

**[BY-LAWS (PARTS II, III AND IV)] RULES OF
CHICAGO STOCK EXCHANGE, INC.
[INCORPORATED]**

[which are known and designated as its

RULES]

Re-enacted as of insert date [December 8, 1976], as amended.

[BY-LAWS, PART II,] RULES OF GENERAL APPLICABILITY

ARTICLE I

[Membership]

[Qualifications]

Definitions

Definitions

RULE 1. Whenever and wherever used in these Rules, unless the context requires otherwise, the following terms shall have the respective meanings ascribed to them below:

a. “Affiliated person” shall include:

(i) any person directly or indirectly controlling, controlled by or under common control with a Participant, whether by contractual arrangement or otherwise, provided that the right to exercise investment discretion with respect to an account, without more, shall not constitute control;

(ii) any principal officer, stockholder or partner of such Participant or any person in whose account such person has a direct or material indirect beneficial interest; and

(iii) any investment company of which such Participant, or any person controlling, controlled by or under common control with such Participant is an investment adviser within the meaning of the Investment Company Act of 1940.

Transactions effected by any Participant with or for a nonaffiliated person pursuant to any agreement whereby two or more Participants (or a Participant and one or more members of another national securities exchange) are to effect transactions on this or other Exchanges with or for affiliated persons of each other shall be deemed to be transactions with or for an affiliated person.

b. “Associated Person” has the meaning set forth in Section 3(a)(21) of the Exchange Act.

c. “Board” means the Board of Directors of Chicago Stock Exchange, Inc.

d. “Commission” means the Securities and Exchange Commission.

e. “Control” means the power, directly or indirectly, to direct the management or policies of

a person, whether through ownership of securities, by contract, or otherwise. A person shall be presumed to control another person if such person:

(1) is a director, general partner or officer exercising executive responsibility (or having similar status or functions);

(2) directly or indirectly has the right to vote 25% or more of a class of a voting security or has the power to sell or direct the sale of 25% or more of a class of voting securities;

(3) is entitled to receive 25% or more of the net profits; or

(4) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 25% or more of the capital of the partnership.

f. “Exchange” means the Chicago Stock Exchange, Inc., a Delaware corporation as described in its Certificate of Incorporation and Bylaws, and a national securities exchange as that term is defined by Section 6 of the Exchange Act. The Exchange may also be referred to in these Rules as the “CHX.”

g. “Exchange Act” means the Securities Exchange Act of 1934, as amended.

h. “Floor” means the trading floor of the Exchange.

i. “Good Standing” shall refer to (a) a Participant that continues to satisfy all conditions for issuance of a Trading Permit (including financial condition) and that has not resigned, been suspended, expelled or declared legally incompetent; or (b) an individual whose associated Participant Firm is in good standing. A Participant Firm is not in good standing if it has deregistered, been suspended or expelled or has been in the process of liquidation for more than one year, or if the only Participant with which it is associated is not in good standing.

j. “Nominee” means an individual who is associated with and authorized by a Participant Firm to conduct business through the Exchange’s Trading Facilities and to represent such Participant Firm in all matters relating to the Exchange. A nominee shall be considered a “member” of the Exchange for purposes of the Exchange Act and shall be bound by the constitution, bylaws and Rules of the Exchange, and by all applicable rules and regulations of the Commission.

k. “Parent Firm” means a corporation or partnership which beneficially owns, directly or indirectly, equity securities representing 20% or more of the voting power in the election of directors of a Participant Firm, or such lesser percentage of such voting power as constitutes in the circumstances effective control of the Participant Firm.

l. “Participant” means any holder of a Trading Permit. A Participant shall be considered a “member” of the Exchange for purposes of the Exchange Act. If a Participant is not a natural person, the Participant may also be referred to as a “Participant Firm,” but unless the context requires otherwise, the term Participant shall refer to an individual Participant and/or a Participant Firm.

Unless the context otherwise requires, reference in these Rules to a Participant partnership or corporation shall include similar types of organizations (including without

limitation limited liability companies); reference to a partner, officer or director shall include similar types of individuals (including without limitation a managing member of a limited liability company); and reference to a partnership agreement or corporate organizational document shall include similar types of organizational documents (including without limitation an operating agreement of a limited liability company).

