

of the Company Guide. At the time of issuance, the ABS Securities will receive an investment grade rating from a nationally recognized securities rating organization ("NRSRO"). The issuance of the ABS Securities will be a repackaging of the Underlying Corporate Bonds together with the addition of Treasury Securities and the obligation of the Trust to make distributions to holders of the ABS Securities depending on the amount of distributions received by the Trust on the Underlying Securities.

However, due to the pass-through and passive nature of the ABS Securities, the Exchange intends to rely on the assets and stockholder equity of the issuers of the Underlying Corporate Bonds, rather than the Trust to meet the requirement in section 107A of the Company Guide. The corporate issuers of the Underlying Corporate Bonds will meet or exceed the requirements of section 107A of the Company Guide. The distribution and principal amount/aggregate market value requirements found in section 107A(b) and (c), respectively, will otherwise be met by the Trust as issuer of the ABS Securities. In addition, the Exchange for purposes of including Treasury Securities will rely on the fact that the issuer is the United States government rather than the asset and stockholder tests found in section 107A.

The basket of Underlying Securities will not be managed and will generally remain static over the term of the ABS Securities. Each of the Underlying Securities provides for the payment of interest on a semi-annual basis and the ABS Securities will also provide for interest distributions on a semi-annual basis. The Treasury Securities will not make periodic payments of interest.⁷ To alleviate cash flow timing issues, the Trust will deposit interest payments it receives between distribution dates in a non-interest bearing account to be held until such funds are distributed on the subsequent semi-annual distribution date. Principal distributions on the ABS Securities are expected to be made on dates that correspond to the maturity dates of the Underlying Securities, (*i.e.*, the Underlying Corporate Bonds and Treasury Securities). However, some of the Underlying Securities may have redemption provisions and in the event of an early redemption or other

liquidation (*e.g.*, upon an event of default) of the Underlying Securities, the proceeds from such redemption (including any make-whole premium associated with such redemption) or liquidation will be distributed pro rata to the holders of the ABS Securities. Each Underlying Corporate Bond will be investment grade and issued by a corporate issuer and purchased in the secondary market.

In the case of Treasury Securities, the Trust will either purchase the securities directly from primary dealers or in the secondary market, which consists of primary dealers, non-primary dealers, customers, financial institutions, non-financial institutions and individuals.

Holders of the ABS Securities generally will receive interest on the face value in an amount to be determined at the time of issuance of the ABS Securities and disclosed to investors. The rate of interest payments will be based upon prevailing interest rates at the time of issuance and made to the extent that coupon payments are received from the Underlying Securities. Distributions of interest will be made semi-annually. Investors will also be entitled to be repaid the principal of their ABS Securities from the proceeds of the principal payments on the Underlying Securities.⁸ The payout or return to 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 substantially similar to various Select Note Trust securities currently listed and traded on the Exchange.⁹ The

instant ABS Securities as compared to the Select Note Trust issuances have the following differences: (1) the actual Underlying Securities in the basket of investment-grade-fixed income securities, (2) a par value of \$25 instead of \$1000, and (3) the lack of an Interest Distribution Agreement. 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 Amex 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 New York Stock Exchange ("NYSE" or on the Nasdaq National Market ("Nasdaq"))); (2) an issuer of equity securities listed on the Exchange (or on the NYSE or on the 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 the Nasdaq) has guaranteed the debt security; (4) an 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 an 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

market value or the principal amount of bonds publicly held is less than \$400,000.

⁷ A stripped fixed income security, such as a Treasury Security, is a security that is separated into its periodic interest payments and principal repayment. The separate strips are then sold individually as zero coupon securities providing investors with a wide choice of alternative maturities.

⁸ The Underlying Securities may drop out of the basket upon maturity, redemption or upon payment default or acceleration of the maturity date for any default other than payment default, or if an Underlying Security that constitutes 10% or more of the assets of the Trust ceases to file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934. See prospectus for a schedule of the distribution of interest and of the principal upon maturity of each Underlying Security and for a description of payment default and acceleration of the maturity date.

⁹ See Securities Exchange Act Release Nos. 48791 (November 17, 2003), 68 FR 65750 (November 21, 2003) (SR-Amex-2003-92); 48312 (August 8, 2003), 68 FR 48970 (August 15, 2003) (SR-Amex-2003-69); 47884 (May 16, 2003), 68 FR 28305 (May 23, 2003) (SR-Amex-2003-37); 47730 (April 24, 2003), 68 FR 23340 (May 1, 2003) (SR-Amex-2003-25);

46923 (November 27, 2002), 67 FR 72247 (December 4, 2002) (SR-Amex-2002-92); and 46835 (November 14, 2002), 67 FR 70271 (November 21, 2002) (SR-Amex-2002-70).