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## Special Executive Report

S-4454

May 26, 2006

# **PIMCO<sup>®</sup> CommodityRealReturn<sup>SM</sup> DJ-AIGCI<sup>SM</sup> TRAKRS<sup>SM</sup> (“PIMCO CRR TRAKRS”) to Commence Special Marketing Period on May 26, 2006**

The Exchange will introduce PIMCO<sup>SM</sup> CommodityRealReturn<sup>SM</sup> DJ-AICCI<sup>SM</sup> TRAKRS<sup>SM</sup> (“PIMCO CRR TRAKRS”) with the commencement of the Special Marketing Period on May 26, 2006. PIMCO CRR TRAKRS are non-traditional futures contracts designed to provide investors with an effective way to gain exposure to the Dow Jones-AIG Commodity Index<sup>®</sup> (an excess return index that tracks the performance of exchange-traded futures contracts on physical commodities), enhanced by an index of one or more qualified separate accounts, actively managed by Pacific Investment Management Company LLC (“PIMCO”), invested in Exempt Securities (as defined below) and in non-securities (including derivative instruments on non-Exempt Securities) (collectively, Exempt Securities, non-securities and any instruments permitted in the future as more fully described below, “Permissible Instruments”).

This contract represents the latest in a series of innovative new products offered by the Exchange in collaboration with Merrill Lynch, Pierce, Fenner and Smith Incorporated (“Merrill Lynch”). Previous TRAKRS offerings include ... (1) Long-Short Technology TRAKRS<sup>SM</sup> I and II; (2) Select 50 TRAKRS<sup>SM</sup>; (3) LMC TRAKRS<sup>SM</sup>; (4) Euro Currency TRAKRS<sup>SM</sup>; (5) Commodity TRAKRS<sup>SM</sup> (based on the Dow Jones-AIG Commodity Index); (6) Gold TRAKRS; (7) Rogers International Commodity<sup>SM</sup> TRAKRS; and (8) BXY<sup>SM</sup> TRAKRS.

Trading of PIMCO CRR TRAKRS will commence on June 29, 2006 on the CME Globex<sup>®</sup> electronic trading platform. Prior to that, orders for the contract may be solicited pursuant to the Special Opening Procedures described below. In particular, the Special Marketing Period shall commence on May 26, 2006 and conclude at 10:00 a.m. (Chicago time) on June 28, 2006.

For more information, please refer to [www.cme.com](http://www.cme.com) or [www.trakrs.com](http://www.trakrs.com).

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## **Introduction**

Chicago Mercantile Exchange (“CME” or “Exchange”) intends to list PIMCO<sup>®</sup> CommodityRealReturn<sup>SM</sup> DJ-AIGCI<sup>SM</sup> TRAKRS<sup>SM</sup> (the “PIMCO CRR TRAKRS”). PIMCO CRR TRAKRS are non-traditional futures contracts designed to provide investors with an effective way to gain exposure to the Dow Jones-AIG Commodity Index<sup>®</sup> (an excess return index that tracks the performance of exchange-traded futures contracts on physical commodities, enhanced by an index of one or more qualified separate accounts, actively managed by Pacific Investment Management Company LLC (“PIMCO”), invested in Exempt Securities (as defined below) and in non-securities (including derivative instruments on non-Exempt Securities) (collectively, Exempt Securities, non-securities and any instruments permitted in the future as more fully described below, “Permissible Instruments”).

PIMCO CRR TRAKRS are designed to track the performance of the PIMCO CommodityRealReturn DJ-AIGCI TRAKRS Index<sup>SM</sup> (the “Index”), which in turn, tracks the PIMCO CommodityRealReturn DJ-AIGCI Master Index<sup>SM</sup> (the “PIMCO Master Index”). The PIMCO Master Index is a total return index that represents the performance of a portfolio with a target allocation of 100% notional exposure to the Dow Jones-AIG Commodity Index (the “DJ-AIGCI”) and an equivalent target allocation to a hypothetical investment in the PIMCO Real Return Collateral Index<sup>SM</sup>. The PIMCO Real Return Collateral Index is an index that represents the performance of one or more qualified separate accounts actively managed by PIMCO (the “PIMCO Separately Managed Accounts” or “Accounts”).

The PIMCO Separately Managed Accounts will consist of inflation-indexed Exempt Securities and other Permissible Instruments and will be subject to certain fees and expenses, as described herein. The PIMCO Master Index is able to obtain a 100% allocation to each of its component indices through the inherent leverage associated with the underlying futures in the DJ-AIGCI. The two component indices of the PIMCO Master Index will be rebalanced monthly in order to maintain exposure of approximately 100% to each component as described below. At present, only one account is expected to satisfy the criteria for inclusion in the PIMCO Real Return Collateral Index. However, additional separate accounts managed by PIMCO may be added in the future, if other accounts satisfy these criteria.

CME intends to commence the Special Marketing Period on May 26, 2006, concluding on June 28, 2006 per Rule 37402.K, Special Opening Procedures. Subsequently, the contract shall be traded on the CME<sup>®</sup> Globex<sup>®</sup> electronic trading system commencing on June 29, 2006.

This Special Executive Report (SER) provides a complete description of the Index and the features of the associated futures contract. In particular, this document provides a description of the characteristics of the Index. We further provide a discussion of the nature of the index and the specific terms and conditions associated with the trade of PIMCO CCR TRAKRS futures contracts. To the extent that many of these terms and conditions have been adapted from terms and conditions currently in place in the context of existing TRAKRS contracts, this description and justification is abbreviated accordingly. To the extent, however, that there are unique aspects to this contract, they are explained below. Finally, we provide a complete set of Rules governing trade of PIMCO CCR TRAKRS futures.

### **Description of the PIMCO COMMODITYREALRETURN DJ-AIGCI Master INDEX**

**Definition and Overview** - The following is a description of the PIMCO Master Index, including a summary of the procedures used to determine and calculate the PIMCO Master Index. Dow Jones is under no obligation to continue to publish the PIMCO Master Index and may discontinue publication of the PIMCO Master Index at any time.

The PIMCO Master Index will initially be set to 10 on June 28, 2006. The PIMCO Master Index is a total return index that represents the performance of a portfolio with a target allocation of 100% notional exposure to the DJ-AIGCI and an equivalent target allocation to a hypothetical investment in the PIMCO Real Return Collateral Index. The PIMCO Master Index is able to obtain a 100% allocation to each of its component indices through the inherent leverage associated with the underlying futures in the DJ-AIGCI, as described below.

The Calculation Agent will calculate and disseminate a value of the PIMCO Master Index every fifteen (15) seconds (assuming the value has changed within such fifteen-second interval) during the hours of 7:00 a.m. to 3:00 p.m. (CT) and a daily settlement value at approximately 4:10 p.m. (CT) on each Business Day under the index symbol "PMI". Because the PIMCO Real Return Collateral Index will not be valued until 5:00 p.m. (CT) each Business Day and intraday values of the PIMCO Real Return Collateral Index will not be calculated, intraday valuations of the PIMCO Master Index and the Index will not reflect changes in value of the PIMCO Real Return Collateral Index, and therefore those intraday valuations may not accurately reflect the current value of all components of such indices.

In addition, since the value of the PIMCO Real Return Collateral Index will not be available prior to the calculation of the daily settlement value for the PIMCO Master Index, such settlement value will reflect the value of the PIMCO Real Return Collateral Index as of the end of the immediately preceding Business Day and the closing value of the DJ-AIGCI as of the current Business Day. On the morning of each Business Day, beginning at 7:00 a.m. (CT), the value of the PIMCO Master Index will reflect the value of the PIMCO Real Return Collateral Index based upon the 5:00 p.m. (CT) valuation as of the prior Business Day and the current DJ-AIGCI value. Both the DJ-AIGCI and the PIMCO Real Return Collateral Index are detailed further below.

At inception, the PIMCO Master Index will establish a 100% allocation to a hypothetical investment in the PIMCO Real Return Collateral Index while also establishing an equal notional position in the DJ-AIGCI, *i.e.*, 100% weighting in one index and 100% weighting in the other index. The Calculation Agent will determine a weight for the DJ-AIGCI (the “Commodity Index Weight”) and a weight for the PIMCO Real Return Collateral Index (the “Collateral Index Weight,” and each, an “Index Weight”) on June 28, 2006 such that the product of the value of the relevant index and the relevant Index Weight will equal a notional value for each component index of 10. Each Index Weight will remain constant until the next Rebalancing, as defined below.

Thereafter, the value of the PIMCO Master Index at any given time will be determined by subtracting the value of the PIMCO Master Index on the prior Reconstitution Date from the product of the current Commodity Index Weight and the current value of the DJ-AIGCI, plus the product of the current value of the PIMCO Real Return Collateral Index and the current Collateral Index Weight. On the first Reconstitution Date, expected to be July 27, 2006, the value of the PIMCO Master Index on the prior Reconstitution Date will be equal to 10.00.

Therefore, the PIMCO Master Index value at any time will equal:

$$\begin{aligned} & \text{(DJ-AIGCI value multiplied by current Commodity Index Weight)} \\ & \quad \text{minus} \\ & \quad \text{PIMCO Master Index value of the prior Reconstitution Date} \\ & \quad \text{plus} \\ & \text{(PIMCO Real Return Collateral Index value multiplied by current Collateral Index Weight)} \end{aligned}$$

***Rebalancing the PIMCO Master Index*** - On a monthly basis, at the end of the last Business Day of each month, the PIMCO Master Index will be rebalanced such that the notional exposure to the DJ-AIGCI will approximately equal the hypothetical investment in the PIMCO Real Return Collateral Index. This will be accomplished by shifting hypothetical gains or losses attributed to one component index, accumulated since the last rebalancing, to the other component index. The determination of the amount to be shifted, the Notional Adjustment and the Investment Adjustment (each as defined below), will be performed by the Calculation Agent on the Reconstitution Date.

The “Reconstitution Date” is the second Scheduled Business Day prior to the Rebalancing Date. The “Rebalancing Date” is the last Scheduled Business Day of each month. If the Reconstitution Date is not a Business Day, the Reconstitution Date will be the next following Business Day and the Rebalancing Date will be the second Business Day following the Reconstitution Date. If the Rebalancing Date is not a Business Day, then the Rebalancing Date will be the next following Business Day. For this purpose, the term “Scheduled Business Day” means a day that would be a Business Day if no market disruption or other unanticipated event occurs that results in such day not being a Business Day.

To equalize the weightings of the component indices in the PIMCO Master Index, the Calculation Agent will perform the follow steps:

*On the Reconstitution Date:*

1. Determine the gain or loss, expressed as a dollar value, associated with the notional exposure to the DJ-AIGCI by subtracting the value of the PIMCO Master Index on the prior Reconstitution Date from the product of the Commodity Index Weight on the current Reconstitution Date and the value of the DJ-AIGCI on the current Reconstitution Date (the “Investment Adjustment”); and
2. Determine the gain or loss, expressed as a dollar value, of the hypothetical investment in the PIMCO Real Return Collateral Index by subtracting the value of the PIMCO Master Index on the prior Reconstitution Date from the product of the PIMCO Real Return Collateral Index Weight on the current Reconstitution Date and the value of the PIMCO Real Return Collateral Index on the current Reconstitution Date (the “Notional Adjustment”).

*On the Rebalancing Date:*

1. Increase or decrease the notional exposure to DJ-AIGCI (i.e., the Commodity Index Weight) by an amount equal to the Notional Adjustment determined on the Reconstitution Date divided by the DJ-AIGCI value on the Rebalancing Date; and
2. Increase or decrease the hypothetical investment in PIMCO Real Return Collateral Index (i.e., the Commodity Index Weight) by an amount equal to the Investment Adjustment determined on the Reconstitution Date divided by the PIMCO Real Return Collateral Index value determined at 5:00 p.m. (CT) on the Business Day immediately prior to the Rebalancing Date.

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At the conclusion of each rebalancing, therefore, the portion of the PIMCO Master Index deemed to be invested in each component of the PIMCO Master Index will be approximately equally weighted, representing approximately 100% notional exposure to the DJ-AIGCI and a 100% hypothetical investment in the PIMCO Real Return Collateral Index.

**Hypothetical Example** - The methodology and effect of the monthly rebalancing of the PIMCO Master Index is illustrated in the following hypothetical example:

Assuming the following values on the Reconstitution Date:

	DJ-AIGCI	PIMCO Real Return Collateral Index	PIMCO Master Index
Index Weight from prior Rebalancing Date	0.09787	0.93528	-
Value of component on current Reconstitution Date	94.50	10.30	-
Value of component on prior Reconstitution Date	-	-	9.5833

The Calculation Agent will adjust the notional exposure by the Notional Adjustment divided by the value of the DJ-AIGCI or  $\$0.0500 / 94.97 = 0.00052$ . To do this the Calculation Agent will add this amount to the old Commodity Index Weight to derive the new Commodity Index Weight or  $0.09787 + 0.00052 = 0.09839$ .

