

facility to prevent the potential for manipulation or misuse of specialists' information regarding which limit orders are eligible for execution in the AHT facility.

In the original approval order, the Commission observed that the pilot program should assist specialists in their obligation to minimize temporary disparity between supply and demand. Moreover, the Commission agreed with the Exchange that the pilot program should benefit investors by providing additional liquidity to the listed cash market for derivative securities based upon well-known market indexes. The Commission also noted that the proposed rule change struck a reasonable balance between the Exchange's need to accommodate the needs of investors by providing additional liquidity to the listed cash market for derivative securities based on market indexes, and the need to prevent the potential for manipulation or misuses of information.

The Commission initially approved the pilot program for one year. The pilot program has been extended several times to allow the Exchange and the Commission to evaluate further whether there were additional issues that needed to be addressed. At the Commission's request, the Exchange submitted a report with this rule filing describing the Exchange's experience with the pilot program. According to the report, there was very limited trading volume in the AHT for SPDRs, investment trust securities and Index Fund Shares during August 1, 1996 to May 30, 1997. Given the experience Amex has gained through extended operation and renewal of the pilot program, the Commission expects the Amex to determine, at least two months prior to expiration of the current pilot, whether to seek permanent approval of, or discontinue, the pilot. Should the Exchange decide to seek permanent approval of the pilot program, it should submit another report to the Commission by May 1, 1998, describing its experiences with the pilot program.

The Commission believes that there is good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. This will permit the pilot program to continue on an uninterrupted basis for another year, until August 29, 1998. The Exchange proposes to continue using the identical procedures contained in the pilot program as originally approved. In addition, the rule change that implemented the pilot program was published in the **Federal Register** for the full comment period and no

comments were received. Accordingly, the Commission believes that it is consistent with Sections 6 and 19(b) of the Act⁴ to accelerate approval of the proposal rule change.

It is therefore, ordered, pursuant to Section 19(b)(2) of the Act,⁵ that the proposed rule change (SR-Amex-97-28) is hereby approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-23392 Filed 9-3-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38985; File No. SR-NASD-97-53]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Trading in Exchange-Listed Securities in the Third Market

August 27, 1997.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 28, 1997, the National Association of Securities Dealers, Inc. ("NASD"), through its wholly-owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD is proposing to amend several rules governing the trading in exchange-listed securities in the over-the-counter market. Specifically, the NASD is proposing to amend rules of the NASD to: (1) Codify permissible uses of computer-generated quote systems with respect to exchange-listed securities; (2) eliminate the excess spread rule for market makers in exchange-listed securities; (3) reduce the minimum quotation size applicable

to market makers in exchange-listed securities to one unit of trading (*i.e.*, 100 shares), regardless of whether the CQS market maker² is displaying a customer's limit order or quoting for its own proprietary account; (4) extend exemptive provisions of the NASD's limit order protection rule applicable to Nasdaq-listed securities (the "Manning Rule") to exchange-listed securities; and (5) reduce from 1000 to 100 the number of shares that the Computer Assisted Execution System ("CAES") will execute automatically. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

6330. Obligations of CQS Market Makers

(a) No Change.

(b) [CQS market makers shall be required to input a minimum quotation size of 200 or 500 shares in each reported security (as established and published from time to time by the Association) depending on trading characteristics of the security; provided that a CQS market maker may input a quotation size less than such minimum quotation size to display a limit order in compliance with SEC Rule 11Ac1-4. A limit order displayed in a] A CQS market maker's quotation [pursuant to SEC Rule 11Ac1-4] must be for at least one normal unit of trading [or a multiple thereof].

[(c) Excess Spreads.

A market maker shall not enter quotations in CQS securities that exceed the parameters for maximum allowable spreads as approved by the Association's Board of Governors and that may be published from time to time by the Association. The maximum allowable spreads for CQS securities shall be 125 percent of the average of the three (3) narrowest market maker spreads in each security, which average spread calculations shall include quotations from national securities exchanges (if the number of CQS market makers in a security plus the number of national securities exchanges trading that security is less than three (3), the maximum allowable spread will be 125 percent of the average spread); provided, however, that the maximum allowable spread shall never be less than 1/4 of a point.]

(d) redesignated as paragraph (c)

(d) *Computer-Generated Quotations.*

(1) *General Prohibition—Except as provided below, this rule prohibits the*

⁴ 15 U.S.C. 78f and 78s(b)(2).

