

value; and (3) the presence of other unusual conditions or circumstances deemed to be detrimental to the maintenance of a fair and orderly market. The trading in Trust Issued Receipts that has been the subject of a trading halt or suspension, may resume when Nasdaq determines that the conditions which led to the halt or suspension are no longer present or that the interests of a fair and orderly market are served by a resumption of trading.

Disclosure to Customers

With respect to investor disclosure, Nasdaq notes that all investors in Trust Issued Receipts who purchase in the initial offering will receive a prospectus. In addition, anyone purchasing a Trust Issued Receipt directly from the trust (by delivering the underlying securities to the trust) will also receive a prospectus. Finally, all members purchasing Trust Issued Receipts from the trust for resale to customers will deliver a prospectus to such customers.

The Trust Issued Receipts Portfolio

For Nasdaq to approve Trust Issued Receipts for trading, whether by listing or trading over-the-counter pursuant to Rule 19b4-(e), the companies represented by the securities in the portfolio underlying the Trust Issued Receipts must meet the following minimum criteria:

- (1) Each company's common stock must be registered under section 12 of the Act;
- (2) The minimum public float of each company included in the portfolio must be at least \$150 million;
- (3) Each security must either be listed on a national securities exchange or be traded through the facilities of Nasdaq and be a reported national market system security;
- (4) The average daily trading volume for each security must be at least 100,000 shares during the preceding sixty-day trading period; and
- (5) The average daily dollar value of the shares traded during the preceding sixty-day trading period must be at least \$1 million.

The initial weighting of each security in the portfolio will be based on its market capitalization, however, if on the date such weighting is determined, a security would represent more than 20% of the overall value of the receipt, then the amount of such security will be reduced to no more than 20% of the receipt value. Once initially set, the securities represented by a receipt will not change, except in accordance with the reconstitution events described below.

Trading of Trust Issued Receipts

A round-lot of 100 Trust Issued Receipts represents a holder's individual and undivided beneficial ownership interest in the whole number of securities represented by the receipt. The amount of underlying securities for each round-lot of 100 Trust Issued Receipts will be determined at the beginning of the marketing period and will be disclosed in the prospectus to investors. Trust Issued Receipts may be acquired, held or transferred only in round-lot amounts (or round-lot multiples) of 100 receipts. In order to ensure that transactions in Trust Issued Receipts are effected only in such amounts, no member may enter through the facilities of Nasdaq, for the account of a customer or for its own account, a quote or order for Trust Issued Receipts other than for a round-lot or round-lot multiple. The initial offering price for a Trust Issued Receipt will be established on the date the receipts are priced for sale to the public.

Trust Issued Receipts will be eligible to be traded through the Intermarket Trading System and will therefore be subject to the trade-through provisions of NASD Rule 5262. In addition, Trust Issued Receipts that meet specified conditions will not be subject to the short sale rule set forth in Rule 3350. Pursuant to NASD Rule 4613(a)(1)(D), a minimum quotation increment of one penny will apply to transactions in Trust Issued Receipts.

Nasdaq believes that Trust Issued Receipts will not trade at a material discount or premium to the assets held by the issuing trust. Nasdaq represents that the arbitrage process, which provides the opportunity to profit from differences in prices of the same or similar securities (e.g., the Trust Issued Receipts and the portfolio of underlying securities), increases the efficiency of the markets and serves to prevent potentially manipulative efforts should promote correlative pricing between the Trust Issued Receipts and the underlying securities. If the price of the Trust Issued Receipt deviates enough from the portfolio of underlying securities to create a material discount or premium, an arbitrage opportunity is created allowing the arbitrageur to either buy the Trust Issued Receipts at a discount, immediately cancel them in exchange for the underlying securities and sell the shares in the cash market at a profit, or sell the Trust Issued Receipts short at a premium and buy the securities represented by the receipts to deposit in exchange for the Trust Issued Receipts to deliver against the short position. In both instances, the

arbitrageur locks in a profit and the markets move back into line.

Maintenance of the Trust Issued Receipts Portfolio

Except when a reconstitution event occurs, as described below, the securities represented by a Trust Issued Receipt will not change. Notwithstanding, the static nature of the portfolio, the number of each security represented in a receipt may change due to certain corporate events such as stock splits or reverse stock splits on the underlying securities or when a reconstitution event occurs. In addition, the relative weightings among the underlying securities will change based on the current market price of the underlying securities and upon the reconstitution events discussed below. Under no circumstances will a new security be added to the list of securities after a particular receipt program is established, nor will weightings of component securities be adjusted after they are initially set. If the portfolio of securities underlying the Trust Issued Receipts drops to fewer than nine, Nasdaq will consult with the Commission to confirm the appropriateness of continued listing of such Trust Issued Receipts.

Reconstitution Events

Trust agreements will provide for, and prospectuses for Trust Issued Receipts will describe, the automatic distribution of specified underlying securities in the trust's portfolio to the beneficial owners of Trust Issued Receipts in the circumstances referred to in such trust agreements and prospectuses as "reconstitution events." The reconstitution events occur under the following circumstances:

- (1) If the underlying securities of a company evidenced by a Trust Issued Receipt no longer has a class of common stock registered under section 12 of the Act, then those securities will no longer be considered underlying securities and the trustee will distribute the securities of that company to the owners of the Trust Issued Receipts;
- (2) If the Commission finds that a company with underlying securities evidenced by the Trust Issued Receipts is a company that should be registered as an investment company under the Investment Company Act of 1940, and the trustee has actual knowledge of the Commission's finding, then the trustee will distribute the securities of that company to the owners of the Trust Issued Receipts;
- (3) If the underlying securities of a company evidenced by a Trust Issued Receipt are no longer outstanding as a