In addition, on the Rebalancing Date the Calculation Agent will adjust the hypothetical investment by the Investment Adjustment divided by the value of the PIMCO Real Return Collateral Index or  $-\$0.3346 / 10.35 = -0.03233$ . To do this the Calculation Agent will add this amount to the old Collateral Index Weight to derive the new Collateral Index Weight or  $0.93528 - 0.03233 = 0.90295$ .

Therefore, the new Index Weightings for the PIMCO Master Index will be as follows:

<b>Investment Adjustment</b>	-\$0.3346
<b>Notional Adjustment</b>	\$0.0501

Assuming the following values on the Rebalancing Date:

	DJ-AIGCI	PIMCO Real Return Collateral Index
Value of component on Rebalancing Date	94.97	10.35
Change in notional/hypothetical investment	0.00053	(0.03233)

The Calculation Agent will adjust the notional exposure by the Notional Adjustment divided by the value of the DJ-AIGCI or  $\$0.0501 / 94.97 = 0.00053$ . To do this the Calculation Agent will add this amount to the old Commodity Index Weight to derive the new Commodity Index Weight or  $0.09787 + 0.00053 = 0.09840$ .

In addition, on the Rebalancing Date the Calculation Agent will adjust the hypothetical investment by the Investment Adjustment divided by the value of the PIMCO Real Return Collateral Index or  $-\$0.3346 / 10.35 = -0.03233$ . To do this the Calculation Agent will add this amount to the old Collateral Index Weight to derive the new Collateral Index Weight or  $0.93528 - 0.03233 = 0.90295$

Therefore, the new Index Weightings for the PIMCO Master Index will be as follows:

	<b>DJ-AIGCI</b>	<b>PIMCO Real Return Collateral Index</b>
New Index Weight	0.09840	0.90295

## **DESCRIPTION OF THE Dow Jones-AIG Commodity Index**

The following is a description of the Dow Jones-AIG Commodity Index, including a summary of the procedures used to determine and calculate the Dow Jones-AIG Commodity Index. Dow Jones and AIG-FP, which jointly market the Dow Jones-AIG Commodity Index, may change these procedures from time to time. The information contained in this section has been provided by AIG-FP.

**Overview** - The Dow Jones-AIG Commodity Index is an index that tracks the performance of nineteen exchange-traded futures contracts on physical commodities, including energy, metal and agricultural products. The ticker symbol for the Dow Jones-AIG Commodity Index is “DJAIG.”

Dow Jones will calculate and disseminate quotes for the DJ-AIGCI every fifteen (15) seconds (assuming the value has changed within such fifteen-second interval) during regular futures exchange trading hours of 7:00 a.m. to 2:00 p.m. (CT) and a daily index value for the Index at approximately 4:00 p.m. (CT) on each day on which the sum of the CIPs (as defined below) for those Index Commodities that are open for trading is greater than 50%.

The DJ-AIGCI was introduced in July 1998 to provide a unique, diversified, economically rational and liquid benchmark for commodities as an asset class. The DJ-AIGCI currently is composed of the prices of nineteen exchange-traded futures contracts on physical commodities. The commodities included in the DJ-AIGCI for 2006 are: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, hogs, cattle, natural gas, nickel, silver, soybeans, soybean oil, sugar, unleaded gasoline, wheat and zinc.

The DJ-AIGCI was created using the following four main principles:

**Economic Significance** - A commodity index should fairly represent the importance of a diversified group of commodities to the world economy. To achieve a fair representation, the DJ-AIGCI uses both liquidity data and dollar-weighted production data in determining the relative quantities of included commodities.

The DJ-AIGCI primarily relies on liquidity data, or the relative amount of trading activity of a particular commodity, as an important indicator of the value placed on that commodity by financial and physical market participants. The DJ-AIGCI also relies on production data as a useful measure of the importance of a commodity to the world economy. Production data alone, however, may underestimate the economic significance of storable commodities (*e.g.*, gold) relative to non-storable commodities (*e.g.*, live cattle). Production data alone also may underestimate the investment value that financial market participants place on certain commodities, and/or the amount of commercial activity that is centered around various commodities. Put another way, production statistics alone do not necessarily provide as accurate a blueprint of economic importance as the pronouncements of the markets themselves. The DJ-AIGCI thus relies on data that is both endogenous to the futures market (liquidity) and exogenous to the futures market (production) in determining relative weightings.

*Diversification* - A second major goal of the DJ-AIGCI is to provide diversified exposure to commodities as an asset class. Disproportionate weightings of any particular commodity or sector increase volatility and negate the concept of a broad-based commodity index. Instead of diversified commodities exposure, the investor is unduly subjected to micro-economic shocks in one commodity or sector. As described further below, diversification rules have been established and are applied annually.

*Continuity* - The third goal of the DJ-AIGCI is to be responsive to the changing nature of commodity markets in a manner that does not completely reshape the character of the index from year to year. The DJ-AIGCI is intended to provide a stable benchmark, so that end-users may be reasonably confident that historical performance data (including such diverse measures as correlation, spot yield, roll yield and volatility) is based on a structure that bears some resemblance to both the current and future composition of the index.

*Liquidity* - Another goal of the DJ-AIGCI is to provide a highly liquid index. The explicit inclusion of liquidity as a weighting factor helps to ensure that the DJ-AIGCI can accommodate substantial investment flows. The liquidity of an index affects transaction costs associated with current investments. It also may affect the reliability of historical price performance data.

The DJ-AIGCI is a “rolling index,” meaning that, because the index is composed of futures contracts on physical commodities, which specify a delivery date for the underlying physical commodity, in order to avoid delivery and maintain a long futures position, periodically contracts must be sold and contracts that have not yet reached the delivery period must be purchased.

AIG-FP and Dow Jones, which jointly market the DJ-AIGCI, reserve the right to change the methodology for compiling and calculating this index at any time. Information on the DJ-AIGCI is published on the Dow Jones Indexes website at <http://www.djindexes.com>. None of Merrill Lynch, AIG, AIG-FP, Dow Jones, or any of their respective subsidiaries or affiliates warrants the accuracy or completeness of any information on <http://www.djindexes.com>.

**Daily Calculations** - The DJ-AIGCI is calculated daily by Dow Jones, in conjunction with AIG-FP, by applying the impact of the changes to the futures prices of commodities included in the DJ-AIGCI (based on their relative weightings) to the previous day's DJ-AIGCI value. Since the futures contracts included in the DJ-AIGCI are for physical commodities, they must be rolled periodically according to a fixed schedule in order to maintain exposure to the underlying commodities without taking delivery. The rollover for each contract occurs over a period of 5 business days during such applicable period.

**Annual Reweightings and Rebalancings of the DJ-AIGCI** - The DJ-AIGCI is reweighted and rebalanced each year in January on a price-percentage basis based upon the annual weightings that are determined each year in June by AIG-FP and announced in July, under the supervision of the Dow Jones-AIG Commodity Index Oversight Committee. The Dow Jones-AIG Commodity Index Oversight Committee includes prominent members of the financial, academic and legal communities selected by AIG-FP and meets annually to consider any changes to be made to the DJ-AIGCI for the coming year.

**Determination of Relative Weightings** - The relative weightings of the component commodities included in the DJ-AIGCI are determined annually according to both liquidity and dollar-adjusted production data in 2/3 and 1/3 shares, respectively. Each June, for each commodity designated for potential inclusion in the DJ-AIGCI, liquidity is measured by the Commodity Liquidity Percentage ("CLP") and production by the Commodity Production Percentage ("CPP"). The CLP for each commodity is determined by taking a five-year average of the product of trading volume and the average settlement prices of the futures contract selected as the reference contract for that commodity (the "Designated Contract"), and dividing the result by the sum of such products for all commodities which were designated for potential inclusion in the DJ-AIGCI. The CPP is determined for each commodity by taking a five-year average of annual world production figures, adjusted by the historic dollar value of the Designated Contract, and dividing the result by the sum of such production figures for all the commodities which were designated for potential inclusion in the DJ-AIGCI. The CLP and the CPP are then combined (using a ratio of 2:1) to establish the Commodity Index Percentage ("CIP") for each commodity. This CIP is then adjusted in accordance with certain diversification rules in order to determine the commodities which will be included in the DJ-AIGCI (the "Index Commodities") and their respective percentage weights, as described below.

**Commodity Index Multipliers** - Subject to the Diversification Rules discussed below, CIPs are incorporated into the DJ-AIGCI by calculating the new unit weights for each Index Commodity. On the fourth business day of each new calendar year (the "CIM Determination Date"), the CIPs, along with the settlement prices on that date for Designated Contracts included in the index, are used to determine a "Commodity Index Multiplier" or "CIM" for each Index Commodity. This CIM is used to achieve the percentage weightings of the Index Commodities, in dollar terms, indicated by their respective CIPs. After the CIMs are calculated, they remain fixed throughout the year. As a result, the observed price percentage of each Index Commodity will float throughout the year, until the CIMs are reset the following year based on new CIPs.

***Diversification Rules*** - The DJ-AIGCI is designed to provide diversified exposure to commodities as an asset class. To ensure that no single commodity or commodity sector dominates the index, the index relies on several diversification rules, which are applied annually when the DJ-AIGCI is reweighted and rebalanced on a price-percentage basis. The following diversification rules are applied to the annual reweighting and rebalancing of the DJ-AIGCI as of January of the applicable year:

- No related group of commodities (*e.g.*, energy, precious metals, livestock, or grains) may constitute more than 33% of the index.
- No single commodity may constitute more than 15% of the index.
- No single commodity, together with its derivatives (*e.g.*, crude oil, together with heating oil and unleaded gasoline), may constitute more than 25% of the index.
- No single commodity that is in the index may constitute less than 2% of the index.

Following the annual reweighting and rebalancing of the DJ-AIGCI in January, the percentage of any single commodity or group of commodities will fluctuate and may exceed or be less than the percentages set forth above.

***Commodities Currently Included in the DJ-AIGCI*** - Commodities have been selected which are believed to be sufficiently significant to the world economy to merit consideration and which are the subject of a qualifying related futures contract.

***Designated Contracts*** - A Designated Contract is selected for each commodity. With the exception of several London Metals Exchange (“LME”) contracts, where the Dow Jones-AIG Commodity Index Oversight Committee believes that there exists more than one futures contract with sufficient liquidity to be chosen as a designated contract for a commodity, the Dow Jones-AIG Commodity Index Oversight Committee selects the futures contract that is traded in North America and denominated in dollars. If more than one such contract exists, the Dow Jones-AIG Commodity Index Oversight Committee selects the most actively traded contract. Data concerning this Designated Contract will be used to calculate the DJ-AIGCI. The termination or replacement of a futures contract on an established exchange occurs infrequently; if a Designated Contract were to be terminated or replaced, a comparable futures contract would be selected, if available, to replace that Designated Contract. The Designated Contracts for the commodities currently included in the DJ-AIGCI are as follows:

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<b>Commodity</b>	<b>Designated Contract</b>	<b>Exchange</b>	<b>Units</b>	<b>Price Quote</b>	<b>Current Weighting**</b>
Aluminum	High Grade Primary Aluminum	LME	25 metric tons	\$/metric ton	7.51%
Coffee	Coffee "C"	CSCE	37,500 lbs	cents/pound	2.47%
Copper*	High Grade Copper	COMEX	25,000 lbs	cents/pound	8.33%
Corn	Corn	CBOT	5,000 bushels	cents/bushel	6.27%
Cotton	Cotton	NYCE	50,000 lbs	cents/pound	2.73%
Crude Oil	Light, Sweet Crude Oil	NYMEX	1,000 barrels	\$/barrel	13.27%
Gold	Gold	COMEX	100 troy oz.	\$/troy oz.	6.90%
Heating Oil	Heating Oil	NYMEX	42,000 gallons	cents/gallon	3.94%
Live Cattle	Live Cattle	CME	40,000 lbs	cents/pound	4.15%
Lean Hogs	Lean Hogs	CME	40,000 lbs	cents/pound	4.28%
Natural Gas	Henry Hub Natural Gas	NYMEX	10,000 mmbtu	\$/mmbtu	7.90%
Nickel	Primary Nickel	LME	6 metric tons	\$/metric ton	3.30%
Silver	Silver	COMEX	5,000 troy oz.	cents/troy oz.	2.73%
Soybeans	Soybeans	CBOT	5,000 bu	cents/bushel	7.01%
Soybean Oil	Soybean Oil	CBOT	60,000 lbs	cents/pound	2.84%
Sugar	World Sugar No. 11	CSCE	112,000 lbs	cents/pound	3.19%
Unleaded Gasoline	Reformulated Gasoline Blendstock for Oxygen Blending	NYMEX	42,000 gal	cents/gallon	4.42%
Wheat	Wheat	CBOT	5,000 bushel	cents/bushel	4.75%
Zinc	Special High Grade Zinc	LME	25 metric tons	\$/metric ton	4.01%

\*The DJ-AIGCI uses the High Grade Copper contract traded on the COMEX division of the New York Mercantile Exchange for copper contract prices and LME volume data in the DJ-AIGCI.