⁵ 15 U.S.C. 78s(b)(2).

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Quotations and quotation sizes in reported securities may be entered into the Consolidated Quotations Service (CQS) through The Nasdaq Stock Market only by an Association member registered with it as a CQS market maker. See NASD rule 6320.

automatic updating or tracking of inside quotations in CQS by computer-generated quote systems. This ban is necessary to offset the negative impact on the capacity and operation of Nasdaq systems regarding certain systems that track changes to the inside quotation and automatically react by generating another quote to keep the market maker's quote away from the best market, without any cognizable human intervention.

(2) *Exceptions to the General Prohibition—Automated updating of quotations is permitted when:* (1) the update is in response to an execution in the security by that firm (such as execution of an order that partially fills a market maker's quotation size); (2) it requires a physical, cognizable entry (such as a manual entry to the market maker's internal system which then automatically forwards the update to a Nasdaq system); (3) the update is to reflect the receipt, execution, or cancellation of a customer limit order; (4) it is used to expose a customer's market or marketable limit order for price improvement opportunities; or (5) it is used to equal or improve either or both sides of the national best bid or offer ("NBBO"), or add size to the NBBO.

* * * * *

6440. Trading Practices

- (a)–(e) No Change
- (f)(1) No Change
- (f)(2) No Change
- (3) The provisions of this paragraph shall not apply:
 - (A) No Change
 - (B) No Change
 - (C) No Change
 - (D) to any purchase or sale for which a member has negotiated specific terms and conditions applicable to the acceptance of limit orders that are:
 - (i) for customer accounts that meet the definition of an "institutional account" as that term is defined in Rule 3110(c)(4); or
 - (ii) for 10,000 shares or more, unless such orders are less than \$100,000 in value.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of, and statutory basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set

forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In light of the implementation of the Commission's Order Execution Rules,³ and the impending implementation of the "1% Rule"⁴ to all exchange-listed securities, the NASD is proposing the following amendments to the rules governing trading in exchange-listed securities in the over-the-counter market, the so-called "third market."

a. Permissibility of the Use of Certain Automated Quotation Generation Systems

The plan governing the Intermarket Trading System ("ITS Plan") currently provides that exchange specialists and CQS market makers may use "automated quotation tracking systems," provided that the quotations generated by such systems are for 100 shares or less ("100-Share Autoquoting Limitation"). Despite the ITS Plan's allowance of 100-share autoquotes, the NASD prohibits CQS market makers from using autoquote systems to effect automated quote updates or to track the inside market. In addition, the NASD requires CQS market makers to maintain a minimum quotation size of 500 shares, with the exception of displaying a customer limit order, which also effectively prohibits CQS market makers from autoquoting.

In expanding the 1% Rule, the Commission recognized that it raised an issue with respect to the ability of NASD members to autoquote. The Commission stated that "a total

³ See Securities Exchange Act Release No. 37619A (September 6, 1997), 61 FR 48290 (September 12, 1997) ("Adopting Release"). The Commission adopted Rule 11Ac1-4 ("Limit Order Display Rule") and amendments to Rule 11Ac1-1 ("Quote Rule") (collectively "Order Execution Rules").

⁴ An amendment to the Quote Rule expanded the quotation requirements of substantial OTC market makers and exchange specialists to require that they publicly disseminate continuous two-sided quotations for any exchange-listed security for which they account for one percent or more of the trading volume (commonly referred to as the "1% Rule"). See Adopting Release. While the amendments to the Quote Rule extended the quotation requirement to all exchange-listed securities, the Commission, by exemptive order, has provided relief from compliance with the 1% Rule, with respect to non-19c-3 securities, until September 30, 1997. See Exchange Act Release No. 38870 (July 24, 1997), 62 FR 40732 (July 30, 1997). Therefore, currently, OTC market makers and exchange specialists publicly disseminate quotations only when they are responsible for one percent or more of the trading volume in a 19c-3 security.

prohibition on the use of computer generated quotes is not appropriate" and that "[s]uch an approach excessively limits the use of sophisticated trading strategies that rely on automation in the quotation process for their success, and it also may act as a competitive disadvantage to market makers and specialists that would otherwise rely on technology to meet their quotation obligations more efficiently."⁵ While the Commission noted that it "recognizes traditional concerns related to the accessibility of computer generated quotes and the impact of such quotes on system capacity, it believes that more can and should be done in this area."⁶ The Commission stressed that more should be done particularly "given the enhanced quotation obligations that will be imposed on some market participants under the revised Quote Rule."⁷ The Commission, therefore, urged the "NASD, ITS Participants, and other interested market participants to develop revised standards that would permit the use of computer generated quotes that contribute value to the market."⁸

