast Guard published a brief document announcing the dates of public meetings. (71 FR 54792) On September 27, 2006 we published a document containing detailed information about the first set of meetings. (71 FR 56420)

On October 12, 2006, the Coast Guard announced that the addition of three more public meetings and again stated that more detailed information related to the meetings would be published at a later date. (71 FR 60094) This document provides detailed information regarding these additional meetings by providing the locations of the public meetings and the topics to be discussed. We are also announcing the addition of

public meetings to be held in Erie, PA and Sturgeon Bay, WI.

##### Background and Purpose

The thirty-four permanent safety zones proposed in the NPRM will be located throughout the Great Lakes in order to accommodate the training needs of 57 separate Coast Guard units. The proposed safety zones are all located more than three nautical miles from the shoreline. Establishing permanent training areas serves to notify the public and solicit its input on selection of the training locations.

The proposed safety zones will be enforced only when training is conducted, and then only after notice by the Captain of the Port for the area in which the exercise will be held. The Captain of the Port will use all appropriate means to effect the widest publicity among the affected segments of the public, including publication in the **Federal Register** if practicable, in accordance with 33 CFR 65.7(a). Such means of notification may also include, but are not limited to, Broadcast Notice to Mariners or Local Notice to Mariners. The appropriate Captain of the Port will also issue a Broadcast Notice to Mariners and Local Notice to Mariners notifying the public when enforcement of a live fire exercise safety zone is suspended.

Interested individuals are encouraged to attend the open house forums and public meetings, provide comments and ask questions about the weapons training areas. In the event that the Coast Guard decides to conduct a higher level of environmental analysis pursuant to the National Environmental Policy Act, input received from all nine public meetings in the Great Lakes area will serve as "scoping," to determine the issues to be addressed in that analysis.

##### Meeting Times and Topics

The meetings are expected to run from 5:30 p.m. to 8 p.m. (local). We may end the meetings early if there are no additional comments or questions.

Topics to be covered during the public meetings include the following:

- (1) Introduction of the proposed zones and the need to train on the Great Lakes;
- (2) How the Coast Guard determined the locations of the zones;
- (3) Scheduling and frequency of training in the zones;
- (4) Notification procedures;
- (5) Safety procedures;
- (6) Weapons and munitions; and
- (7) Environmental risk assessment overview.

Before the start of the formal public meetings, from 4 p.m. to 5:30 p.m.

(local), the Coast Guard is hosting an open house so that the public can speak with Coast Guard personnel and obtain more information on the proposed zones.

##### Procedure

Each open house and meeting is open to the public. Ideally, comments will provide specific information and facts related to the impact of the zone(s) on the commenter. Detailed and focused comments will enable the Coast Guard to address identified areas of concern in the rulemaking process. Please note that the meeting may close early if all business is finished. If you are unable to attend, you may submit comments to the Docket Management Facility at the address under **ADDRESSES** by November 13, 2006.

##### Information on Services for Individuals With Disabilities

If you plan to attend any of the public meetings and require special assistance, such as sign language interpretation or other reasonable accommodations, please contact us as indicated in **FOR FURTHER INFORMATION CONTACT**.

Dated: October 18, 2006.

**John E. Crowley, Jr.,**

*Rear Admiral, U.S. Coast Guard, Commander, Ninth Coast Guard District.*

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## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Parts 51 and 52

[EPA-HQ-OAR-2003-0064; FRL-8233-4]

RIN 2060-AL75

### Prevention of Significant Deterioration (PSD) and Nonattainment New Source Review (NSR): Debottlenecking, Aggregation, and Project Netting

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Notice of public hearing.

**SUMMARY:** The EPA is announcing a public hearing to be held on November 6, 2006, for the proposed rule on "Prevention of Significant Deterioration (PSD) and Nonattainment New Source Review (NSR): Debottlenecking, Aggregation, and Project Netting." This rulemaking action was published in the **Federal Register** on September 14, 2006 and proposes to revise the regulations governing the NSR programs mandated by parts C and D of title I of the Clean Air Act. The public hearing will provide interested parties the opportunity to