\*\*The column in the above table titled "Current Weighting" reflects the approximate weightings as of April 28, 2006 of the 19 commodities currently included in the DJ-AIGCI.

In addition to the commodities set forth in the above table, cocoa, lead, platinum and tin also are eligible for inclusion in the DJ-AIGCI.

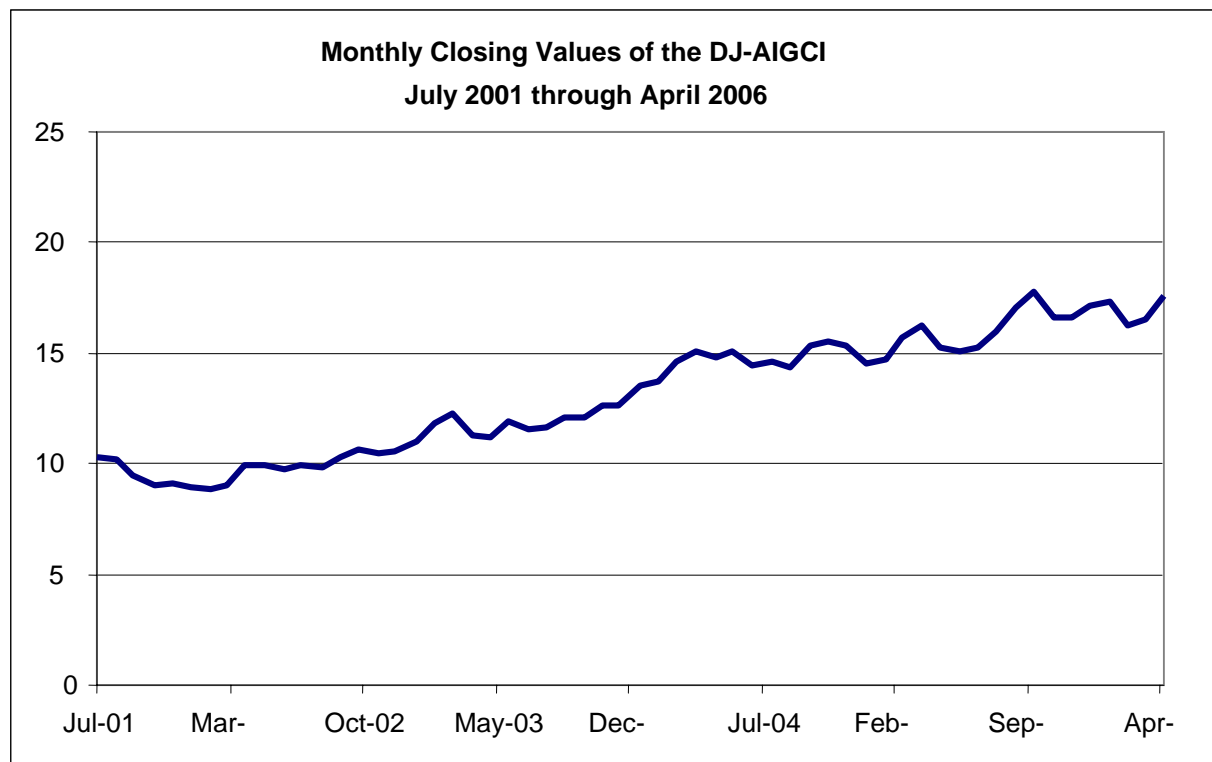
**Commodity Groups** - The commodity groups, and the commodities currently included in each commodity group, are as follows:

<b>Commodity Group</b>	<b>Commodities</b>
Energy	Crude Oil, Heating Oil, Natural Gas, Unleaded Gasoline
Precious Metals	Gold, Silver
Industrial Metals	Aluminum, Copper, Nickel, Zinc
Livestock	Live Cattle, Lean Hogs
Grains	Corn, Soybeans <sup>sm</sup> , Soybean Oil, Wheat
Softs	Coffee, Cotton, Sugar

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**Historical Data** - The following table sets forth the month-end closing values of the DJ-AIGCI from July 2001 through April 2006. These historical data on the DJ-AIGCI are not necessarily indicative of the future values of the DJ-AIGCI or what the market value of PIMCO CRR TRAKRS may be. Any historical upward or downward trend in the level of the DJ-AIGCI during any period set forth below is not an indication that the DJ-AIGCI is more or less likely to increase or decrease at any time in the future.

Date	Closing Value	Date	Closing Value	Date	Closing Value
7/31/2001	102.570	3/31/2003	113.171	11/30/2004	153.406
8/31/2001	102.225	4/30/2003	112.360	12/30/2004	145.604
9/28/2001	95.107	5/30/2003	118.821	1/31/2005	146.821
10/31/2001	90.407	6/30/2003	115.788	2/28/2005	156.886
11/30/2001	90.959	7/31/2003	116.395	3/31/2005	162.094
12/31/2001	89.033	8/29/2003	120.898	4/29/2005	152.294
1/31/2002	88.309	9/30/2003	120.898	5/31/2005	150.727
2/28/2002	90.476	10/31/2003	126.571	6/30/2005	152.885
3/28/2002	99.588	11/26/2003	126.087	7/29/2005	159.330
4/30/2002	99.431	12/31/2003	135.269	8/31/2005	170.816
5/31/2002	97.755	1/30/2004	137.620	9/30/2005	178.249
6/28/2002	99.518	2/27/2004	146.445	10/31/2005	166.516
7/31/2002	98.826	3/31/2004	150.837	11/30/2005	166.402
8/30/2002	102.581	4/30/2004	148.046	12/30/2005	171.149
9/30/2002	106.294	5/28/2004	150.436	1/31/2006	173.669
10/31/2002	105.053	6/30/2004	144.034	2/28/2006	162.234
11/27/2002	105.247	7/30/2004	146.414	3/31/2006	165.194
12/31/2002	110.276	8/31/2004	143.556	4/28/2006	175.767
1/31/2003	118.644	9/30/2004	153.175		
2/28/2003	122.526	10/29/2004	155.549		



Past performance is no guarantee of future results.

### **Description of the PIMCO Real Return Collateral Index**

**Definition and Overview** - The PIMCO Real Return Collateral Index will be based on the performance of the PIMCO Separately Managed Accounts, less the daily deduction of certain management fees of 0.21% per annum, on a weighted average basis, as reported to the Calculation Agent by PIMCO or its agent. The deduction of these fees account for the costs associated with maintaining the Separately Managed Accounts (as defined below) that comprise the PIMCO Real Return Collateral Index.

The PIMCO Real Return Collateral Index will initially be set to 10 on June 28, 2006, and will be calculated daily as of the close of trading by PIMCO or its agent. PIMCO or its agent will then provide the value of the PIMCO Real Return Collateral Index to the Calculation Agent by approximately 5:00 p.m. (CT) in order to permit the Calculation Agent to calculate the value of the PIMCO Master Index. Because the PIMCO Real Return Collateral Index will not be valued until 5:00 p.m. (CT) each Business Day and intraday values of the PIMCO Real Return Collateral Index will not be calculated, intraday valuations of the PIMCO Master Index and the Index will not reflect changes in value of the PIMCO Real Return Collateral Index, and therefore those intraday valuations may not accurately reflect the current value of all components of such indices.

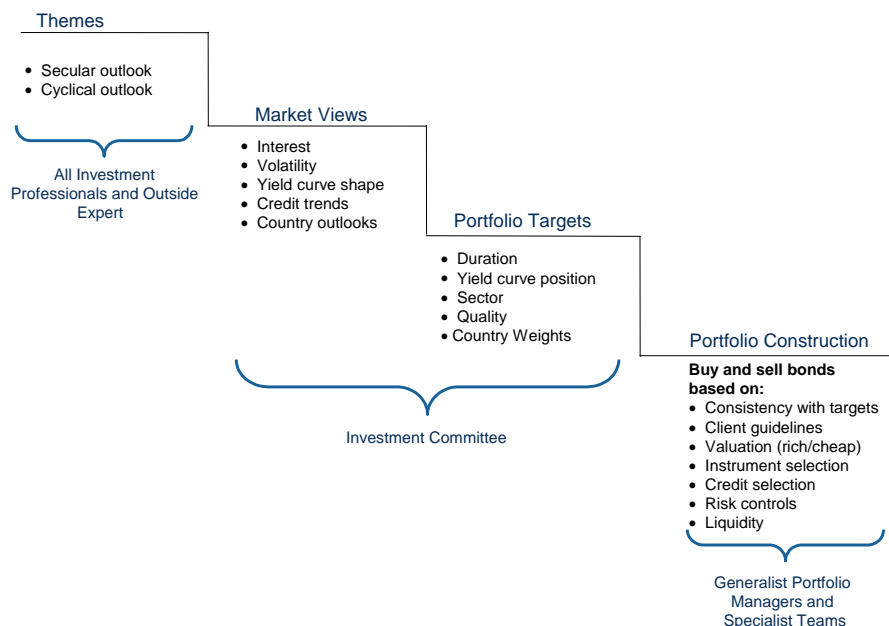
In addition, since the value of the PIMCO Real Return Collateral Index will not be available prior to the calculation of the daily settlement value for the PIMCO Master Index, such settlement value will reflect the value of the PIMCO Real Return Collateral Index as of the end of the immediately preceding Business Day. On the morning of each Business Day, beginning at 7:00 a.m. (CT), the value of the PIMCO Master Index will reflect the value of the PIMCO Real Return Collateral Index based upon the 5:00 p.m. (CT) valuation as of the end of the prior Business Day.

If, in the reasonable judgment of PIMCO, a market disruption event occurs or is continuing on any Business Day that prevents the calculation of the value of the PIMCO Real Return Collateral Index, PIMCO or its agent will provide the value of the PIMCO Real Return Collateral Index on the next available Business Day on which a market disruption does not occur and is not continuing. In the event that market disruption events postpone the calculation of the PIMCO Real Return Collateral Index for 15 consecutive Business Days, then the Calculation Agent will determine the value of the PIMCO Real Return Collateral Index after consultation with PIMCO or its agent, if reasonably practicable.

***The PIMCO Separately Managed Accounts*** - PIMCO will invest in Permissible Instruments on behalf of the PIMCO Separately Managed Accounts, including TIPS, as well as in certain other financial instruments, which may include swaps, futures, forwards and other fixed income financial derivatives.

The strategy for the PIMCO Separately Managed Accounts combines top-down macroeconomic and market analysis with bottom-up sector and security selection to structure a portfolio PIMCO believes will maximize real return (taking into account both yield and price fluctuation) relative to risk or volatility of return.

PIMCO's investment process begins with the formulation of both secular, or long-term (3 to 5-year), and cyclical (6-12 month) economic outlooks involving participation by all the firm's investment professionals. Next, PIMCO's Investment Committee considers the economic themes in light of bond market conditions to formulate market views on interest rate direction and volatility, yield curve shape, the environment for credit risk, and outlooks for specific countries' bond markets. The Investment Committee translates these market views into specific high level portfolio targets on risk measures such as duration, yield curve positioning, sector weightings, credit quality and individual country weightings. With these targets in mind, portfolio managers construct portfolios of individual securities and other instruments seeking consistency with the portfolio targets and taking into account specific investment guidelines, security valuation, and liquidity needs, incorporating a range of proprietary risk measurements and controls. A schematic description of PIMCO's investment process appears below:



**Types of Investments** - PIMCO will have discretion to invest in a range of Permissible Instruments on behalf of the PIMCO Separately Managed Accounts. It is anticipated that PIMCO will invest at least 65% of the PIMCO Separately Managed Accounts' net assets in U.S. government issued inflation-indexed securities under normal circumstances. For the first 30 days following the launch of PIMCO CRR TRAKRS, it is possible that the Accounts will invest less than 65% of their net assets in inflation-indexed securities. Investments in common stocks and related equity indices, equity futures, other equity derivatives, registered investment companies, real estate investment trusts, S corporations and partnerships are explicitly prohibited (i.e., these are not Permissible Instruments).