Accordingly, the NASD is proposing to explicitly accommodate computer-generated quotations that add value to the market and do not raise quotation accessibility concerns or compromise the capacity or integrity of Nasdaq. Specifically, the proposed rule change amends NASD Rule 6330 to permit computer-generated quotations in exchange-listed securities that generate proprietary quotes for 100 shares or more if such quote systems equal or improve either or both sides of the NBBO. For example, if a CQS market maker utilized a computer-generated quotation program to match the best offer (bid) and the market responsible to the best offer (bid) subsequently increased (decreased) its offer (bid) price, the CQS market maker could not use the program to track such inferior price. Thus, if the best offer is 20¹/₄, a CQS market maker could use the program to improve its offer to 20¹/₄. If the market responsible for the 20¹/₄ offer moved to 20³/₈, however, the CQS market maker could not use the program to move its offer to 20³/₈.

In addition, the proposed rule change amends Rule 6330 to permit computer-generated quotations that add size to the NBBO, or are used to expose a customer's market or marketable limit order for price improvement

⁵ See Adopting Release at Section III.B.3.c.i.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

opportunities. These uses would be in addition to three other forms of computer-enhanced quotation maintenance programs referenced in the NASD's Autoquote Policy which are also being incorporated into Rule 6330 with respect to exchange-listed securities.⁹ With the exception of these types of computer-generated quotation and maintenance systems, all other types of computer-generated quotations would continue to be prohibited. Thus, market makers could not use computer-generated quotations to track away from the inside market ("autoquoting away").¹⁰

In approving this proposal, the NASD was fully cognizant of and carefully considered the views of some industry participants that prohibiting autoquoting away would subject CQS market makers to a competitive disadvantage vis-a-vis specialists on regional exchanges.¹¹ The NASD also considered contrary arguments raised by some industry participants that permitting autoquoting away would undermine the integrity of the third market and facilitate the generation of inaccessible market maker quotes. After considering these views, the NASD remains concerned with the potential adverse impacts on market integrity and Nasdaq system capacity that restricted autoquoting away could cause. Specifically, the NASD believes that the potential increase in the number of OTC market makers and corresponding quote changes in the third market due to the expansion of the 1% Rule, coupled with more CQS market makers registering and electing to quote in conjunction with the SEC's Limit Order Display Rule, creates a market environment where unfettered autoquoting away would subject Nasdaq systems to capacity constraints that would

compromise the integrity of The Nasdaq Stock Market and the protection of investors. In addition, the NASD is concerned by the prior experience with unlimited autoquoting by regional exchange specialists. Unlimited autoquoting away from the market creates ephemeral quotations which can appear to be at the best price for a few seconds only to disappear before an order realistically can be routed to the quote. In short, the NASD believes that unlimited computer-generated quotations would diminish the positive impact on quotation transparency obtained from the Commission's expansion of the 1% Rule.

The NASD continues to believe that autoquoting away should not be fostered as a policy matter. The NASD, however, is extremely concerned with the competitive implications on CQS market makers raised by the prospect that while they are prohibited from autoquoting away, specialists on regional exchanges will continue to do so. Accordingly, the NASD and Nasdaq Boards considered alternatives designed to provide CQS market makers with the ability to update their quotes in an efficient and cost effective manner while minimizing the impact on the operation and capacity of Nasdaq systems that collect, process, and disseminate quotation changes. Ultimately, as discussed in more detail below, the NASD voted to eliminate the excess spread rule applicable to CQS market makers in conjunction with prohibiting autoquoting away. The NASD believes that the elimination of the excess spread rule for CQS securities in conjunction with the retention of the NASD's ban on autoquoting away is a prudent, balanced, and rational approach to the resolution of an issue critically important to the preservation of the integrity and efficiency of Nasdaq. As noted above, the NASD believes that allowing autoquoting away will have a profound adverse impact on the quality of the third market and the operational soundness of Nasdaq. However, in light of the competitive implications to CQS market makers, the NASD proposes to enhance the quotation flexibility of CQS market makers by eliminating the excess spread rule for CQS securities. The NASD trusts that eliminating the excess spread rule for CQS securities will nullify any competitive advantages that specialists on regional exchanges, who can autoquote away, may have over CQS market makers who can not. Thus, as a policy matter, not a capacity matter, the NASD believes this to be a compromise solution that is more beneficial to the

market place than allowing unfettered computer-generated quotations.

b. Elimination of the Excess Spread Rule

The NASD's excess spread rule applicable to CQS securities currently provides that a CQS market maker shall not enter a quotation spread in excess of 125 percent of the average of the three narrowest market maker spreads in such security, which average spread calculation shall include quotations from national securities exchanges.

