



Attn: Trading and Market Making / Legal and Compliance / Operations / Systems
UNIFORM PRACTICE ADVISORY (UPC # 001-2003) January 3, 2003

TRADING OF DEBT SECURITIES WITH OPTIONAL INTEREST PAYMENTS

In May, 1984, a Uniform Practice Advisory (UPC # 94-84) was issued regarding the trading of debt securities for which the issuer has the option of paying accrued interest in common stock or other forms, in lieu of cash. The information is being re-distributed to eliminate any confusion or misunderstanding, which may have developed since the Advisory was last circulated in 1995.

Members are advised that the Operations Committee (formerly the Uniform Practice Committee) determined that since the calculation of interest at the time of the transaction is difficult and the exact form of payment may not be known, these securities should be dealt in "flat".

Dealing these issues "flat" should not be considered an indication that interest is not accruing at the stated rate, but merely that a daily interest calculation in cash should not be added to the contract price since the interest may be paid in a form other than cash. When payments are made, an ex-interest date will be established and published on the Daily Dividend List, which is available on www.NASDAQTrader.com.

It is recommended that members review their internal systems and master files to properly reflect the "flat" designation.

Questions regarding this notice should be directed to: Market Integrity Department, (203) 375-9609.

Dorothy L. Kennedy
Director