The Permissible Instruments to be traded by PIMCO for the PIMCO Separately Managed Accounts may include but are not limited to:

- Inflation-indexed Exempt Securities
- U.S. Treasury and Agency Notes and Bonds
- U.S. Government Agency Issued Mortgage-Backed Securities (including TBAs, CMOs and REMIC regular interests)
- Securities issued by foreign governments that are Exempt Securities under Securities and Exchange Commission Rule 3a12-8 (including both U.S. Dollar denominated and non-U.S. Dollar denominated securities)
- Mortgage Derivatives
- Bank Loans
- Exempt Money Market Instruments (other than shares of registered investment companies)

- Futures and Forwards (including Exchange Traded Swap Futures)
- Options, Caps and Floors
- Swaps
- Credit Default Swaps (Buy Protection and Sell Protection)

The only securities held directly in the Separately Managed Accounts will be Exempt Securities. The Separately Managed Accounts also may hold non-securities. However, PIMCO may obtain indirect exposure, on behalf of the PIMCO Separately Managed Accounts, to a wide variety of non-Exempt Securities, as well as baskets or indices containing non-Exempt Securities, through the use of derivative instruments including but not limited to futures, forwards and total return swaps and, additionally, structured notes that are issued as Exempt Securities. Each of these instruments listed above are Permissible Instruments for all purposes described herein. Types of non-Exempt Securities to which such indirect exposures may be obtained include, but are not limited to:

- Corporate Debt Securities
- Non-agency Mortgage Backed Securities
- Asset Backed Securities
- Emerging Market Debt Securities
- Municipal Securities
- Non-US Dollar denominated securities issued by corporations and other entities
- Event-linked Securities

In the event that there is a regulatory change after this date whereby the inclusion of other instruments besides Exempt Securities or non-securities in the Accounts will not cause the PIMCO Real Return Collateral Index to fail to be excluded from the definition of a “narrow based security index” under Section 1a(25) of the Commodity Exchange Act, or under any rules of the Commodity Futures Trading Commission adopted with respect to the definition of a “narrow based security index” under the Commodity Exchange Act, such other instruments shall also be Permissible Instruments in which PIMCO may invest on behalf of the Account, so long as PIMCO has obtained the written consent of CME and Merrill Lynch, which consent shall be in each such entity’s sole discretion. Such change shall not require the consent of the owner of an Account.

**Term of Instruments** - “Real return” equals total return less the estimated cost of inflation, which is typically measured by the change in an official inflation measure. The average portfolio duration of the PIMCO Separately Managed Accounts normally will vary within two years (plus or minus) of the effective duration of the Lehman Brothers U.S. TIPS Index. Effective duration is defined in conventional yield terms. Real yield durations for real return securities are converted through a conversion factor, typically between 20% and 90%, into conventional yield durations. All security holdings will be measured in effective duration terms. Similarly, the effective duration of the benchmark will be calculated, using the same conversion factors.

**Transaction Types** - PIMCO will purchase and sell Permissible Instruments for the PIMCO Separately Managed Accounts. Transactions will be executed on a regular or deferred/forward settlement basis. PIMCO may also utilize hedging, spread and income generating strategies that include the use of short sales of securities or short positions in derivatives. PIMCO may engage in repurchase agreements and reverse repurchase agreements.

**Concentration Limits** - PIMCO will limit the concentrations of investments or exposures through derivatives within the PIMCO Separately Managed Accounts to the following:

<b>Issue or Issuer</b> - Excludes sovereign debt of OECD governments and U.S. agencies . Specific mortgage pools and trusts are considered separate issuers, and each tranche within a CMO is considered a separate issue.	5%
<b>Below BBB-</b>	10%
<b>Non-U.S. Dollar Denominated</b> - Excludes money market securities and money market futures.	30%
<b>Emerging Markets</b> - PIMCO uses the World Bank’s definition for emerging markets, which is based on a GNP per capita calculation.	10%
<b>Private Placements</b> - Excluding securities eligible for resale under Rule 144A	10%
<b>Mortgage Derivatives</b>	3%
<b>Event-Linked Securities</b>	5%
<b>Foreign Currency Exposure</b>	5%

The percentage limitations referenced above will apply at the time of the purchase of assets for the PIMCO Separately Managed Accounts and are subject to change.

Foreign currency exposure will be based on the absolute value of all positions (long and short) versus the U.S. dollar. Both long and short foreign currency positions may be held without owning securities denominated in such currencies. Any currency hedging requirements will be met through either hedged cash bond exposure or a combination of forward and derivative positions coupled with an offsetting currency position in the same currency.

**Rating Requirements** - PIMCO will apply quality ratings to the securities held in (or underlying derivatives held in) the PIMCO Separately Managed Accounts using the higher of Moody's, S&P or Fitch. If a security is not rated by one of these rating agencies, then PIMCO will determine a rating.

<b>Minimum Average Portfolio Quality</b>	A- Rating
<b>Minimum Issue Quality</b>	B- Rating
<b>Minimum Commercial Paper Quality</b>	A2/P2

If a security is downgraded below these minimums, PIMCO will determine whether to sell or hold based on the perceived risk and expected return.

**Daily Valuation of the PIMCO Separately Managed Accounts and the PIMCO Real Return Collateral Index** - The value of each PIMCO Separately Managed Account ("Account Value") is determined by calculating the total value of the PIMCO Separately Managed Account's portfolio investments and other assets, less liabilities, attributable to such Account, after application of the management fee of 0.21% per annum, deducted pro rata on a daily basis, (the "Collateral Index Fees"). The return on the PIMCO Real Return Collateral Index is equal to the weighted average of the return of each PIMCO Separately Managed Account.

Each PIMCO Separately Managed Account is valued as of the close of regular trading (normally 3:00 p.m., CT) (the "NYSE Close") on each day that the NYSE is open. For purposes of calculating the Account Value, PIMCO normally uses pricing data for domestic fixed income securities reflecting the earlier closing of the principal markets for those securities, subject to the fair valuation pricing procedures described below. Information that becomes known to PIMCO or its agents after the Account Value has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the Account Value determined earlier that day unless determined to be significant.

For purposes of calculating Account Value, portfolio securities and other assets for which market quotes are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Short-term investments having a maturity of 60 days or less are generally valued at amortized cost. Exchange traded futures and options on futures are valued at the settlement price determined by the exchange. Positions in over-the-counter derivatives held in a PIMCO Separately Managed Account, such as swaps and forwards, will be valued at their market value, which will generally be based on quotations obtained from the counterparties to such transactions or from other dealers in the derivatives. If no such quotations are available, positions in over-the-counter derivatives will be valued in the reasonable judgment of PIMCO or its agent.

Investments or exposures initially valued in currencies other than the U.S. dollar are converted to U.S. dollars using exchange rates obtained from pricing services. As a result, the Account Value (and the return on the PIMCO Real Return Collateral Index) may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the New York Stock Exchange (“NYSE”) is closed. Securities and other assets for which market quotes are not readily available are valued at fair value as determined in good faith by PIMCO or persons acting at its direction. PIMCO has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available. In the event that market quotes are not readily available, and the security or asset cannot be valued pursuant to one of the valuation methods, the value of the security or asset will be determined in good faith by PIMCO.

Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (*e.g.*, trade information, bid/asked information, broker quotes), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the securities or assets held by the PIMCO Separately Managed Accounts. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. PIMCO is responsible for monitoring significant events that may materially affect the values of the securities or assets held by the PIMCO Separately Managed Accounts and for determining whether the value of the applicable securities or assets should be re-evaluated in light of such significant events.

When PIMCO uses fair value pricing to determine the Account Value, securities or other instruments held by the PIMCO Separately Managed Accounts will not be priced on the basis of quotations from the primary market in which they are traded, but rather may be priced by another method that PIMCO or persons acting at its direction believe accurately reflects fair value. PIMCO’s policy is intended to result in a calculation of the Account Value (and the return on the PIMCO Real Return Collateral Index) that fairly reflects the value of a security or other instrument as of the time of pricing. However, fair values determined by PIMCO or persons acting at its direction may not accurately reflect the price that the PIMCO Separately Managed Accounts could obtain for a security or other instrument if it were to dispose of that security or other instrument as of the time of pricing. Fair value pricing may require subjective determinations about the value of a security or other instrument.

Errors in computation of the Account Value may, under certain circumstances require corrections or adjustments be made. In such circumstances, all such adjustments shall be made in good faith.

***Additional Information on the PIMCO Separately Managed Accounts*** - An entity that seeks to establish a PIMCO Separately Managed Account may finance its investment in the Account through a swap with a financial institution, pursuant to which the financial institution owns the PIMCO Separately Managed Account and passes through to the Account Performance Recipient (as defined below) the profit or loss on the PIMCO Separately Managed Account. Under such circumstances, the financial institution providing the swap will be the owner of the Account, but the Account Performance Recipient will in effect own the economic interest in the Account. The financial institution providing the financing will enter into the IMA with PIMCO and will have all of the rights and obligations of the Account owner. The financial institution will have the right to lend securities held in the Account and to retain for itself the income generated by such securities lending transactions. The Account Performance Recipient will have no direct interest in the Account but will have an economic interest in the performance of the Account and will obtain the economic indicia of ownership of the Account through the swap. The existence of such financing swaps gives rise to certain risks and conflicts, as described above. The financial institution providing the financing may be an affiliate of PIMCO.

If the owner of a PIMCO Separately Managed Account engages in any securities lending activities, any income generated or losses incurred through such activities will be retained or borne by the owner of the PIMCO Separately Managed Account and will not be reflected in the PIMCO Real Return Collateral Index. Since the PIMCO Real Return Collateral Index is a component of the PIMCO Master Index, and in turn, the Index, this return or loss on the lending of securities will not be reflected in such indices.

Under the terms of the IMA, PIMCO is not liable to the owner or the Account Performance Recipient of a PIMCO Separately Managed Account for the acts or omissions of any other fiduciary or other person respecting the Account or for anything done or omitted by PIMCO under the terms of the IMA with such Account owner if PIMCO has acted in good faith and has exercised the degree of prudence, competence and expertise customarily exhibited by managers of institutional portfolios. Without limiting the generality of the foregoing, PIMCO will not be liable for any indirect, special, incidental or consequential damages. PIMCO will not be deemed to have breached the IMA or the investment guidelines in connection with fluctuations arising from market movements and other events outside the control of PIMCO. Additionally, an Account Performance Recipient is a third party beneficiary with respect to the IMA only with respect to certain limited sections of the IMA as agreed to in writing with PIMCO, and PIMCO will not be liable in any situation to an Account Performance Recipient under any other section of the IMA. No holder of PIMCO CRR TRAKRS is a third party beneficiary under the IMA, and under no circumstances shall PIMCO be liable to any holder of PIMCO CRR TRAKRS for any damages due to a breach of the IMA or the investment guidelines.

The PIMCO Separately Managed Accounts included in the PIMCO Real Return Collateral Index are all accounts under the discretionary management of PIMCO that qualify for inclusion in the PIMCO Real Return Collateral Index based upon the following eligibility criteria:

- The Account has a minimum of \$50 million in assets;
- PIMCO will manage the Account, and the IMA between PIMCO and the Account owner requires PIMCO to manage the Account in accordance with the PIMCO Real Return Collateral Index Guidelines, as described herein;
- The owner of the Account or, in the case of a party financing its interest in an Account through the owner, the recipient of the performance of such Account (the “Account Performance Recipient”), represents and warrants to PIMCO in the IMA that it will enter into and maintain an equalization swap with the Equalization Swap Counterparty as described more fully above; and
- The owner of the Account or the Account Performance Recipient has used reasonable efforts to put and maintain sufficient firewalls in place so that information regarding the Account, including the holdings of such Account, is not used by the owner of the Account or the Account Performance Recipient or its affiliates in connection with brokerage, trading or hedging PIMCO CRR TRAKRS or DJ-AIGCI Index components for its own accounts.

PIMCO in its sole discretion may choose not to open an account with any party desiring to have its account be included in the PIMCO Real Return Collateral Index, whether or not such party otherwise meets the above listed criteria. Among the items that PIMCO will require to open an account to be included in the PIMCO Real Return Collateral Index is a representation in the IMA that the sole purpose of the investment in the proposed account is to use such account as a hedge for TRAKRS. In the event that this representation or other applicable representations in the IMA are breached, PIMCO is permitted to terminate the IMA and remove the account from the PIMCO Real Return Collateral Index.

If the IMA between PIMCO and an account holder terminates or such account holder otherwise fails to meet the eligibility criteria, that account will be removed from the PIMCO Real Return Collateral Index on the effective date of such termination or failure. If only one account exists which would otherwise qualify for inclusion in the PIMCO Real Return Collateral Index if an equalization swap were entered into and maintained, the equalization swap for such Account will be deemed to be entered into and maintained for the purpose of satisfying the foregoing criteria. However, the owner of such Account or the Account Performance Recipient, as the case may be, will be required, after proper notice from PIMCO, to enter into and maintain an equalization swap with the Equalization Swap Counterparty by the date prescribed by PIMCO, pursuant to the IMA, if any other Account qualifies for inclusion. If the owner of the Account or Account Performance Recipient, as the case may be, fails to enter into the equalization swap with the Equalization Swap Counterparty on or before the prescribed date set by PIMCO, such account will be removed from the PIMCO Real Return Collateral Index on the prescribed date.

