trust, association, or other legal entity, except that two or more entities shall be combined as one person in accordance

- (1) The regulations found at part 1497 of this chapter for the purpose of administering maximum payment limitation provisions of the Food Security Act of 1985;
- (2) The regulations found at part 796 of this title for the purpose of administering the provisions of the Food Security Act of 1985 with respect to the production of controlled substances; and
- (3) The regulations found at part 12 of this title pertaining to the highly erodible land and wetland provisions (commonly know as "sodbuster and swampbuster" provisions) of the Food Security Act of 1985.
- (k) Producer means a person who, as owner, landlord, tenant, or sharecropper, shares in the risk of producing the crop, and is entitled to share in the crops available for marketing from the farm, or would have shared had the crops been produced.
- In § 1425.4, paragraphs (a), (b)(7), and paragraph (c) introductory text are revised and paragraphs (e) and (f) are added to read as follows:

§1425.4 Approval.

- (a) Application. In order for a cooperative to participate in a price support program with respect to the 1994 and subsequent crops of authorized commodities, a cooperative must submit an application for approval with respect to such authorized commodities to CCC.
 - (b) *
- (7) A detailed description of the method by which proceeds from a pool of eligible commodities for which price support is obtained will be distributed as provided for in § 1425.18.
- (c) Annual recertification. An approved cooperative must submit, on an annual basis, the following
- information to CCC:
- (e) Reapplication. Approved cooperatives must submit revised applications as required by this section instead of an annual recertification every 5 years, or more often if CCC determines that such application is necessary to determine if a cooperative has implemented an organizational or operational change that would affect compliance with the provisions of this part.
- (f) Form CCC-Cotton G. Cooperative marketing associations applying for approval to participate in the price

support program for cotton shall execute Form CCC-Cotton G, Cotton Cooperative Loan Agreement, with CCC.

4. Section 1425.6 (b)(2) is revised to read as follows:

§1425.6 Approved cooperatives.

* *

- (b) * * *
- (2) Conditionally approved. (i) A cooperative may be conditionally approved if CCC determines that it has substantially met all the requirements of this part, and the failure to meet the remaining requirements is due to reasons beyond the control of the cooperative and not due to the cooperative's negligence; and
- (ii) Such cooperative must agree in writing to meet all requirements for approval set forth in this part within the time period specified by CCC. When a cooperative can only comply with the regulations by amending its articles of incorporation or bylaws at a membership meeting, CCC may accept a board of directors' resolution agreeing to recommend to the members at the next meeting of the members the required changes to the articles of incorporation or bylaws as compliance with the requirements for approval for purposes of this section.

Board resolutions in which the cooperative agrees to comply with other provisions of this part may be accepted by CCC as compliance with the requirements for approval for purposes of this section.

5. Section 1425.7 (a) is revised to read as follows:

§1425.7 Suspension and termination of approval.

- (a) Suspension. An approved cooperative may be suspended by CCC from further participation in a price support program if CCC determines that the cooperative or a member cooperative, as specified in § 1425.19:
- (1) Has not operated in accordance with the conditions specified in such cooperative's application for approval;
- (2) Has not complied with applicable regulations; or
- (3) Has failed to correct deficiencies noted during an administrative review or an audit of the cooperative's operations with respect to a price support program. Such suspension may be lifted upon the receipt of documents indicating that the cooperative has complied with all requirements for approval. If such documents are not received within one year from the date of the suspension, the cooperative's

approval for participation in a price support program shall be terminated.

6. In § 1425.8, paragraphs (b)(2) and (e) are revised to read as follows:

§1425.8 Ownership and control.

- (b) * * *
- (2) The allocated equity of any active member that has acquired equity as a result of a loan from the cooperative unless such member is obligated to repay the loan within one year.
- (e) Approved plan. An applicant or an approved cooperative not under the ownership or control, or both, of its active members, may be approved by CCC to participate in a price support program if the cooperative is able to establish that, by retiring the equity of its inactive members or by obtaining new members, the cooperative can vest ownership and control in its active members, as required by this section, by a date specified by CCC.
- 7. Section 1425.9 is amended by revising the introductory text and paragraphs (d) and (g) to read as follows:

§1425.9 Charter and bylaw provisions.

The articles of incorporation, articles of association, or the bylaws of the cooperative shall comply with each of the following requirements:

(d) Nominations. (1) Nominations for election of delegates and directors shall

be made by members.

(2) Nominations for officers shall be made by elected directors or by members when nomination by members is authorized in the cooperative's articles of incorporation or bylaws.

(3) Nominations may be made by balloting, nominating committee, petition of members, or from the floor, provided that nominations from the floor shall be requested in addition to nominations made by a nominating committee or by petition.

(g) Proxy. (1) Except as provided in paragraph (g)(2) of this section, voting by proxy shall be prohibited.

(2) Voting by proxy may be permitted

if a cooperative:

(i) Determines that it is necessary to amend the cooperative's articles of incorporation, articles of association, or bylaws, and

(ii) Establishes to the satisfaction of CCC that the law of the State in which the cooperative is incorporated permits voting by proxy, but does not permit members to vote by mail, with respect to such issue.