

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (a) By order approve such proposed rule change, or
- (b) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to File No. SR-Amex-95-15 and should be submitted by June 30, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Jonathan G. Katz,
Secretary.

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[Release No. 34-35802; File No. SR-Amex-95-20]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc. Relating to the Listing and Trading of Indexed Term Notes

June 2, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on May 30, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Amex. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to approve for listing and trading under Section 107A of the Amex Company Guide ("Guide"), Indexed Term Notes ("Notes"), the return on which is based in whole or in part on changes in the value of twenty-four (24) equity securities of companies that have been identified by the underwriter as "consolidation candidates" ("Index").¹ The text of the proposed rule change is available at the Office of the Secretary, the Amex, and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Amex has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

¹ The components of the Index are: Agouron Pharmaceuticals, Inc.; Biogen, Inc.; Campbell Soup Co.; Crestar Financial Corp.; Electronic Arts, Inc.; H.J. Heinz Co.; Healthcare Compare Corp.; Integra Financial Corp.; McCormick & Co.; Mercantile Bancorporation; Mesa, Inc.; Midlantic Corp.; Inc.; Money Store, Inc.; Multicare Companies, Inc.; Oryx Energy Co.; Physician Corp. of America; Protein Design Labs, Inc.; Quaker Oats Co.; Santa Fe Energy Resources; Sierra Health Services; Triton Energy Corp.; United Financial Corp.; Upjohn Co.; and Vertex Pharmaceuticals, Inc.

(A) Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

Under Section 107A of the Guide, the Exchange may approve for listing and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.² The Amex now proposes to list for trading, under Section 107A of the Guide, Notes whose value is based in whole or in part on the value of the Index.

The Notes will be non-convertible debt securities and will conform to the listing guidelines under section 107A of the Guide.³ The Notes will have a term of three years from the date of issue.⁴ Additionally, the Notes will provide that at maturity, holders will receive not less than 90% of the initial issue price of the Notes. Prior to the commencement of listing and trading of the Notes, the Exchange will distribute a circular to its membership providing guidance with regard to member firm compliance responsibilities, including appropriate suitability criteria and/or guidelines.

Eligibility Standards for Index Components

The AMEX represents that at the time of issuance of the Notes, each security in the Index will satisfy the following criteria: (1) A minimum market capitalization of \$75 million, except that up to 10% of the component securities may have a market capitalization of not less than \$50 million; (2) average monthly trading volume for the six months prior to the offering of the Notes of not less than one million shares, except that up to 10% of the component securities may have an average monthly trading volume of 500,000 shares or more for the six months prior to the offering; (3) 90% of the Index's

² See Securities Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8626 (March 8, 1990).

³ Specifically, issuances of securities pursuant to § 107A of the Guide must have: (1) A minimum public distribution of one million trading units; (2) a minimum of 400 holders; (3) an aggregate market value of at least \$4 million; and (4) a term of at least one year. Additionally, the issuers must have assets of at least \$100 million, stockholders' equity of at least \$10 million, and pre-tax income of at least \$750,000 in the last fiscal year or in two of the three prior fiscal years. As an alternative to these financial criteria, the issuer may have either: (1) Assets in excess of \$200 million and stockholders' equity in excess of \$10 million; or (2) assets in excess of \$100 million and stockholders' equity in excess of \$20 million.

⁴ The Commission notes that the value of the Index at maturity will not be adjusted to account for ordinary cash dividends paid on the component securities during the term of the Notes.

numerical Index value and at least 80% of the total number of component securities will meet the then current criteria for standardized options trading set forth in Exchange Rule 915; and (4) all component stocks will (i) either be listed on the Amex, the New York Stock Exchange, or will be National Market securities traded through the facilities of Nasdaq and (ii) be subject to last sale reporting pursuant to Rule 11Aa-3 of the Act.

Index Calculation

The Index will be calculated using an "equal dollarweighting" methodology designed to ensure that each of the component securities is represented in an approximately equal dollar amount in the Index at the time the Notes are issued. To create the Index, a portfolio of the securities comprising the Index will be established by the issuer representing an investment of a specified dollar amount in each component security (rounded to the nearest whole share). The value of the Index will equal the current market value of the sum of the assigned number of shares of each of the component securities divided by the current Index divisor. The Index divisor will initially be set to provide a benchmark value of 100.00 at the close of trading on the day preceding the issuance of the Notes.

The number of shares of each component stock in the Index will remain fixed except in the event of certain types of corporate actions such as the payment of a dividend (other than an ordinary cash dividend), a stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, or similar event with respect to the component securities. The number of shares of each component security may also 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. Shares of a component security may be replaced (or supplemented) with other securities under certain circumstances, such as the conversion of a component stock into another class of security, or the spin-off of a subsidiary. If the security remains in the Index, the number of shares of that security may be adjusted, to the nearest whole share, to maintain the component's relative weight in the Index at the level immediately prior to the event(s) discussed above.⁵ In all

⁵The issuer will not attempt to find a replacement stock or compensate for the extinction of a security due to bankruptcy or a similar event.

cases, the divisor will be adjusted, if necessary, to ensure continuity of the value of the Index. In the event that a security in the Index is canceled due to a corporate consolidation and the holders of such security receive cash, the cash value of that security will be included in the Index and will accrue interest at LIBOR to term, compounded daily.

The value of the Index will be calculated continuously by the Amex and disseminated every 15 seconds over the Consolidated Tape Association's Network B.

Payment at Maturity

The Notes will provide for a single payment at maturity, *i.e.*, there will be no periodic interest payments. The Notes will entitle the holder, upon maturity, to receive an amount based upon the percentage change between the "original portfolio value" and the "average portfolio value," provided, however that the amount payable at maturity will not be less than 90% of the principal amount of the Notes. The "original portfolio value" is the closing level of the Index on the day immediately preceding the issuance of the Notes. The "average portfolio value" is the average of the closing values of the Index on the last trading day of each of the last 30 months of the term of the Notes.

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Amex does not believe that the proposed rule change will impose any inappropriate burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

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For the Commission, by the Division of Market Regulation, pursuant to delegated authority,⁶

Jonathan G. Katz,

Secretary.

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⁶ 17 CFR 200.30-3(a) (12) (1994).