As of this date, the only account expected to satisfy all of the foregoing criteria, and that will be included in the PIMCO Real Return Collateral Index, is the account managed by PIMCO on behalf of Merrill Lynch. As a result, the calculation of and returns on the PIMCO Real Return Collateral Index will be based exclusively on the value of and returns on the account managed by PIMCO on behalf of Merrill Lynch. In addition, while it is possible that other accounts may satisfy the eligibility criteria in the future, and be included in the PIMCO Real Return Collateral Index, there can be no assurance that any such accounts will be so included in the future. In any event, it is not anticipated that there will be more than a limited number of PIMCO Separately Managed Accounts included in the PIMCO Real Return Collateral Index at any time.

There can be no assurance that an Equalization Swap Counterparty will make available an equalization swap on attractive terms. In the event that no equalization swap is available upon the inception of the PIMCO CRR TRAKRS, or if an equalization swap previously entered into terminates without the availability of a successor swap, then pursuant to the terms of each IMA, a breach of the representations in the IMA will have occurred and PIMCO will have the right to terminate the IMA with each owner of a Separately Managed Account. Under the terms of the IMA with each owner of a Separately Managed Account, if there is only one Separately Managed Account the owner of the Account or Account Performance Recipient, as applicable, will be deemed to have entered into an equalization swap. In such situation, therefore, the owner of one Separately Managed Account will not have breached the representations in its IMA and its Separately Managed Account could remain an eligible Account to be included in the PIMCO Real Return Collateral Index. Therefore, in the circumstance where no equalization swap is available, PIMCO will choose one Separately Managed Account to continue to manage and include in the PIMCO Real Return Collateral Index, and PIMCO may terminate the other Separately Managed Accounts. PIMCO may, however, in its sole discretion, choose to continue to manage some or all of the other existing Separately Managed Accounts, but only the one Account chosen by PIMCO will be included in the PIMCO Real Return Collateral Index.

In the event that, during the life of the PIMCO CRR TRAKRS, the number of PIMCO Separately Managed Accounts is reduced to zero then, at the discretion of PIMCO, (1) the PIMCO Real Return Collateral Index will be based on a selected composite of PIMCO Real Return Accounts selected by PIMCO that hold Permissible Instruments only; or (2) PIMCO will deposit \$5 million into an account that will qualify as a Separately Managed Account and the PIMCO Real Return Collateral Index will be based on that Account.

In the event that the license granted by PIMCO to CME and Merrill Lynch in connection with PIMCO CRR TRAKRS is terminated prior to the Final Settlement Date (as defined below), CME and Merrill Lynch may continue to use the intellectual property granted under the license agreement with respect to previously issued and/or listed PIMCO CRR TRAKRS that are and remain outstanding and trading as of the effective date of termination of such agreement (the “Issued Products”). In such event, CME and Merrill Lynch would continue to be bound by all of their obligations, and PIMCO would continue to be entitled to all of its rights under the license agreement with respect to such Issued Products. Such license would remain effective until the Issued Products mature, expire or terminate in accordance with their terms.

Notwithstanding the foregoing, in the event of a termination of the license agreement under certain circumstances due to a material breach by either CME or Merrill Lynch that remains unremedied for a specified period of time, PIMCO may request that CME and Merrill Lynch assist PIMCO in removing all references to the licensed intellectual property, including the words “PIMCO” and “CommodityRealReturn”, with respect to Issued Products, and in the event of such request, to the extent permitted by applicable law, CME and Merrill Lynch agree to use reasonable efforts to assist PIMCO in the removal of such intellectual property from Issued Products. If PIMCO makes such a request, PIMCO will reimburse CME and Merrill Lynch for reasonable expenses in relation to such removal of such intellectual property from Issued Products.

***Information on PIMCO*** - Pacific Investment Management Company LLC (“PIMCO”) is a subsidiary of Allianz AG, an international insurance and financial services provider. PIMCO is an institutional money manager specializing in fixed income management and located at 840 Newport Center Drive, Newport Beach, CA 92660. Founded in 1971, PIMCO had approximately \$610 billion in assets under management as of March 31, 2006.

## **Description of the PIMCO COMMODITYREALRETURN DJ-AIGCI TRAKRS Index**

**Overview** - The Index will initially be set to 25.00 on June 28, 2006. The Calculation Agent will calculate and disseminate a value of the Index every fifteen (15) seconds (assuming the value has changed within such fifteen-second interval) during the hours of 7:00 a.m. to 3:00 p.m. (CT) and a daily settlement value at approximately 4:10 p.m. (CT) on each Business Day under the index symbol “PCX”. Because the PIMCO Real Return Collateral Index will not be valued until 5:00 p.m. (CT) each Business Day and intraday values of the PIMCO Real Return Collateral Index will not be calculated, intraday valuations of the PIMCO Master Index and the Index will not reflect changes in value of the PIMCO Real Return Collateral Index, and therefore those intraday valuations may not accurately reflect the current value of all components of such indices. In addition, since the value of the PIMCO Real Return Collateral Index will not be available prior to the calculation of the daily settlement value for the PIMCO Master Index, such settlement value will reflect the value of the PIMCO Real Return Collateral Index as of the end of the immediately preceding Business Day and the closing value of the DJ-AIGCI as of the current Business Day. On the morning of each Business Day, beginning at 7:00 a.m. (CT), the value of the PIMCO Master Index will reflect the value of the PIMCO Real Return Collateral Index based upon the 5:00 p.m. (CT) valuation as of the prior Business Day and the current DJ-AIGCI value. The value of the Index, at any given time other than during the Initial Multiplier Determination Period, will equal the product of the value of the PIMCO Master Index and the Multiplier, plus the Amortizing Expense Factor.

The Calculation Agent will determine a multiplier (the “Multiplier”), that will be used to calculate the Index, over a period of 10 Business Days beginning June 29, 2006 (the “Initial Multiplier Determination Period”). On any given day during the term of PIMCO CRR TRAKRS, except during the Initial Multiplier Determination Period, the “Multiplier” will be reduced on a daily basis to reflect the application of the Index Expense Factor equal to 1.72% per annum. During the Initial Multiplier Determination Period, the Calculation Agent also will reduce the value of each partial multiplier that forms part of the Multiplier on a daily basis to reflect the application of the Index Expense Factor.

The daily application of the Index Expense Factor will decrease the Multiplier over time, which will reduce the value of the Index over the term of the contract and at maturity. The Index Expense Factor reflects a number of fees, including (i) a “Spread” of 0.00%, (ii) the “TRAKRS Platform Fees” of 1.34% per annum, and (iii) “Estimated Index Replication Costs” of 0.38% per annum. The Estimated Index Replication Costs are the estimated costs that an institutional holder would incur if it replicated the PIMCO Master Index. The TRAKRS Platform Fees include, but are not limited to, the licensing fees paid to PIMCO, Dow Jones and AIG, estimated custodial fees for the Separately Managed Accounts, and listing and development fees paid to CME and Merrill Lynch.

The “Amortizing Expense Factor” will be charged to non-institutional customers purchasing PIMCO CRR TRAKRS during the first 40-day period beginning June 29, 2006. The

Amortizing Expense Factor will be equal to \$0.75 (3.00% of the initial Index value of \$25.00) and will be reduced each calendar day for such 40-day period by an amount equal to \$0.01875 (3.00% of the initial Index value divided by 40). The Amortizing Expense Factor may be used to compensate brokers offering PIMCO CRR TRAKRS in the scheduled opening.

Non-institutional customers should view the Index Expense Factor and the Amortizing Expense Factor as an economic cost that is embedded in the value of PIMCO CRR TRAKRS and should consider this cost as they evaluate the desirability of a position in PIMCO CRR TRAKRS.

***Initial Determination of the Multiplier*** - During the Initial Multiplier Determination Period, the Calculation Agent will determine the Multiplier. The Multiplier will equal the sum of ten partial multipliers determined on each day of the Initial Multiplier Determination Period. Each partial multiplier represents the pro rata allocation of the initial Index value minus the Amortizing Expense Factor, and is expected to be approximately \$2.425 (i.e., 10% of \$24.25) (each, an “Allotted Amount”). On each of the ten days in the Initial Multiplier Determination Period, one Allotted Amount will be “fixed”, whereby the Allotted Amount, plus the applicable Accrual (as defined below), will be divided by the closing value of the PIMCO Master Index on the applicable day to determine the partial multiplier (each, a “Fixing”).

The “Accrual” will equal a value that represents interest accrued on any unfixed Allotted Amount, based on the Federal Funds Effective Rate on each day during the Initial Multiplier Determination Period, compounded daily, over the applicable number of days in the Initial Multiplier Determination Period for which such Allotted Amount remain unfixed. The “Federal Funds Effective Rate,” for any day, means the most recently available closing daily overnight Federal funds rate as determined by the Federal Reserve.

For example, assuming the closing value of the PIMCO Master Index is 10 on June 29, 2006, the first partial multiplier will equal the Allotted Amount divided by the closing value of the PIMCO Master Index on such date or:

$$2.425/10 = 0.24250000.$$

Thus, the first Allotted Amount has been fixed. On June 30, 2006, the second partial multiplier will equal the second Allotted Amount plus the Accrual, divided by the closing value of the PIMCO Master Index on such date. Assuming a closing value of the PIMCO Master Index on June 30, 2006 of 10.1 and a Federal Funds Effective Rate of 4% per annum, the Accrual will equal the Allotted Amount multiplied by 4% for one day or:

$$(2.425 \times .04 \times 1)/365 = 0.00026575.$$

Therefore, the second partial multiplier will equal the sum of the Allotted Amount and the one-day Accrual, divided by the closing value of the PIMCO Master Index on June 30, 2006 or:

$$(2.425 + 0.00026575)/10.1 = 0.24012532.$$

On July 3, 2006, the third partial multiplier will equal the third Allotted Amount plus the two-day Accrual, divided by the closing value of the PIMCO Master Index on such date. Assuming a closing value of the PIMCO Master Index on July 3, 2006 of 99 and a Federal Funds Effective Rate of 5% per annum, the Accrual will equal the Allotted Amount multiplied by 4% for one day and the Allotted Amount multiplied by 4% for one day or

$$(2.425 \times .04 \times 1)/365 + (2.42526575 \times .05 \times 1)/365 = 0.00026575 + 0.00033223 = 0.00059798.$$

Therefore, the third partial multiplier will equal the sum of the Allotted Amount and the two-day Accrual, divided by the closing value of the PIMCO Master Index on July 3, 2006 or:

$$(\$2.425 + 0.00059798)/9.9 = 0.24500990.$$

The table below describes the calculation of each of the ten partial multipliers:

<b>PARTIAL MULTIPLIER</b>	<b>APPLICABLE DIVISOR</b>	<b>CALCULATION OF PARTIAL MULTIPLIER</b>
Partial Multiplier #1	Value of the PIMCO Master Index at the closing on June 29, 2006.	Partial Multiplier #1 will equal the Allotted Amount divided by the applicable PIMCO Master Index value.
Partial Multiplier #2 through #10	Value of the PIMCO Master Index at the closing on the applicable day.	Partial Multiplier #2 through #10 will equal the Allotted Amount plus the applicable Accrual based on the number of days the Allotted Amount remains unfixed, divided by the applicable PIMCO Master Index value.

### ***Calculation of the Index Value***

*During the Initial Multiplier Determination Period* - The value of the Index during the Initial Multiplier Determination Period will equal (a) the sum of the products of the PIMCO Master Index and the partial multipliers fixed to date, each as adjusted by the Index Expense Factor (the “Fixed Amount”) plus (b) the Allotted Amounts that remain unfixed plus the applicable Accruals (the “Unfixed Amount”). For example, following the second Fixing on June 30, 2006, the Fixed Amount will equal the sum of (1) the product of Partial Multiplier #1, as adjusted for the Index Expense Factor, and the value of the PIMCO Master Index at such time, and (2) the product of the Partial Multiplier #2, and the value of the PIMCO Master Index at such time, while the Unfixed Amount on that date will equal the remaining 80% of the initial Index value that has not yet been fixed, plus any applicable Accruals.

Such Fixed Amount will represent the portion of the Index that is subject to price movements in the Underlying Index components, while such Unfixed Amount represents a cash equivalent amount with interest that is not yet subject to price movements in the PIMCO Master Index components. More generally, at any time during the Initial Multiplier Determination Period, the Fixed Amount will equal the sum of each partial multiplier, as adjusted by the Index Expense Factor, that has been determined up to that time multiplied by the value of the Underlying Index and the Unfixed Amount will equal the unfixed Allotted Amounts plus the interest accrued on such amounts up to that time.

*At Any Time Other Than During the Initial Multiplier Determination Period* - The value of the Index at any given time other than during the Initial Multiplier Determination Period will equal the product of the PIMCO Master Index and the Multiplier, plus the Amortizing Expense Factor.

### **Review of Individual Contract Terms**

This Section is intended to provide a review of the individual contract terms and conditions associated with PIMCO CCR TRAKRS futures. The proceeding section provides a complete copy of the contract rules.

