[Release No. 34–35835; File No. SR–Amex–95–21]

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 9, 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 31, 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 will be based in whole or in part on changes in the value of ten equity securities (''Index''). 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.

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

Under Section 107 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.[1] 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 a static index composed of ten actively-traded equity securities. The securities to be included in the Index will be those selected by the issuer of the Notes, Lehman Brothers, Inc. (''Lehman''), on or about July 1, 1995, as their selections of ten securities that they believe will outperform the stock market during the succeeding twelve months.[2] The securities in the Index will be selected by Lehman based on its market research and investment strategy, and will be announced at or as close as possible to the time of the offering of the Notes.

The Notes will be non-convertible debt securities and will conform to the listing guidelines under Section 107A of the Guide.[3] Although the specific maturity date will not be established until immediately prior to the time of the offering, the Notes will provide for maturity within approximately one year from the date of issue. The Notes may provide for periodic payments and/or payments at maturity based in whole or in part on changes in the value of the Index. In addition, the Notes may feature a ''cap'' on the maximum amount to be paid either periodically or at maturity. The Notes, however, will provide that at maturity, holders will receive not less than 90% of the initial issue price. Consistent with other structured products listed by the Amex, the Amex represents that 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 Exchange represents that each of the components in the Index will meet the following criteria at the time of the issuance of the Notes: (1) a minimum market capitalization of $75 million, except that one component may have a market capitalization of not less than $50 million; (2) trading volume in each of the six months prior to the offering of the Notes of not less than one million shares, except that one of the component securities may have a trading volume in each of the six months prior to the offering of the Notes of not less than 500,000 shares; (3) at least nine of the component securities will meet the then current criteria for standardized options trading set forth in Exchange Rule 915;[4] and (4) all components of the Index will be listed on the Amex or the New York Stock Exchange, or will be National Market securities traded though Nasdaq.[5]

Index Calculation

The Index will be calculated using an ''equal dollar-weighting'' methodology designed to ensure that each of the component securities is represented in an approximately equal dollar amount in the Index. To create the Index, a portfolio of equity securities will be established by the issuer representing an investment of $10,000 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 time that the Notes are priced for issuance.

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

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

[2] Lehman refers to these ten securities as the ''Lehman 10 Uncommon Values in Common Stocks.'' Lehman has generated similar lists on an annual basis for many years. Telephone conversation between Michael Bickford, Vice President, Capital Markets Group, Amex, and Brad Ritter, Senior Counsel, Office of Market Supervision, Division of Market Regulation, Commission, on June 7, 1995.

[3] Specifically, the Notes 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 issuer of the Notes, Lehman, 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] For these purposes, the Commission notes that in addition to the other requirements in Amex Rule 915, any security issued by a non-U.S. company that is included in the Index must also satisfy the requirements set forth in Amex Rule 915, Commentary .03. A non-U.S. company is defined as any company formed or incorporated outside of the United States.

[5] The Commission notes that all components of the Index will be required to be subject to last sale reporting pursuant to Rule 11Aa3–1 of the Act.