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COMMODITY FUTURES TRADING COMMISSION RECEIVED FOR PUBLIC RECORD
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March 18, 1997

Dear :

The Off-Exchange Task Force ("OETF") has reviewed the description set forth in your letter dated November 26, 1996, of the "X Securities" developed by Company A. In that letter, you request that the OETF confirm that it does not object to your conclusion that the offer and sale of X Securities, based on the description of the transactions set forth therein, satisfies the requirements of the Commission's April 1990 Statutory Interpretation Concerning Certain Hybrid Instruments ("Statutory Interpretation").

You represent that X Securities are trust participations structured to provide investors in the security with commodity independent and dependent payments. In return for the purchase price of a X Securities trust participation, the investor receives a fixed interest payment and a return of principal that is tied to the price of a specified issuer's common stock. To guarantee the interest payments, the trust purchases stripped U.S. Treasury securities. The trust also enters into a purchase agreement with a holder of shares (the "Shareholder") of the specified issuer's common stock. The purchase agreement involves an up front payment from the trust to the Shareholder in return for an agreement to deliver a specified number of shares of stock, or their cash value, at the option of the Shareholder, on a specified date. It has been represented that the amount of Treasury securities purchased and held by the trust will be sufficient to pay investors the agreed upon periodic interest payments. Thus, the Treasury securities effectively guarantee the commodity independent payments to holders of X Securities interests. As the Treasury securities mature, funds received from the securities are passed through to the X Securities investors. The Shareholder with whom the trust has entered into a purchase agreement agrees to accept a discounted value of the purchase agreement at its inception. No later than the maturity date, the Shareholder is obligated to deliver the agreed number of shares, or their cash value, to the trust. The trust, in turn, passes through the shares, or their cash value, in their entirety, to the X Securities investors.

You further have represented that:

- X Securities will be offered and sold to investors through a public offering registered under the Securities Act of 1933, the Securities Exchange Act of 1934 and applicable state law and are anticipated to be listed for trading on a national securities exchange;

- X Securities transactions are otherwise in accord with all relevant securities laws;

- the equity securities pledged to the X Securities trust at issuance will not be borrowed and will be solely from the inventory of the Shareholder;

- the assets held by the trust will be held and administered by a custodian and agent of the trustee that is not affiliated with the Shareholder;

- the principal purpose of the X Securities trust is to pass through to X Securities trust participation holders an unleveraged return on specified Treasury and equity securities, as more fully documented in the November 26, 1996 letter, without the Shareholder incurring an immediate tax consequence on the sale of the equity securities constituting part of the transactions;

- the commodity-independent component of the trust participation meets the "50 - 150" requirement of the Commission's Statutory Interpretation, as does the agreement between the trust and the Shareholder; moreover, the commodity-independent yield on the trust participation is secured by stripped U.S. Treasury securities which cannot be sold or otherwise liquidated by the trust other than for the purpose of passing on payments to investors in the trust participation; and

- the commodity-dependent component of both the trust participations and the purchase agreement between the Shareholder and the trust meet the "one-to-one indexing" requirement of the Commission's Statutory Interpretation.

Based on all of the facts and circumstances, as represented in your letter and other documentation of the transaction, and, in particular, the foregoing representations, the OETF will not recommend that the Commission take action against Company A for treating X Securities as consistent with the Statutory Interpretation. Any different, omitted or changed facts or circumstances might require a different conclusion.

This letter should not be construed as expressing any opinion on tax or other relevant law applicable to X Securities transactions.

Sincerely yours,

Andrea M. Corcoran
Co-Chair, Off-Exchange Task Force

Daniel R. Waldman
Co-Chair, Off-Exchange Task Force