**Contract Size** - Rule 37401.A., Contract Value, provides that “PIMCO CCR TRAKRS futures shall be based upon the value of \$1 times the PIMCO CommodityRealReturn DJ-AIGCI TRAKRS Index (‘the Index’). The Index, at any given time other than during the Initial Multiplier Determination Period, will equal the product of the value of the PIMCO CommodityRealReturn DJ-AIGCI Master Index (the ‘PIMCO Master Index’) and the Multiplier, plus the Amortizing Expense Factor. The PIMCO Master Index is a total return index that represents the performance of a portfolio with a target allocation of 100% notional exposure to the Dow Jones-AIG Commodity Index® (the ‘DJ-AIGCI’) and an equivalent target allocation to a hypothetical investment in the PIMCO Real Return Collateral Index<sup>SM</sup>. The PIMCO Real Return Collateral Index is an index that represents the performance of one or more qualified separate accounts actively managed by PIMCO (the ‘PIMCO Separately Managed Accounts’ or ‘Accounts’). The PIMCO Separately Managed Accounts will consist primarily of inflation-indexed Exempt Securities and certain other financial instruments and will be subject to certain fees and expenses.”

This language is reinforced in Rule 37402.B., Trading Unit. Full details regarding the calculation of the Index and its component parts are included above.

**Quotation Specification** - Rule 37402.C. Minimum Increments, specifies that “[b]ids and offers shall be quoted in terms of the PIMCO CCR TRAKRS Index. The minimum fluctuation of the futures contract shall be 0.01 index point, equivalent to \$0.01 per TRAKRS futures contract.” This tick size is intended to allow for the possibility of a very competitive marketplace.

***Final Settlement*** – The Exchange intends to trade a single PIMCO CCR TRAKRS futures contract which shall be settled in cash on June 29, 2011. Given that trade shall commence on the CME Globex electronic trading platform on June 29, 2006, (see discussion under “Special Opening Procedures” below), the contract will be open for approximately five (5) full years.

Rule 37403.A., Final Settlement Price, specifies that “[t]he Final Settlement Price will be based on the Final Index Value, which will be determined on the Final Settlement Date, or, if necessary, such later date constituting the end of the Final Price Determination Period. The Final Index Value will be equal to the average of 10 closing prices that are observed (each, a ‘Final Closing Price’) from, and including, June 16, 2011 through June 29, 2011, or, if necessary, during an extended period ...” Rule 37403.A. further includes provisions for various contingencies based upon any potential inability to collect the information requisite to the calculation of the Final Index Value.

***Early Termination*** – In the event that the Index falls to a value of zero or below, the Exchange contemplates a discontinuation of trading in the contract and an immediate cash settlement at a value of zero (\$0.00) per contract per Rule 37403.B., Early Termination.

***Price Limits*** – The contract does not contemplate use of price limits.

***Customer Distinctions*** - Rule 37404.A. Customers, provides a distinction between “Institutional” and “Non-Institutional Customers.” In particular, the Rule states that “[f]or purposes of this Rule, ‘Institutional Customers’ are market participants that (1) qualify as Qualified Institutional Buyers (“QIBs”) under Rule 144A promulgated under the Securities Act of 1933, as amended; and, (2) CME members registered as floor brokers or floor traders. ‘Non-Institutional Customers’ are market participants that do not qualify as Institutional Customers as defined herein.” In general, QIBs include, but are not limited to, institutions or entities that in the aggregate own and invest on a discretionary basis a minimum of \$100 million in securities issued by non-affiliated entities.

The Exchange proposes such distinctions in order to conform PIMCO CCR TRAKRS futures to the particular needs and interests of those two distinct customer classes. These distinctions are subsequently applied in Rule 37404 in the context of (1) identifying intermediaries authorized to solicit and write orders for the futures contract, (2) the interest rate pass-through feature, and (3) performance bond and variation margin procedures – as described below.

***Qualified Intermediaries*** – Rule 37404.B., Qualified Intermediaries, specifies that “Non-Institutional Customers may place orders for PIMCO CCR TRAKRS futures only through a registered Introducing Broker (‘IB’); a Futures Commission Merchant (‘FCM’); a securities Broker-Dealer (‘BD’) that is notice registered with the National Futures Association (‘NFA’) as a limited-purpose FCM (‘LP/FCM’); or, an entity that is dually registered as a BD and FCM (‘BD&FCM,’ and together with an LP/FCM, ‘BD/FCM’). Similarly, non-institutional customers may place orders for PIMCO CCR TRAKRS futures with an Associated Person (‘AP’) of an IB or FCM, or a registered representative (‘RR’) of a BD/FCM who is notice registered with the NFA as a limited-purpose AP (‘RR/AP’).”

Further, that “Institutional Customers may place orders for PIMCO CCR TRAKRS futures contracts only through an IB or FCM. LP/FCMs and RR/APs may not solicit or accept PIMCO CCR TRAKRS futures orders from Institutional Customers.”

In other words, Non-Institutional Customers may buy or sell the contract through traditional commodity registrants or through limited purpose registrants. Those limited purpose registrants are securities broker-dealers registered as limited purpose FCMs with the NFA for the purpose of soliciting PIMCO CCR TRAKRS futures business.

Note that these provisions are consistent with the terms of a no-action letter issued by CFTC staff and addressed to the Exchange dated July 11, 2001. This letter may be referenced on the Commission’s website at [www.cftc.gov](http://www.cftc.gov).

***Interest Pass-Through Feature*** – Rule 37404.C. Interest Rate Pass-Through, specifies that “[e]ach trading day after the determination of the daily Settlement Price, each clearing FCM that maintains long PIMCO CRR TRAKRS positions will be required to pay the CME Clearing House (based on the amount of long PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price) a daily market rate of interest equal to the Federal Funds Effective Rate less the Spread. The CME Clearing House in turn will pay each clearing FCM that maintains short PIMCO CRR TRAKRS positions (based on the amount of short PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price), a daily market rate of interest equal to the Federal Funds Effective Rate less the sum of the Spread and the TRAKRS Platform Fees.”

Note that, per Rule 37401.D., “[t]he Spread shall equal 0.00% per annum” while “TRAKRS Platform Fees shall equal 1.34% per annum.”

The application of this interest charge to long positions is expected to impact upon contract pricing in such a manner as to cause the futures contract value in some instances to more closely resemble the spot value of the portfolio represented in the Index.

Futures may price at a premium, or a discount, to the underlying market measure. Such premiums or discounts reflect the cost of buying and carrying (the “cost of carry”) the commodity until futures contract maturity. Futures may price at a discount to the cash or spot price where payouts associated with the underlying instrument exceed financing charges associated with borrowing to finance the purchase (“positive carry”). Futures may price at a premium to the cash or spot price where the reverse is true and financing rates are less than the payouts associated with the instrument (“negative carry”).

Note that arbitrageurs generally force futures prices to levels that reflect the spot value of the underlying instrument plus financing costs less any payouts associated with holding the underlying instrument(s). As such, the futures price, in the absence of an interest rate pass-through feature, should reflect the value of the Index further adjusted upwards by finance charges implicit in the domestic interest rate less payouts.

$$\text{TRAKRS Futures Price} = \text{Index Value} + \text{Finance Charges} - \text{Payouts}$$

The interest rate pass through feature has the effect of offsetting a portion of the finance charges from the equation ...

$$\begin{aligned} \text{TRAKRS Futures Price} &= \text{Index Value} + \text{Finance Charges} - \text{Payouts} \\ &\quad - (\text{Fed Funds Effective Rate} - \text{Spread}) \end{aligned}$$

As a result, the PIMCO CCR TRAKRS futures contract is expected to be valued at levels that more closely reflect the value of the underlying index. We believe that this simplification will make the benefits of this market more accessible to traders who currently may not be utilizing futures.

Note that such interest rate pass-through payments are required of Institutional Customers but not of Non-Institutional Customers. Further, it is the responsibility of the clearing FCM to administer such payments. Institutional Customers will be subject to normal Exchange performance bond and variation margin requirements. On the other hand, Non-Institutional Customers are not permitted to margin their long positions nor are they subject to variation margin payments as described above. In other words, long Non-Institutional Customers will be required to pay in full and will not be permitted to leverage their investment. Thus, it is appropriate to require this payment of Institutional but not of Non-Institutional Customers if the contract is to price in the intended manner. Finally, note that should the Fed Funds Effective Rate fall below the value of the Spread, the flow of funds will reverse from short Institutional Customers to long Institutional Customers.

***Performance Bond and Variation Settlements*** – Rule 37404.E., Performance Bond, specifies that “Non-Institutional Customers purchasing PIMCO CCR TRAKRS futures contracts shall deposit 100% of the purchase price with their long clearing FCM. Non-Institutional Customers selling PIMCO CCR TRAKRS futures contracts shall deposit 50% of the sale price with their short clearing FCM ... Institutional Customers shall be subject to the performance bond requirements established by the Exchange and their FCMs.”

While the initial and subsequent variation margin requirements imposed upon Institutional Customers are identical to those required of any other futures trader, the margin requirements imposed upon Non-Institutional Customers are different.

Specifically, the Non-Institutional buyer of a contract will be required to pay in full upon purchase and is not permitted the use of leverage, while the Non-Institutional short seller will be required to post 50% margin.

Accordingly, subsequent variation margins will not be required of long Non-Institutional Customers. Short Non-Institutional Customers are subject, per Rule 37404.F., Settlement Variation, to simplified variation margin requirements.

Specifically, “[i]f the settlement price advances such that a Non-Institutional Customer’s performance bond is less than 30% of the current PIMCO CCR TRAKRS futures contract value, the Non-Institutional Customer shall be required to make a variation margin payment to restore the performance bond to 50% of the current TRAKRS contract value. If the settlement price declines such that a Non-Institutional Customer’s performance bond is greater than 70% of the current PIMCO CCR TRAKRS futures contract value, the Non-Institutional Customer shall be entitled to collect a variation margin payment to restore the performance bond to 50% of the current PIMCO CCR TRAKRS futures contract value.”

***Special Opening Procedures*** - In order to facilitate a liquid and orderly introduction of the PIMCO CCR TRAKRS futures contract, the Exchange will employ Special Opening Procedures as described in Rule 37402.K. These procedures will permit authorized notice-registered broker-dealers and FCMs to commence marketing of the product and to solicit limit orders during a Special Marketing Period commencing on May 26, 2006.

The Special Marketing Period shall conclude at 10:00 a.m. (Chicago time) on June 28, 2006, at which time solicitation per these Special Opening Procedures shall be terminated and buy limit orders and sell limit orders received during the course of the Special Marketing Period shall be matched. Rule 37402.K specifies that solicitation shall terminate and all orders shall be reported by Exchange clearing members to the Exchange at 10:00 a.m. (Chicago time) on the Initial Open Date.

Per Rule 37402.K, the Exchange ... “shall thereupon match purchase and sale orders based upon an Allocation Algorithm and report such matches promptly to Clearing Members. The Exchange shall match buy orders to sell orders prioritized by sell price. At each sell price at which buy orders will be matched, buy orders with limit prices equal to or greater than the sell price shall be allocated on a pro rata basis. If multiple sell orders are received at the same limit price, and the total sell order quantity exceeds the total buy order quantity that may be matched at that price, the allocation of orders shall be made on a pro rata basis by reference to the quantities associated with such orders, subject to the restriction that all sell orders at that price are filled before a proprietary sell order of any Exchange-appointed Market Maker.” These matches shall promptly be reported to Clearing Members.

Note that, per Rule 37402.K., “[t]he Exchange reserves the authority to limit the size of the open interest created as a result of these Special Opening Procedures. The Exchange further reserves the authority to delay the Initial Open Date if it determines in its discretion that market conditions are not conducive to an orderly opening.”

Subsequently, the Initial Value of the PIMCO CCR TRAKRS Index shall be established at 25.00. On June 29, 2006, trading shall commence per normal procedures on the CME Globex electronic trading platform.

**Block Trades** - Block trades are now authorized in the context of PIMCO CCR TRAKRS futures with a minimum block transaction quantity of 100,000 contracts. Note that the PIMCO CCR TRAKRS futures contract is expected to commence trading with an initial value in the vicinity of \$25.00 per contract. Thus, 100,000 contracts represent a value of perhaps \$2.5 million.

**No-Bust Range** – The GLOBEX error trade policy with respect to all TRAKRS provides for a “no-bust range” of 25 cents per contract (noting that the tick size of the contract is \$0.01).

**Reportable Position** – The reportable position is established at 50,000 contracts. This quantity is identical to the reportable position established in the context of the other previously established TRAKRS futures contracts. Noting that the contract is expected initially to trade in the vicinity of \$25 per contract, a 50,000 contract position may represent something on the order of \$1,250,000 in notional value and not outside of the range of notional values that represent reportable positions in other futures contracts.

