

stocks will either be listed on the Amex, the NYSE, or traded through the facilities of Nasdaq and reported National Market System securities.

As of July 9, 2003, Nasdaq represents that the market capitalization of the portfolio of securities representing the Industrial 15 Index ranged from a high of \$258.6 billion to a low of \$6.7 billion. The average monthly trading volume for the last six months, as of the same date, ranged from a high of 20.2 million shares to a low of 0.6 million shares. Moreover, as of July 29, 2003, Nasdaq represents that all of the components comprising the portfolio of securities representing the Industrial 15 Index were eligible for standardized options trading pursuant to Amex Rule 915.

The value of the Industrial 15 Index at any time will equal: (1) The sum of the products of the current market price for each stock underlying the Industrial 15 Index and the applicable share multiplier,¹⁰ plus (2) an amount reflecting current calendar quarter dividends, and less (3) a pro rata portion of the annual index adjustment factor.¹¹ Nasdaq represents that current quarter dividends for any day will be determined by the Amex and will equal the sum of each dividend paid by the issuer on one share of stock underlying the Industrial 15 Index during the current calendar quarter multiplied by the share multiplier applicable to such stock on the ex-dividend date.

Nasdaq represents that, as of the first day of the start of each calendar quarter, the Amex will allocate the current quarter dividends as of the end of the immediately preceding calendar quarter to each then outstanding components of the Industrial 15 Index. The amount of the current quarter dividends allocated to each stock will equal the percentage of the value of such stock contained in the portfolio of securities comprising the Industrial 15 Index relative to the value of the entire portfolio based on the closing market price of such stock on the last day in the immediately preceding calendar quarter. The share multiplier of each stock will be increased to reflect the number of shares, or portion of a share, that the

amount of the current quarter dividend allocated to each stock can purchase of each stock based on the closing market price on the last day in the immediate preceding calendar quarter.

Nasdaq represents that, as of the close of business on each anniversary date (June 26th of each year, which is the anniversary of the date the Industrial 15 Index was originally calculated and disseminated) through the applicable anniversary date in the year preceding the maturity of the Notes, the portfolio of securities comprising the Industrial 15 Index will be reconstituted by the Amex so as to include the fifteen Qualifying Stocks in the S&P Industrial Index having the highest dividend yield on the second scheduled index business day prior to the applicable anniversary date. Nasdaq also represents that the Amex will announce such changes to investors at least one day prior to the anniversary date.¹²

The portfolio will be reconstituted and rebalanced on the anniversary date so that each stock in the Industrial 15 Index will represent 6.67% of the value of the Industrial 15 Index. To effectuate this, Nasdaq represents that the share multiplier for each new stock will be determined by the Amex and will indicate the number of shares or fractional portion thereof of each new stock, given the closing market price of such new stock on the anniversary date, so that each new stock represents an equal percentage of the Industrial 15 Index value at the close of business on such anniversary date. For example, if the Industrial 15 Index value at the close of business on an anniversary date was 150, then each of the fifteen new stocks comprising the Industrial 15 Index would be allocated a portion of the value of the Index equal to 10, and if the closing market price of one such new stock on the anniversary date was 20, the applicable share multiplier would be 0.5. Conversely, if the Industrial 15 Index value was 60, then each of the fifteen new stocks comprising the Industrial 15 Index would be allocated a portion of the value of the Industrial 15 Index equal to 4, and if the closing market price of one such new stock on the anniversary was 20, the applicable share multiplier would be 0.2. The last anniversary date on which such reconstitution will occur will be the anniversary date in the year preceding the maturity of the Notes. As noted above, investors will receive information on the new portfolio of

securities comprising the Industrial 15 Index at least one day prior to each anniversary date.

The multiplier of each component stock in the Industrial 15 Index will remain fixed unless adjusted for quarterly dividend adjustments, annual reconstitutions or certain corporate events, such as payment of a dividend other than an ordinary cash dividend, a distribution of stock of another issuer to its shareholders,¹³ stock split, reverse stock split, and reorganization.

The multiplier of each component stock may be adjusted, if necessary, in the event of a merger, consolidation, dissolution or liquidation of an issuer or in certain other events such as the distribution of property by an issuer to shareholders. If the issuer of a stock included in the Industrial 15 Index were to no longer exist, whether by reason of a merger, acquisition or similar type of corporate transaction, a value equal to the stock's final value will be assigned to the stock for the purpose of calculating the Industrial 15 Index value prior to the subsequent anniversary date. For example, if a company included in the Industrial 15 Index were acquired by another company, a value will be assigned to the company's stock equal to the value per share at the time the acquisition occurred. If the issuer of stock included in the Industrial 15 Index is in the process of liquidation or subject to a bankruptcy proceeding, insolvency, or other similar adjudication, such security will continue to be included in the Industrial 15 Index so long as a market price for such security is available or until the subsequent anniversary date. If a market price is no longer available for an Industrial 15 Index stock due to circumstances including but not limited to, liquidation, bankruptcy, insolvency, or any other similar proceeding, then the security will be assigned a value of zero when calculating the Industrial 15 Index for so long as no market price exists for that security or until the subsequent anniversary date. If the stock remains in the Industrial 15 Index, the multiplier of that security in the Industrial 15 Index may be adjusted to maintain the component's relative weight in the Industrial 15 Index at the level immediately prior to the corporate action. In all cases, the multiplier will

¹⁰ The multiplier indicates the number of shares (or fraction of one share) of a security, given its market price on an exchange or Nasdaq, to be included in the calculation of the portfolio.

¹¹ At the end of each day, the Industrial 15 Index will be reduced by a pro rata portion of the annual index adjustment factor, 1.5% (i.e., 1.5%/365 days = 0.0041% daily). This reduction to the value of the Index will reduce the total return to investors upon redeeming the Notes at maturity. An explanation of this deduction will be included in any marketing materials, fact sheets, or any other materials circulated to investors regarding the trading of this product.

¹² Nasdaq represents that the Amex will publish a notice to advise investors of changes to the securities underlying the Industrial 15 Index if any such changes are made following an annual reconstitution.

¹³ If the issuer of a component security in the Industrial 15 Index issues to all of its shareholders publicly traded stock of another issuer, such new securities will be added to the portfolio comprising the Industrial 15 Index until the subsequent anniversary date. The multiplier for the new component will equal the product of the original issuer's multiplier and the number of shares of the new component issued with respect to one share of the original issuer.