

investors on the ABS Securities will not be leveraged.

The ABS Securities will mature on the latest maturity date of the Underlying Securities. Holders of the ABS Securities will have no direct ability to exercise any of the rights of a holder of an Underlying Corporate Bond, however, holders of the ABS Securities as a group will have the right to direct the Trust in its exercise of its rights as holder of the Underlying Securities.

The proposed ABS Securities are virtually identical to a product currently listed and traded on the Exchange.<sup>12</sup> The only difference being the actual Underlying Corporate Bonds and the addition of Treasury Securities or GSE Securities in the basket of investment-grade corporate debt. Also, publicly issued asset backed securities that repackage a single underlying corporate debt obligation are currently listed and traded on the New York Stock Exchange, Inc. ("NYSE").<sup>13</sup> The proposed ABS Securities also are similar to those repackaging transactions, except that the Trust will own more than one corporate debt obligation and, in the single repackaging transactions, there is no need for an Interest Distribution Agreement because the timing of the payment of interest on the underlying debt obligation matches the obligation to distribute interest on the repackaged securities. Accordingly, the Exchange proposes to provide for the listing and trading of the ABS Securities where the Underlying Securities meet the Exchange's Bond and Debenture Listing Standards set forth in Section 104 of the Company Guide. The Exchange represents that all of the Underlying Securities in the proposed basket will meet or exceed these listing standards.

The Exchange's Bond and Debenture Listing Standards in Section 104 of the Company Guide provide for the listing of individual bond or debenture issuances provided the issue has an

aggregate market value or principal amount of at least \$5 million and any of: (1) The issuer of the debt security has equity securities listed on the Exchange (or on the NYSE or on the Nasdaq National Market ("Nasdaq")); (2) an issuer of equity securities listed on the Exchange (or on the NYSE or on Nasdaq) directly or indirectly owns a majority interest in, or is under common control with, the issuer of the debt security; (3) an issuer of equity securities listed on the Exchange (or on the NYSE or on Nasdaq) has guaranteed the debt security; (4) a NRSRO has assigned a current rating to the debt security that is no lower than an S&P Corporation ("S&P") "B" rating or equivalent rating by another NRSRO; or (5) or if no NRSRO has assigned a rating to the issue, an NRSRO has currently assigned (i) an investment grade rating to an immediately senior issue or (ii) a rating that is no lower than a S&P "B" rating or an equivalent rating by another NRSRO to a *pari passu* or junior issue.

In addition to the Exchange's Bond and Debenture Listing Standards, an Underlying Security must also be of investment grade quality as rated by a NRSRO and at least 75% of the underlying basket is required to contain Underlying Securities from issuances of \$100 million or more. The maturity of each Underlying Security is expected to match the payment of principal of the ABS Securities with the maturity date of the ABS Securities being the latest maturity date of the Underlying Securities. Amortization of the ABS Securities will be based on: (1) The respective maturities of the Underlying Securities, including Treasury Securities or GSE Securities, (2) principal payout amounts reflecting the pro-rata principal amount of maturing Underlying Securities; and (3) any early redemption or liquidation of the Underlying Securities, including Treasury Securities or GSE Securities.

Investors will be able to obtain the prices for the Underlying Securities through Bloomberg L.P. or other market vendors, including the broker-dealer through whom the investor purchased the ABS Securities. In addition, The Bond Market Association ("TBMA") provides links to price and other bond information sources on its investor Web site at [www.investinginbonds.com](http://www.investinginbonds.com). Transaction prices and volume data for the most actively-traded bonds on the exchanges are also published daily in newspapers and on a variety of financial Web sites. The National Association of Securities Dealers, Inc. ("NASD") Trade Reporting and Compliance Engine ("TRACE") will also help investors obtain transaction information for most

corporate debt securities, such as investment grade corporate bonds.<sup>14</sup> For a fee, investors can have access to intra-day bellwether quotes.<sup>15</sup>

Price and transaction information for Treasury Securities and GSE Securities may also be obtained at <http://publicdebt.treas.gov> and <http://www.govpx.com>, respectively. Price quotes are also available to investors via proprietary systems such as Bloomberg, Reuters and Dow Jones Telerate. Valuation prices<sup>16</sup> and analytical data may be obtained through vendors such as Bridge Information Systems, Muller Data, Capital Management Sciences, Interactive Data Corporation and Barra. The prices of Underlying Securities generally will be determined by one or more market makers in accordance with applicable law, self-regulatory organization ("SRO") rules and generally accepted accounting principles ("GAAP") regarding the valuation of securities.

The ABS Securities will be listed in \$1,000 denominations with the Exchange's existing debt floor trading rules applying to trading. First, pursuant to Amex Rule 411, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the ABS Securities.<sup>17</sup> Second, the ABS Securities will be subject to the debt margin rules of the Exchange.<sup>18</sup> Third, the Exchange will, prior to trading the ABS Securities, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the ABS Securities and highlighting the special risks and characteristics of the ABS Securities. With respect to suitability recommendations and risks, the Exchange will require members, member organizations and employees

<sup>14</sup> See Securities Exchange Act Release No. 43873 (January 23, 2001), 66 FR 8131 (January 29, 2001) (File No. SR-NASD-99-65). Investors are able to access TRACE information at <http://www.nasdbondinfo.com/>.

<sup>15</sup> Corporate prices are available at 20-minute intervals from Capital Management Services at <http://www.bondvu.com/>.

<sup>16</sup> "Valuation Prices" refer to an estimated price that has been determined based on an analytical evaluation of a bond in relation to similar bonds that have traded. Valuation prices are based on bond characteristics, market performance, changes in the level of interest rates, market expectations and other factors that influence a bond's value.

<sup>17</sup> Amex Rule 411 requires that every member, member firm or member corporation use due diligence to learn the essential facts, relative to every customer and to every order or account accepted.

<sup>18</sup> See Amex Rule 462.

<sup>12</sup> See Securities Exchange Act Release Nos. 46835 (November 14, 2002), 67 FR 70271 (November 21, 2002) (File No. SR-Amex-2002-70); 46923 (November 27, 2002), 67 FR 72247 (December 4, 2002) (File No. SR-Amex-2002-92).

<sup>13</sup> See e.g., Structured Asset Trust Unit Repackagings (SATURNS), CSFB USA Debenture Backed Series 2002-10, 1,330,000 of 7.00% Class A Callable Units dated August 15, 2002 and trading under the symbol "MKK"; 1,380,000 PreferredPlus 8.375% Trust Certificates underlying 7.05% Debentures of Citizens Communications Company dated August 24, 2001 and trading under the symbol "PIY"; and 1,980,000 Corporate Backed Trust Certificates, Royal & Sun Alliance Bond Backed Series 2002-2 underlying securities 8.95% subordinated guaranteed bonds issued by Royal & Sun Alliance Insurance Group plc dated February 11, 2002 and trading under the symbol "CCS."