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<b>Underlying Index</b>	<p>PIMCO CCR TRAKRS are based on value of \$1 times the PIMCO CommodityRealReturn DJ-AIGCI TRAKRS Index (“the Index”). The Index, at any given time other than during the Initial Multiplier Determination Period, equals the product of the value of the PIMCO CommodityRealReturn DJ-AIGCI Master Index (the “PIMCO Master Index”) and the Multiplier, plus the Amortizing Expense Factor. The PIMCO Master Index is a total return index that represents the performance of a portfolio with a target allocation of 100% notional exposure to the Dow Jones-AIG Commodity Index (the “DJ-AIGCI”) and an equivalent target allocation to a hypothetical investment in the PIMCO Real Return Collateral Index<sup>SM</sup>. The PIMCO Real Return Collateral Index is an index that represents the performance of one or more qualified separate accounts actively managed by PIMCO (the “PIMCO Separately Managed Accounts” or “Accounts”). The PIMCO Separately Managed Accounts will consist primarily of inflation-indexed Exempt Securities and certain other financial instruments and will be subject to certain fees and expenses. The value of the Index initially will be set to 25.00 on the opening date.</p>
<b>Multiplier</b>	<p>During the Initial Multiplier Determination Period, the Calculation Agent will determine the Multiplier. The Multiplier will equal the sum of 10 partial multipliers determined on each day of the Initial Multiplier Determination Period. Each partial multiplier represents the pro rata allocation of the initial Index value minus the Amortizing Expense Factor, and is expected to be approximately \$2.425 (<i>i.e.</i>, 10% of \$24.25) (each, an “Allotted Amount”). On each of the 10 days in the Initial Multiplier Determination Period, one Allotted Amount will be “fixed”, whereby the Allotted Amount, plus the applicable Accrual (as defined below), will be divided by the value of the PIMCO Master Index on the applicable day to determine the partial multiplier (each, a “Fixing”). The “Accrual” will equal a value that represents interest accrued on any unfixed Allotted Amount, based on the Federal Funds rate on each day during the Initial Multiplier Determination Period, compounded daily, over the applicable number of days in the Initial Multiplier Determination Period for which such Allotted Amount remain unfixed.</p>
<b>Interest Rate Pass-Thru Feature</b>	<p>Each trading day after the determination of the daily Settlement Price, each clearing FCM that maintains long PIMCO CRR TRAKRS positions will be required to pay the CME Clearing House (based on the amount of long PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price) a daily market rate of interest equal to the Federal Funds Effective Rate less the Spread. The CME Clearing House in turn will pay each clearing FCM that maintains short PIMCO CRR TRAKRS positions (based on the amount of short PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price), a daily market rate of interest equal to the Federal Funds Effective Rate less the sum of the Spread 0.00% and the TRAKRS Platform Fees 1.34%.</p>
<b>Amortizing Expense Factor</b>	<p>The Amortizing Expense Factor shall equal 3.00% of the initial Index value of PIMCO CRR TRAKRS (expected to be approximately \$0.75) will be deducted from the Index over the 40-day period to begin June 29, 2006. The Index will be reduced each day of such 40-day period by an amount expected to be \$0.01875.</p>

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<b>Margins and Settlements</b>	Institutional Customers subject to normal margin/variation requirements. Non-Institutional Customers purchasing the contract are required to post a 100% performance bond with no further variations. Non-Institutional Customers selling the contract are required to post a 50% performance bond. If price movements render that original deposit equal to 30% or 70% of the futures contract market value, customers must pay or collect sufficient funds to restore the original 50% margin.
<b>Contract Months</b>	One contract month expiring on June 29, 2011.
<b>Trading Hours</b>	Traded on the GLOBEX electronic trading platform on Mondays through Fridays from 8:30 a.m. to 3:00 p.m. (all times are Chicago time).
<b>Minimum Fluctuation</b>	0.01 Index Points or \$0.01 per contract.
<b>Position Limits</b>	22,000,000 Contracts.
<b>Final Settlement Date</b>	The Exchange will offer a single PIMCO CCR TRAKRS Index futures contract which shall be settled on June 29, 2011
<b>1<sup>st</sup> Globex Trading Day</b>	June 29, 2006
<b>Last Trading Day</b>	June 29, 2011
<b>Final Settlement Price</b>	The Final Settlement Price will be based on the Final Index Value, which will be determined on the Final Settlement Date, or, if necessary, such later date constituting the end of the Final Price Determination Period. The Final Index Value will be equal to the average of 10 closing prices that are observed (each, a 'Final Closing Price') from, and including, June 16, 2011 through June 29, 2011
<b>Ticker Symbol</b>	Ticker for PIMCO CRR TRAKRS futures is "PCT"; ticker for PIMCO CommodityRealReturn DJ-AIGCI TRAKRS Index is "PCX"; ticker for PIMCO CommodityRealReturn DJ-AIGCI Master Index is "PMI"

## **Contract Specifications for PIMCO CCR TRAKRS**

### **CHAPTER 374: PIMCO<sup>®</sup> CommodityRealReturn<sup>SM</sup> DJ-AIGCI<sup>SM</sup> TRAKRS<sup>SM</sup>**

#### **37400. SCOPE OF CHAPTER**

This chapter is limited in application to trading in PIMCO<sup>®</sup> CommodityRealReturn<sup>SM</sup> DJ-AIGCI<sup>SM</sup> TRAKRS<sup>SM</sup> (“PIMCO CCR TRAKRS”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

#### **37401. COMMODITY SPECIFICATIONS**

##### **37401.A. Contract Value**

PIMCO CCR TRAKRS futures shall be based upon the value of \$1 times the PIMCO CommodityRealReturn DJ-AIGCI TRAKRS Index (“the Index”). The Index, at any given time other than during the Initial Multiplier Determination Period, will equal the product of the value of the PIMCO CommodityRealReturn DJ-AIGCI Master Index (the “PIMCO Master Index”) and the Multiplier, plus the Amortizing Expense Factor.

The PIMCO Master Index is a total return index that represents the performance of a portfolio with a target allocation of 100% notional exposure to the Dow Jones-AIG Commodity Index<sup>®</sup> (the “DJ-AIGCI”) and an equivalent target allocation to a hypothetical investment in the PIMCO Real Return Collateral Index<sup>SM</sup>. The PIMCO Real Return Collateral Index is an index that represents the performance of one or more qualified separate accounts actively managed by PIMCO (the “PIMCO Separately Managed Accounts” or “Accounts”). The PIMCO Separately Managed Accounts will consist primarily of inflation-indexed Exempt Securities and certain other financial instruments and will be subject to certain fees and expenses.

##### **37401.B. Initial Index Value**

On the Business Day prior to the first full day of trading of PIMCO CCR TRAKRS, the value of the Index shall be set at 25.00.

##### **37401.B. Calculation of the Index Value**

1. The value of the Index during the Initial Multiplier Determination Period will equal (a) the sum of the products of the PIMCO Master Index and the partial multipliers fixed to date, each as adjusted by the Index Expense Factor (the “Fixed Amount”) plus (b) the Allotted Amounts that remain unfixed plus the applicable Accruals (the “Unfixed Amount”) plus (c) the Amortizing Expense Factor.

2. The value of the Index at any given time other than during the Initial Multiplier Determination Period will equal the product of the PIMCO Master Index and the Multiplier, plus the Amortizing Expense Factor.
3. The Initial Multiplier Determination Period shall be a period of 10 Business Days beginning June 29, 2006.

### **37401.C. Multiplier**

During the Initial Multiplier Determination Period, the Calculation Agent will determine the Multiplier. The Multiplier will equal the sum of 10 partial multipliers determined on each day of the Initial Multiplier Determination Period. Each partial multiplier represents the pro rata allocation of the initial Index value minus the Amortizing Expense Factor, and is expected to be approximately \$2.425 (*i.e.*, 10% of \$24.25) (each, an “Allotted Amount”). On each of the 10 days in the Initial Multiplier Determination Period, one Allotted Amount will be “fixed”, whereby the Allotted Amount, plus the applicable Accrual (as defined below), will be divided by the value of the PIMCO Master Index on the applicable day to determine the partial multiplier (each, a “Fixing”). The “Accrual” will equal a value that represents interest accrued on any unfixed Allotted Amount, based on the Federal Funds rate on each day during the Initial Multiplier Determination Period, compounded daily, over the applicable number of days in the Initial Multiplier Determination Period for which such Allotted Amount remain unfixed.

### **37401.D. Index Expense Factor**

1. The Index Expense Factor shall be 1.72% per annum. Each day, the Index Expense Factor will be applied to the Multiplier *pro rata* based on a 365-day year. The daily application of the Index Expense Factor will reduce the Multiplier, which will, in turn, reduce the value of the Index on a daily basis. The Index Expense Factor will equal the sum of the Spread, the TRAKRS Platform Fees and the Estimated Index Replication Costs (each, as defined below).
2. The Spread shall equal 0.00% per annum.
3. TRAKRS Platform Fees shall equal 1.34% per annum.
4. Estimated Index Replication Costs shall equal 0.38% per annum.

### **37401.E. Collateral Index Fee**

The Collateral Index Fee shall equal 0.21% per annum. Each day, the Collateral Index Fee will be applied to each Separately Managed Account *pro rata* based on a 365-day year. The daily application of the Collateral Index Fee will reduce the returns on each Separately Managed Account, which will, in turn, reduce the value of the PIMCO Real Return Collateral Index and the Index on a daily basis.

### **37401.F. Amortizing Expense Factor**

The Amortizing Expense Factor shall equal 3.00% of the initial Index value of PIMCO CRR TRAKRS (i.e., \$0.75) and will be deducted from the Index over the 40-day period expected to begin June 29, 2006. The Index will be reduced each day of such 40-day period by an amount equal to \$0.01875.

### **37401.G. Daily Amortizing Expense Factor Payment**

Each trading day during the 40-day period beginning June 29, 2006, each institutional or non-institutional customer holding a short position in PIMCO CRR TRAKRS will be required to pay its clearing FCM an amount equal to the Amortizing Expense Factor divided by 40 days, applied to the initial Index value (the “Daily Amortizing Expense Factor Payment”), multiplied by the number of short PIMCO CRR TRAKRS held by the customer).

Each FCM that maintains short PIMCO CRR TRAKRS positions will in turn pay the Daily Amortizing Expense Factor Payment allocable to that FCM (based on the number of short PIMCO CRR TRAKRS the clearing FCM maintains) to the CME Clearing House. The CME Clearing House will then pay each clearing FCM that maintains long PIMCO CRR TRAKRS positions (based on the amount of long PIMCO CRR TRAKRS the clearing FCM maintains) the portion of the Daily Amortizing Expense Factor Payment allocable to that FCM.

Each institutional customer holding long PIMCO CRR TRAKRS positions will be entitled to receive this amount from its FCM, based on the amount of long PIMCO CRR TRAKRS held by the institutional customer.

A non-institutional customer holding long PIMCO CRR TRAKRS positions will not be entitled to receive this amount from its FCM.

## **37402. FUTURES CALL**

### **37402.A. Schedule**

The Exchange shall list a single contract month in PIMCO CCR TRAKRS futures. The final settlement date shall be June 29, 2011. Futures contracts shall be scheduled for trading during such hours as may be determined by the Board of Directors.

### **37402.B. Trading Unit**

PIMCO CCR TRAKRS futures shall be based upon the value of \$1 times the PIMCO CommodityRealReturn TRAKRS Index (“the Index”).

### **37402.C. Minimum Increments**

Bids and offers shall be quoted in terms of the PIMCO CCR TRAKRS Index. The minimum fluctuation of the futures contract shall be 0.01 index point, equivalent to \$0.01 per TRAKRS futures contract.

**37402.D. Position Limits**

A person shall not own or control more than 22,000,000 contracts net long or net short.

**37402.E. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**37402.F. Exemptions**

The foregoing position limits shall not apply to (1) bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, (2) other positions exempted pursuant to Rule 543, and (3) cash-substitute positions described in Rule 37406.

**37402.G. Termination of Trading**

Futures trading shall terminate on the day of determination of the Final Settlement Price.

**37402.H. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

**37402.I. Reserved**

**37402.J. Reserved**

**37402.K. Special Opening Procedures**

Special Opening Procedures shall be employed to facilitate an orderly market in PIMCO CCR TRAKRS futures. These Special Opening Procedures shall be conducted during a Special Marketing Period. This Special Marketing Period shall commence on the Commencement Date of May 26, 2006; and, shall culminate in a Special Opening at 10:00 a.m. (Chicago time) on the Initial Open Date of June 28, 2006.

During the Special Marketing Period, FCMs and notice-registered BDs per Rule 37404.B. may solicit customer orders to buy or sell PIMCO CCR TRAKRS futures at a specified limit bid price or limit offer price, respectively. The Special Marketing Period shall conclude at 10:00 a.m. (Chicago time) on the Initial Open Date. Clearing Members shall report their limit buy and limit sell orders to the Exchange in a manner and format specified by the Exchange by 10:00 a.m. (Chicago time) on the Initial Open Date.