For purposes of these Rules, the principal officers of a Participant shall include the chief executive officer, president, executive vice president, treasurer, secretary or any other person performing a similar function for an incorporated or unincorporated organization. A principal stockholder of a Participant is any person, actively engaged in the business of the Participant and beneficially owning, directly or indirectly, more than 5% of the outstanding voting securities of a Participant, or 5% of the Participant's net worth, or a 5% interest in the Participant's net profits. A principal partner means a general or limited partner having an interest representing 5% of the voting power, or 5% of the net worth, or a 5% participation in the net profits, of a member firm.

For purposes of the Federal Election Campaign Act, 2 U.S.C. Section 431, a Participant which is a corporation shall not be deemed to be the Participant, but the Nominee thereof shall be.

m. "Trading Facilities" means all of the Exchange's facilities for the trading of equity securities, including Floor space provided by the Exchange and any and all electronic or automated order routing, execution and reporting systems provided by the Exchange.

n. "Trading Permit" means a permit issued by the Exchange, granting the holder a revocable license to execute approved securities transactions on the Exchange's Floor or through the Exchange's Trading Facilities, or to have those transactions executed on its behalf.

ARTICLE II

Participants

Qualifications

RULE 1. No person shall transact business on the Exchange unless they hold a valid Trading Permit. An applicant for a Trading Permit [membership] shall meet, and a Participant [member] shall continue to meet, the following basic qualifications:

Citizenship, Age and Form of Organization

(a) If an individual, an applicant or Participant [member] shall be of an age so as to be responsible for his or her contracts under the laws of the State or Country in which he or she engages in the securities business. If a partnership, an applicant or Participant [member] shall have at least two general partners. If a corporation, an applicant or Participant [member] shall be organized under the laws of one of the states of the United States, under the Canada Corporations Act or the incorporation statute of a Canadian province, or under a comparable statute of such other Country in which the corporation is domiciled. The Exchange may, in its discretion, and on such terms and conditions as the Exchange may prescribe, approve as a Participant Firm [member organization] entities that have characteristics essentially similar to corporations, partnerships or both, including limited liability corporations. Such entities, and persons associated therewith, shall, upon approval, be fully, formally and effectively subject to the jurisdiction of, and to the bylaws[Constitution] and Rules of, the Exchange to the same extent and degree as are any other Participants [members] organized as a corporation or partnership and persons associated therewith.

No Statutory Disqualification

(b) An applicant or Participant (including any Associated Person) may not be subject to statutory disqualification under Section 15 of the Exchange Act.

[Individual Member Functions]

(b) An individual member may function either (i) as a co-specialist, floor broker or registered market maker on the equity floor, or (ii) as a partner in a member firm in accordance with Article II or an officer in a member corporation in accordance with Article III. An individual member shall not transact business with the public as a sole proprietorship.]

[NOTE]

[The Rules of Chicago Stock Exchange, Incorporated became applicable to the operations of the Exchange and its membership upon the effectiveness of the incorporation of the Exchange at 4:00 p.m. (E.S.T.), March 30, 1972; The Rules of the incorporated Exchange are, however, in most respects the same as those previously in effect for the unincorporated Exchange. In order to continue to provide users of the GUIDE with information concerning the dates of amendments to the Rules of the Exchange, previously published notations of dates of amendments adopted by

the unincorporated Exchange have been retained. The notation “Amended March 30, 1972” following a Rule indicates that the Rule was adopted or revised in connection with the incorporation of the Exchange. Minor editorial changes in Rules previously in effect for the unincorporated Exchange have been made, without any such notation, in order to change references to “member firm or “member corporation” to “member organization.”]

Primary Purpose of Participant [Membership]

(c) The primary purpose of every Participant [member organization] shall be the transaction of business as a broker or dealer in securities. With prior approval of the Exchange, Participants [member organizations] may engage in any activities substantially related [kindred] to the securities business.

(1) (a) Any transaction for the account of a parent firm (as defined in Rule 1(k)[2] of this Article[III]) not organized and doing business in the United States or Canada which, under the laws or customs of the country of its organization or principal place of business, may act as a broker or dealer in securities and which is acting in such transaction as agent for a non-affiliated customer of such parent firm shall be deemed public business, provided that the Participant [member or member organization] shall provide the Exchange with such information and documents as it may request in order to verify the public nature of such transactions.

