

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

The Amex proposes to amend Sections 101, 110, 120, 121, 401, 402, 610 and 1009 of the *Amex Company Guide*, and adopt new Sections 801 through 808 of the *Amex Company Guide* to enhance the corporate governance requirements applicable to listed companies. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in brackets.

American Stock Exchange Company Guide

Sec. 101, General

No change.

Commentary

.01 Corporate Governance Standards

In addition to the numerical listing standards, the Exchange has adopted certain corporate governance listing standards, which are set forth in Part 8.

.0[1]2 Future Priced Securities—No change.

Sec. 110, Securities of Foreign Companies

The Exchange recognizes that every corporate entity must operate in accordance with the laws and customary practices of its country of origin or incorporation. Therefore, in evaluating the eligibility for listing of a foreign based entity, the Exchange will consider the laws, customs and practices of the applicant's country of domicile, *to the extent not contrary to the federal securities laws (including but not limited to Rule 10A-3 under the Securities Exchange Act of 1934)*, regarding such matters as: (i) The election and composition of the Board of Directors; (ii) the issuance of quarterly earnings statements; (iii) shareholder approval requirements; and (iv) quorum requirements for shareholder meetings. A company seeking relief under these provisions should provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. *In addition, the company must provide English language disclosure of any significant ways in which its corporate governance practices differ from those followed by domestic companies pursuant to the Exchange's standards. This disclosure may be provided either on the company's Web site and/or in its annual report as distributed to shareholders in the U.S. If the disclosure is only available on the Web site, the annual report must so state and provide*

the web address at which the information may be obtained.

Since business practices may vary among foreign companies, the following information is presented solely as a guide rather than as a set of inflexible rules:

(a) through (e)—No change.

Policies—[Conflicts of Interest] Related Party Transactions, Independent Directors and Audit Committees, [and] Voting Rights, Quorum Requirements and Limited Partnerships

Sec. 120, [Conflicts of Interest] Certain Relationships and Transactions

Related party transactions must be subject to appropriate review and oversight by the company's Audit Committee or a comparable body of the Board of Directors. [Each company shall conduct an appropriate review of all related party transactions on an ongoing basis and shall utilize the company's Audit Committee or a comparable body of the Board of Directors for the review of potential conflict of interest situations where appropriate.]

Sec. 121, Independent Directors and Audit Committee

A. Independent Directors:
[The Exchange requires that] *Each [domestic] listed company[ies] must have a sufficient number of independent directors on its [the company's] Board of Directors (a) such that at least a majority of such directors are independent directors (subject to the exceptions set forth in Section 801 and, with respect to small business filers, Section 121B(2)(c)), and (b) to satisfy the audit committee requirement set forth below.* [Independent directors are not officers of the company and are, in the view of the company's board of directors, free of any relationship that would interfere with the exercise of independent judgment.] *"Independent director" means a person other than an officer or employee of the company or its subsidiaries. No director qualifies as independent unless the Board of Directors affirmatively determines that the director does not have a material relationship with the listed company that would interfere with the exercise of independent judgment. In addition, audit committee members must also comply with the requirements set forth in paragraph B(2) below. The following is a non-exclusive list of persons who shall not be considered independent:*

(a) A director who is, *or during the past three years was*, employed by the company *or by any parent or subsidiary of the company* [corporation or any of its affiliates for the current year or any of the past three years]; *

(b) A director who accepts *or has an immediate family member who accepts* any [compensation] payments from the company [corporation] or any [of its affiliates] *parent or subsidiary of the company* in excess of \$60,000 during the *current or previous* fiscal year, other than compensation for board service, *payments arising solely from investments in the company's securities, compensation paid to an immediate family member who is an employee of the company or a parent or subsidiary of the company (but not if such person is an executive officer of the company or any parent or subsidiary of the company), or* benefits under a tax-qualified retirement plan, or non-discretionary compensation; *

(c) A director who is an [member of the] immediate family *member* of an individual who is, or has been in any of the past three years, employed by the company [corporation] or any [of its affiliates] *parent or subsidiary of the company* as an executive officer[. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home]; *

(d) A director who is a partner in, or a controlling shareholder or an executive officer of, any [for-profit business] organization to which the company [corporation] made, or from which the company [corporation] received, payments (other than those arising solely from investments in the company's [corporation's] securities) that exceed 5% of the *recipient's* [corporation's or business organization's] consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the [past] most recent three *fiscal* years; *

(e) A director *of the listed company* who is employed as an executive officer of another entity where any of the listed company's executive[s] officers serve on that entity's compensation committee;

(f) A director who is or was a partner or employee of the company's outside auditor, and worked on the company's audit engagement, during the past three fiscal years.*

*During the three years immediately following [insert effective date of rule change] the applicable "look back" period shall be the period since [insert effective date of the rule change] for independent directors who are not members of the Audit Committee.

B. Audit Committee:

[(a)1] Charter

Each Issuer must certify that it has adopted a formal written audit committee charter and that the Audit