As discussed above, the analysis of the proposed elimination of the CQS excess spread rule was joined with the NASD's analysis of whether to permit autoquoting away. The NASD determined that the potential adverse competitive consequences on highly automated CQS market making firms who are prohibited from autoquoting away could be minimized if the excess spread rule was eliminated. Specifically, by eliminating the excess spread rule for CQS securities, the NASD believes that CQS market makers will have more flexibility in quoting, Nasdaq capacity will not be needlessly consumed by processing voluminous quote updates away from the market, and the competitiveness of the third market will not be compromised.

The NASD continues to believe that an excess spread rule provides important benefits for the competitiveness and integrity of the market in instances where Nasdaq is the primary market. On the other hand, in the third market, where Nasdaq is not the primary market, the NASD believes that imposition of an excess spread rule may unduly hamper Nasdaq's ability to compete with the primary market and other markets because it may constrain the number of CQS market makers. Because Nasdaq is not the primary market for issues traded in the third market, the NASD does not find it inconsistent to eliminate the excess spread rule for exchange-trade securities while maintaining an excess spread rule for Nasdaq securities. Accordingly, the NASD is proposing to eliminate the excess spread rule for CQS market makers.

c. Changes to the Minimum Quote Size Rule for CQS Market Makers

NASD Rule 6330(b) presently provides that a CQS market maker must display a minimum quotation size of 500 shares ("500 Share Quote Rule"), with the exception of displaying a customer limit order, which may be for less than 500 shares.

In an environment where CQS market makers were the only market participants who could impact quotes in

⁹ See NASD IM-4613. Specifically, these three forms are: (1) Quotations updates in response to an execution in the security by that firm (such as execution of an order that partially fills a market maker's quotation size); (2) quotation updates that require a physical entry (such as manual entry to the market maker's internal system which then automatically forwards the update to Nasdaq); and (3) quotation updates that reflect the receipt, execution, or cancellation of a customer limit order.

¹⁰ To the extent that approval of the proposed amendments to Rule 6330 would result in NASD rules permitting computer-generated quotations in CQS securities to a greater degree than that permitted under Section 8(d)(ii) of the ITS Plan, the NASD requests that the Commission's order approving these amendments to Rule 6330 specifically provide that adherence to Rule 6330 supersedes adherence to Section 8(d)(ii) of the ITS Plan until such time as the ITS Plan is amended to contain similar provisions.

¹¹ See letter from David E. Shaw, Chairman, D.E. Shaw & Co., Inc. to Alfred R. Berkeley, III, President, The Nasdaq Stock Market, dated June 2, 1997, attached as Exhibit 2 ("D.E. Shaw Letter").

the third market, it was believed to be desirable and appropriate to impose a minimum quotation size requirement to ensure an acceptable level of market liquidity and depth. However, now that the SEC's Limit Order Display Rule permits investors to directly impact quoted prices in the third market by having their limit orders displayed publicly, the NASD believes it is appropriate to treat CQS market makers in a manner equivalent to exchange specialists and not subject them to minimum quote size requirements. In sum, the NASD believes the increased order-driven nature of the third market brought about the SEC's Limit Order Display Rule obviates the justification for the 500 Share Quote Rule. Accordingly, the NASD is proposing to amend the 500 Share Quote Rule to permit a CQS market maker to post quotations commensurate with their own freely-determined trading interest, provided, however, that the quotations must be for at least one normal unit of trading.

d. Modifications to CAES

CAES is an automated system operated by Nasdaq that allows NASD members to direct both agency and principal orders (in stocks in which they make a market) in exchange-listed securities to CAES for automated execution in the third market. All CQS market makers must be CAES market makers.