(b) Any transaction effected on another national securities exchange which, under the rules of such other exchange, is counted toward satisfaction of a public securities business requirement imposed by the rules of such other exchange shall be deemed public business, whether or not such transaction would otherwise be counted toward satisfaction of the public securities business requirement of this Rule.

[(2) For purposes of subparagraph (c)(1) of this Rule, an “affiliated person” of a member or member organization shall include]

[(i) any person directly or indirectly controlling, controlled by or under common control with such member or member organization, whether by contractual arrangement or otherwise, provided that the right to exercise investment discretion with respect to an account, without more, shall not constitute control;]

[(ii) any principal officer, stockholder or partner of such member or member organization or any person in whose account such person has a direct or material indirect beneficial interest; and]

[(iii) any investment company of which such member or member organization, or any person controlling, controlled by or under common control with such member or member organization is an investment adviser within the meaning of the Investment Company Act of 1940.]

[(3) For purposes of subparagraph (c)(2) of this Rule

(i) a person shall be presumed to control another person if such person has a right to participate to the extent of more than 25 per cent in the profits of such other person or owns beneficially directly or indirectly, more than 25 per cent of the outstanding voting securities of such person;]

[(ii) the principal officers of a member organization include the president, executive vice president, treasurer, secretary or any other person performing a similar function for an incorporated or unincorporated organization. A principal stockholder or partner of a member or member organization is any natural person, actively engaged in the business of the member or member organization and beneficially owning, directly or indirectly, more than five per cent of the outstanding voting securities of a member organization or having the right to participate to the extent of more than five per cent in the profits of such member or member organization.]

[(4) Notwithstanding any other provision of this Rule to the contrary, any applicant or member or member organization which does not comply with the requirements of paragraph (c)(1) of this Rule and which acquired membership on the Exchange prior to January 16, 1973, shall nevertheless be presumed to have, as the principal purpose of its membership, the conduct of a public securities business if]

[(i) within 30 days after the effective date of this Rule or upon admission to membership such member or member organization shall furnish a written commitment to the Exchange to make good faith efforts to comply with the requirements of paragraph (c)(1) of this Rule, accompanied by a written plan setting forth in detail those steps such member or member organization intends to take to comply with such requirements, and]

[(ii) such member or member organization shall file with the Exchange a statement, setting forth the steps which have been taken leading toward compliance with the requirements of paragraph (c)(1) of this Rule, together with an updated plan, specifying all further action such member or member organization intends to take to achieve such compliance.]

[No plan filed with the Exchange pursuant to this Rule shall be deemed to satisfy the requirements hereof unless the plan has been declared effective by the Exchange after the Exchange has first reviewed the plan and determined that it is reasonably calculated to enable such member or member organization to comply with the requirements of paragraph (c)(1) of this Rule.]

[(5)] (2) A Participant [member or member organization] meeting the foregoing qualifications as to [the] its principal purpose [of its membership] shall not be ineligible for a Trading Permit [membership] by reason of engaging in any other aspect of the securities business (unless in violation of other Rules or written policies of the Exchange), the commodities business, or, to the extent permitted by Article XVI, the insurance business, but a Participant [it] may not engage in any business or businesses other than the foregoing without the express approval of the Exchange.

Experience and Knowledge of Securities Business

(d) The active principals and branch office managers of a Participant Firm [member organization] shall have adequate experience in and knowledge of the securities business to comply with the Rules and policies of the Exchange and to properly serve the public. Whenever the Exchange determines that such experience or knowledge is inadequate, such persons may be required to take appropriate examinations or courses of instruction.

Net Worth of Individuals

(e) An individual applicant for a Trading Permit [membership] or nominee shall have a liquid net worth of at least \$10,000 over and above the cost of the Trading Permit [membership]; and if he is not a partner or an officer of a Participant Firm [member organization] that is subject to Rule 3 of Article XI, he shall at all times maintain a liquid net worth in such amount.

Capital Requirements for Participants [Member Organizations]

(f) Each Participant [member or member organization] subject to Rule 15c3-1 promulgated under the [Securities] Exchange Act [of 1934], shall comply with the capital requirements prescribed therein.

The Exchange may at any time or from time to time with respect to a particular Participant [member or member organization] or all Participants [members of member organizations or a new member or member organization] prescribe greater net capital or net worth requirements than those prescribed under this Rule including more stringent treatment of items in computing net capital or net worth.