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The Exchange shall thereupon match purchase and sale orders based upon an Allocation Algorithm and report such matches to Clearing Members. The Exchange shall match buy orders to sell orders prioritized by sell price. At each sell price at which buy orders will be matched, buy orders with limit prices equal to or greater than the sell price shall be allocated on a pro rata basis. If multiple sell orders are received at the same limit price, and the total sell order quantity exceeds the total buy order quantity that may be matched at that price, the allocation of orders shall be made on a pro rata basis by reference to the quantities associated with such orders, subject to the restriction that all sell orders at that price are filled before a proprietary sell order of Merrill Lynch, if any.

The Exchange reserves the authority to limit the size of the open interest created as a result of these Special Opening Procedures. The Exchange further reserves the authority to delay the Initial Open Date if it determines in its discretion that market conditions are not conducive to an orderly opening.

The Initial Index Value shall be established at 25.00 Index Points on June 28, 2006.

Subsequent to the conclusion of these Special Opening Procedures, trading shall be conducted on the CME® Globex® electronic trading platform per the Rules of the Exchange, commencing June 29, 2006.

**37403. DELIVERY**

Delivery of PIMCO CCR TRAKRS futures shall be by cash settlement.

**37403.A. Final Settlement Price**

The Final Settlement Date shall be June 29, 2011. The Final Settlement Price will be based on the Final Index Value, which will be determined on the Final Settlement Date, or, if necessary, such later date constituting the end of the Final Price Determination Period. The Final Index Value will be equal to the average of 10 closing prices that are observed (each, a “Final Closing Price”) from, and including, June 16, 2011 through June 29, 2011, or, if necessary, during an extended period as described below (the “Final Price Determination Period”).

If all 10 Final Closing Prices have not become available as of Final Settlement Date, the Calculation Agent will identify the Final Settlement Price after 10 Final Closing Prices do become available over the next 15 Business Days. If 10 Final Closing Prices do not become available over the next 15 Business Days, then, in order to identify the Final Settlement Price, the Calculation Agent will determine the outstanding Final Closing Prices in its sole discretion.

If the value of the PIMCO Real Return Collateral Index is unavailable for any day during the Final Price Determination Period because of a scheduled closing, then the contribution to the Final Closing Price for the Index shall be based on the PIMCO Real Return Collateral Index of the first preceding Business Day. If the value of the PIMCO Real Return Collateral Index is unavailable during the Final Price Determination Period because of an unanticipated and/or unannounced delay in the publication of the PIMCO Real Return Collateral Index, then the value of the PIMCO Real Return Collateral Index to be used in calculating the Final Closing Prices shall be the next available official value.

The rules and procedures governing the calculation of the DJ-AIGCI establish the manner in which the DJ-AIGCI will be calculated in the event of a market disruption. If an exchange on which a component or components of the DJ-AIGCI trade is not open on any day during the Final Price Determination Period because of a scheduled closing, then the price of the affected component or components for purposes of determining the value of the DJ-AIGCI in computing the Final Closing Price shall be the settlement price of the affected component or components on the first preceding trading day on which a settlement price was published.

If a DJ-AIGCI component contract month's settlement price is limit bid or offer on any day during the Final Price Determination Period, meaning that no higher bids or lower offers may be entered, then the price of that contract for purposes of computing the Final Closing Price is deferred for up to 15 additional Business Days. If subsequent to the Final Settlement Date the component commodity contract originally at limit trades at a price other than a limit bid or offer and settles at a non-limit bid or offer, then the price of that contract shall be used in computing the Final Closing Price shall be the settlement price for that day. If in the 15 Business Days subsequent to the settlement day, the component contract originally at limit fails to trade and settle at a price other than a limit bid or offer, the contract's settlement price on the 15th subsequent Business Day shall be used in computing the Final Closing Price.

If a DJ-AIGCI component contract month's settlement price during the Final Price Determination Period is unavailable because of an unanticipated and/or unannounced closure of the DJ-AIGCI component contract market, then the price of such component contract to be used in calculating the Final Closing Prices shall be the next available official settlement price.

#### **37403.B. Delivery**

Clearing members holding open positions in PIMCO CCR TRAKRS futures at the time of termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on a settlement price equal to the final settlement price.

#### **37403.C. Reserved**

#### **37403.D. Early Termination**

If the value of the Index should at any time equal zero or less, trading in PIMCO CCR TRAKRS futures shall be discontinued and all outstanding contracts shall be settled in cash at a value of zero (\$0.00) per contract.

### **37404. FLOW OF FUNDS**

#### **37404.A. Customers**

For purposes of this Rule, "Institutional Customers" are market participants that (1) qualify as Qualified Institutional Buyers ("QIBs") under Rule 144A promulgated under the Securities Act of 1933, as amended; and, (2) CME members registered as floor brokers or floor traders. "Non-Institutional Customers" are market participants that do not qualify as Institutional Customers as defined herein.

#### **37404.B. Qualified Intermediaries**

Non-Institutional Customers may place orders for PIMCO CCR TRAKRS futures only through a registered Introducing Broker (“IB”); a Futures Commission Merchant (“FCM”); a securities Broker-Dealer (“BD”) that is notice registered with the National Futures Association (“NFA”) as a limited-purpose FCM (“LP/FCM”); or, an entity that is dually registered as a BD and FCM (“BD&FCM,” and together with an LP/FCM, “BD/FCM”). Similarly, non-institutional customers may place orders for PIMCO CCR TRAKRS futures with an Associated Person (“AP”) of an IB or FCM, or a registered representative (“RR”) of a BD/FCM who is notice registered with the NFA as a limited-purpose AP (“RR/AP”).

Institutional Customers may place orders for PIMCO CCR TRAKRS futures only through an IB or FCM. LP/FCMs and RR/APs may not solicit or accept PIMCO CCR TRAKRS futures orders from Institutional Customers.

#### **37404.C. Interest Rate Pass-Through**

Each trading day after the determination of the daily Settlement Price, each clearing FCM that maintains long PIMCO CRR TRAKRS positions will be required to pay the CME Clearing House (based on the amount of long PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price) a daily market rate of interest equal to the Federal Funds Effective Rate less the Spread. The CME Clearing House in turn will pay each clearing FCM that maintains short PIMCO CRR TRAKRS positions (based on the amount of short PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price), a daily market rate of interest equal to the Federal Funds Effective Rate less the sum of the Spread and the TRAKRS Platform Fees.

If, on any day, the Federal Funds Effective Rate is less than the sum of the TRAKRS Platform Fees and the Spread, then each clearing FCM that maintains short PIMCO CRR TRAKRS positions will be required to pay to the CME Clearing House (based on the amount of short PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price) a daily market rate of interest equal to the sum of the TRAKRS Platform Fees and the Spread less the Federal Funds Effective Rate. If the Federal Funds Effective Rate is less than the Spread, the CME Clearing House in turn will pay each clearing FCM that maintains long PIMCO CRR TRAKRS positions (based on the amount of long PIMCO CRR TRAKRS the clearing FCM maintains multiplied by the PIMCO CRR TRAKRS Settlement Price) a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate.

Each trading day after the determination of the daily Settlement Price, each institutional customer holding long PIMCO CRR TRAKRS positions will be required to pay its FCM, based on the amount of long PIMCO CRR TRAKRS held by the institutional customer multiplied by the PIMCO CRR TRAKRS Settlement Price, a daily market rate of interest equal to the Federal Funds Effective Rate less the Spread, which the clearing FCM will pass on to the CME Clearing House. If the Federal Funds Effective Rate is less than the Spread, the CME Clearing House in turn will pay to each short clearing FCM for institutional customers a daily market rate of interest equal to the Federal Funds Effective Rate less the sum of the Spread and the TRAKRS Platform Fees and each institutional customer holding short PIMCO CRR TRAKRS positions will be entitled to receive this amount from its FCM, based on the amount of short PIMCO CRR TRAKRS held by the institutional customer multiplied by the PIMCO CRR TRAKRS Settlement Price.

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If, on any day, the Federal Funds Effective Rate is less than the sum of the TRAKRS Platform Fees and the Spread then each institutional customer holding short PIMCO CRR TRAKRS positions will be required to pay its FCM (based on the amount of short PIMCO CRR TRAKRS held by the institutional customer multiplied by the PIMCO CRR TRAKRS Settlement Price) a daily market rate of interest equal to the sum of the TRAKRS Platform Fees and the Spread less the Federal Funds Effective Rate, which the clearing FCM will pass on to the CME Clearing House. The CME Clearing House in turn will pay to each long clearing FCM for institutional customers a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate, and each institutional customer holding long PIMCO CRR TRAKRS positions will be entitled to receive this amount from its FCM, based on the amount of long PIMCO CRR TRAKRS held by the institutional customer multiplied by the PIMCO CRR TRAKRS Settlement Price.

Non-institutional long customers are not responsible for paying, and non-institutional short customers are not entitled to receive, this interest rate pass-through; although the long clearing FCM (or, if the Federal Funds Effective Rate is less than the Spread, the short clearing FCM) is still responsible for paying the interest payment, which is passed-through by the CME Clearing House to the short clearing FCM (or, if applicable, the long clearing FCM).

The CME Clearing House will determine all such interest rate pass-through amounts.

### **37404.D. Federal Funds Effective Rate**

The “Federal Funds Effective Rate,” for any day, shall mean the most recently available closing daily overnight Federal funds rate as determined by the Federal Reserve.

### **37404.E. Performance Bond**

Non-Institutional Customers purchasing PIMCO CCR TRAKRS futures shall deposit 100% of the purchase price with their long clearing member. Non-Institutional Customers selling PIMCO CCR TRAKRS futures shall deposit 50% of the sale price with their short clearing member.

Institutional Customers shall be subject to the performance bond requirements established by the Exchange and their FCMs.

### **37404.F. Settlement Variation**

Non-Institutional Customers that purchase PIMCO CCR TRAKRS futures shall not be subject to variation margin procedures nor shall they pay or collect settlement variations with respect to their PIMCO CCR TRAKRS futures positions.

Non-Institutional Customers that sell PIMCO CCR TRAKRS futures shall be subject to variation margin pay and collect requirements per the following conditions. If the settlement price advances such that a Non-Institutional Customer's performance bond is less than 30% of the current PIMCO CCR TRAKRS futures contract value, the Non-Institutional Customer shall be required to make a variation margin payment to restore the performance bond to 50% of the current PIMCO CCR TRAKRS futures contract value. If the settlement price declines such that a Non-Institutional Customer's performance bond is greater than 70% of the current PIMCO CCR TRAKRS futures contract value, the Non-Institutional Customer shall be entitled to collect a variation margin payment to restore the performance bond to 50% of the current PIMCO CCR TRAKRS futures contract value.

Institutional Customers shall be subject to normal variation margin procedures.

### **37405. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT**

If delivery or acceptance or any precondition or requirement of either is prevented by a strike, fire, accident, action of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

### **37406. CASH-SUBSTITUTE POSITIONS**

For purposes of this rule, the term "cash-substitute positions" means long positions which are economically appropriate to the management of risks in the conduct and management of a commercial enterprise engaged substantially in the cash equities market, and whose underlying commodity value does not exceed the sum of:

1. Cash set aside in an identifiable manner, or unencumbered short-term U.S. Treasury obligations or other U.S. dollar denominated, high-quality, short-term debt instruments so set aside, plus any funds deposited as performance bond on such positions; and
2. Accrued profits on such positions held at the futures commission merchant.

A clearing member shall not carry a cash-substitute account which by itself or in accumulative total with other accounts of the owner exceeds the speculative position limits of Chapter 40, unless the President approves and unless the applicant has applied to the Division of Market Regulation on forms provided by the Exchange, wherein he requests a maximum number of positions, fully explains the nature and extent of his business, and states under oath that:

1. The intended positions will be cash-substitute positions.
2. The positions are kept in a special account on the books of a clearing member.

3. The prospective applicant will comply with whatever limitations are applied by the Exchange with regard to said positions.
4. The applicant agrees to submit immediately a supplemental statement explaining any change in circumstances affecting his position.
5. The applicant complies with all other Exchange rules and requirements.
6. The positions are moved in an orderly manner in accordance with sound commercial practices, and are not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The applicant does not use said positions in an attempt to violate or avoid Exchange rules, or otherwise impair the good name or dignity of the Exchange.

The President shall, on the basis of the applicant and supplemental information which the Exchange may request, determine whether the positions shall be approved as cash-substitute positions. The President may impose such limitations as are commensurate with the liquidity of the markets and with the applicant's business needs, financial ability and personal integrity. The President and the Business Conduct Committee may, from time to time, review approvals and, for cause, revoke said approvals or place limitations thereon.

The applicant may appeal any decision of the President or the Business Conduct Committee to the Board. The applicant shall be exempt from emergency orders reducing speculative limits or restricting trading but only to the extent provided in such order and only if the approvals required by this rule are secured by the applicant.

(End Chapter 374)

**DISCLAIMERS RELATING TO CHAPTER 374**

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