The implementation of the SEC's Limit Order Display Rule has exacerbated a shortcoming in the design of the current CAES system. Specifically, while CAES volume is minimal, CAES permits other CQS market makers to send preferenced orders of up to 1,000 shares to a CQS market maker for automatic execution at the best bid or offer among CQS market makers. CAES will execute such orders regardless of whether the CQS market maker is at the best bid or offer ("BBO"), regardless of whether the quote driving the BBO is for less than 1,000 shares, and regardless of whether the CQS market maker wants to accept preferenced orders from the order entry firm or market maker. Thus, since the implementation of the Order Execution Rules has required market makers to display customer limit orders, CQS market makers are not only obligated to execute trades up to 1,000 shares at another market maker's quote, they must now also execute trades at superior-priced limit orders displayed by any other CQS market maker, even if such limit orders are only for 100 shares. In addition, because Nasdaq no

longer quotes,¹² CAES executes orders at the best bid or offer price in the third market instead of the national best bid or offer ("NBBO"). As a result, when there are no CQS market makers at the NBBO, CAES is providing inferior executions to customer orders.

In order to facilitate the best execution of customer orders and not subject CQS market makers to automatic executions at prices other than their posted quotes, the NASD believes it is imperative that CAES be appropriately modified. Accordingly, the NASD has established a two-step process to amend the operation of CAES—one a short-term solution and the other a long-term solution.

In the short term, and as part of the instant filing, the NASD is proposing to amend the operation of CAES so that it automatically executes orders up to 100 shares instead of 1,000 shares. This eliminates much of a market maker's exposure, although it does not completely address the core deficiencies with CAES noted above.

As a long-term solution, the NASD plans a future proposal to amend the operation of CAES so that: (1) It only accepts priced orders; and (2) orders will only be executed against a market maker if the market maker's quote is equal to or better than the price of the order (*i.e.*, if a market maker's bid was 20 it would be obligated to execute orders to sell priced equal to 20 or below).

e. Modifications to the Limit Order Protection Rule Applicable to COS Securities

NASD Rule 6440 provides that no member shall trade ahead of a customer limit order. Unlike the limit order protection rule applicable to Nasdaq securities (the "Manning Rule"), however, the limit order rule applicable to CQS securities does not on its face permit a member to negotiate special terms and conditions with a customer that would enable the firm to trade ahead of, or at the same price as, the limit order price. Specifically, under the Manning Rule, member firms may attach terms and conditions with respect to the handling of limit orders that are either: (1) For institutional accounts;¹³ or (2) limit orders that are

¹² See Exchange Act Release No. 37663, September 10, 1996 (61 FR 48725) (order approving File No. SR-NASD-96-26).

¹³ Institutional limit orders are orders for institutional accounts. NASD Rule 3110(c) defines an institutional account as an account for: (1) Banks, savings and loan associations, insurance companies, or registered investment companies; (2) investment advisers registered under Section 203 of the Investment Advisers Act of 1940; and (3) any other entity (whether a natural person, corporation,

for 10,000 shares or greater, regardless of whether they are for institutional accounts, provided that the order is \$100,000 or more in value.

The NASD believes there is no basis to differentiate between limit orders in Nasdaq securities and limit orders in exchange-listed securities with respect to the protections afforded under NASD rules. Accordingly, the NASD is proposing to extend the "terms and conditions" language of the Manning Rule to the CQS limit order protection rule.

The NASD believes that the proposed rule change is consistent with the provisions of Sections 11A(a)(1)(D), 11A(a)(2) and 15A(b)(6) of the Act. Section 11A(a)(1)(D) of the Act states that the linking of all markets for qualified securities through communications and data processing facilities will foster efficiency, enhance competition, increase the information available to brokers, dealers and investors, facilitate the offsetting of investor's orders and contribute to best execution of such orders, and subsection (a)(2) thereunder directs the Commission to facilitate the establishment of a national market system for qualified securities. Section 15A(b)(6) requires that the rules of a national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and in general to protect investors and the public interest. The proposed rule change will enhance the national market system for exchange-listed securities and will further the implementation of the Commission's Order Execution Rules with respect to exchange-listed securities, thereby benefitting all market participants and investors.

B. Self-Regulatory Organization's Statement on Burden on Competition

Nasdaq does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

partnership, trust, or otherwise) with total assets of at least \$50 million.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve such proposed rule change, or

B. Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by September 25, 1997.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-23391 Filed 9-3-97; 8:45 am]

BILLING CODE 8010-01-M

TENNESSEE VALLEY AUTHORITY

Sunshine Act Meeting

AGENCY HOLDING THE MEETING: Tennessee Valley Authority (Meeting No. 1497).

TIME AND DATE: 9 a.m. (CDT), September 8, 1997.

PLACE: Glasgow Electric Plant Board Building Auditorium, 100 Mallory Drive, Glasgow, Kentucky.

STATUS: Open.

AGENDA: Approval of minutes of meeting held on August 5, 1997.

New Business

A—Budget and Financing

A1. Approval of short-term borrowing from the Treasury.

A2. Delegation of authority to the Treasurer, or the designee of such officer, to enter into a new fiscal agency agreement with the Federal Reserve Banks and any amendments thereto that the Chief Financial Officer may approve.

B—Purchase Awards

B1. Increase in amount of blanket purchase order with ABB Power T&D Company, Inc.

E—Real Property Transactions

E1. Abandonment of easement rights requested by the Electric Power Board of Chattanooga, affecting 1.3 acres of Tract No. VR-26, in exchange for identical rights on a relocated right-of-way.

E2. Sale of permanent easement for Trade Center/Conferencing Center Development, affecting approximately 2.34 acres of land in Hamilton County, Tennessee (Tract No. XCOFC-3E).

E3. Amendment to the Chickamauga Reservoir Land Management Plan to remove a 1.34-acre portion of Tract No. XCR-44PT from the plan and grant of a permanent easement for a fire station to the City of Soddy Daisy for the same area on Chickamauga Lake (Tract No. XTCR-191B) in Hamilton County, Tennessee.

E4. Amendment to the Kentucky Reservoir Land Management Plan to change the allocated use from public recreation, historic preservation, and trails to commercial recreation for approximately 20 acres of Tract No. XGIR-175PT and authorization of a 19-year commercial recreation lease for marina development in Humphreys County, Tennessee (Tract No. XGIR-931L).

E5. Amendment to the Kentucky Reservoir Land Management Plan to change the allocated use from public recreation to commercial recreation for approximately 27.5 acres of Tract No. XGIR-24PT and authorization of a 19-year commercial recreation lease to Riverwood Campgrounds in Marshall County, Kentucky (Tract No. XGIR-927L).

E6. Abandonment of certain easement rights and modification of a restrictive covenant affecting approximately 0.119 acre of land on Boone Lake (a portion of Tract No. BR-198F) in Sullivan County, Tennessee.

E7. Grant of a 25-year public recreation easement to Meigs County, Tennessee, affecting approximately 28.6 acres of land on Chickamauga Lake (Tract No. XTCR-188RE) to develop a memorial park.

E8. Grant of permanent easement for public recreation, historical interpretation, and environmental education to the Town of Triana, Alabama, affecting approximately 0.4 acre of land on Wheeler Lake (Tract No. XTWR-106RE) in Madison County, Alabama.

E9. Grant of permanent easement to the State of Tennessee, affecting approximately 0.14 acre of land on Tims Ford Lake (Tract No. XTTMFR-12H), for highway improvements where U.S. Highway 41A crosses Hessey Branch in Franklin County, Tennessee.

Unclassified

F1. Approval to file condemnation cases in connection with the following power transmission lines: Alpha-Center Point, Murray County, Georgia; Freeport-Miller, DeSoto County, Mississippi; Lowndes-Kerr McGee and Lowndes-Columbus No. 2, Lowndes County, Mississippi; Walker-Fuller, Gordon County, Georgia; and Colbert-Tupelo Tap to Belmont, Tishomingo County, Mississippi.

F2. TVA contribution at the rate of 4.04 percent of members' payroll to the TVA Retirement System for Fiscal Year 1998.

Information Items

1. Delegation of authority to the Senior Vice President of Procurement, or such officer's designee, to enter into a uranium procurement contract with Power Resources, Inc.

2. Appointment of Wallace T. Tanksley, Senior Vice President, Human Resources, as the TVA Designated Agency Safety and Health Official.

3. Amendments to resolutions adopted on October 24, 1995, relating to the sale of Tennessee Valley Authority Bonds.

4. Approval for submission of a proposal with Tata Electric Companies to the Tamil Nadu Electricity Board in India for refurbishment of fossil generating units.

5. Approval to purchase subbituminous coal under Requisition 35 for Allen and Shawnee Fossil Plants.

6. Delegation of authority to the Vice President of Fuel Supply and