Responsibilities of Foreign Participants [Members]

(g) A Participant [member or member organization] which does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the [Securities and Exchange] Commission and the Exchange must:

(i) prepare all such reports, and maintain a general ledger chart of accounts and any description thereof, in English and U. S. dollars;

(ii) reimburse the Exchange for any expenses incurred in connection with examinations of the Participant [member or member organization] (a) to the extent that such expenses exceed the cost of examining a Participant [member] located within the continental United States in the geographic location most distant from the principal office of the Exchange or, (b) in such other amount as the Exchange may deem to be an equitable allocation of such expenses;

(iii) ensure the availability of an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of the Exchange during

examinations; and

(iv) utilize, either directly or indirectly, the services of a broker/dealer registered with the [Securities and Exchange] Commission, a bank or a clearing agency registered with the [Securities and Exchange] Commission located in the United States in clearing all transactions involving members of the Participant corporation, except where both parties to a transaction agree otherwise.

Additional Requirements

(h) An applicant or Participant Firm [member] which is a partnership or corporation shall also comply with the Rules under Article III. [An applicant or member which is a corporation shall also comply with the Rules under Article III.]

••• *Interpretations and Policies:*

[.01 Definition of “affiliated person” (subparagraph (c) (3)).

In connection with the definition of “affiliate” in paragraph (c)(3), the following special provisions will apply in the circumstances indicated:

Transactions effected by any member or member organization with or for a nonaffiliated person pursuant to any formal or informal agreement, arrangement or understanding whereby two or more members or member organizations (or a member or member organization of the Exchange and one or more members or member organizations of other national securities exchanges) are to effect transactions on this or other exchanges with or for affiliated persons of each other shall be deemed transactions with or for an affiliated person.]

.01[2] Banks and Bank Holding Companies as Participant Firms[Member Organizations].

At least until pending legal and legislation questions affecting such Participants[memberships] are clarified, the Exchange will not approve a bank or bank holding company as a Participant Firm[member organization].

Rights and Privileges of Participants [Membership]

RULE 2. (a) A Trading Permit confers on a Participant the revocable license to execute approved securities transactions on the Exchange’s Floor or through the Exchange’s Trading Facilities, or to have those transactions executed on its behalf. An individual Participant may function either (i) as a co-specialist, floor broker or registered market maker; or (ii) as a partner or officer of a Participant Firm. An individual Participant shall not transact business with the public as a sole proprietor.

[A membership shall not be subject to assignment or transfer without the consent of the Exchange. The Exchange shall never be required to recognize any interest in a membership except that of its owner as registered with the Exchange. A nominee or voting designee designated by a member organization is not an owner.] No rights shall be conferred [acquired] by the issuance [ownership] of a Trading Permit [membership] except those set forth in the Rules

of the Exchange [Article IX of the Constitution].

(b) Only Participants [members and member organizations] in Good Standing may enjoy the rights and privileges of being a Participant [membership], may hold themselves out for any purpose as Participants [members, member organizations] or otherwise affiliated with the Exchange, and may deal on or with the Exchange on any basis other than as non-[member]Participants, except as otherwise provided in the bylaws[Constitution] or these Rules. [A member is not in good standing if he has voluntarily resigned, if he has been suspended, expelled or declared legally incompetent, or if the member organization with which he is associated is not in good standing. A member organization is not in good standing if it has voluntarily deregistered, if it has been suspended or expelled or has been in process of liquidation for more than one year, or if the only member with which it is associated is not in good standing.]

(c) A Participant [member or member organization] not in good standing shall continue to be liable for financial obligations accruing prior to revocation of the Participant's Trading Permit [membership dues until his or its membership has been transferred] and may be proceeded against for any violation of the bylaws[Constitution] or Rules [or] committed by him or it either before or after he or it was deemed not in good standing, in all respects as if he or it were in good standing.

(d) No applicant shall become a Participant until its application is approved and the Applicant has filed with the Exchange a written pledge to abide by the Rules of the Exchange as now existing and as from time to time amended. In the case of a Participant Firm, such pledge shall be in the form of a certified resolution and shall bind the Participant Firm and present and future partners, officers, directors or principals.

(e) All trading permits must be held by an active Participant or must be held by an active Participant Firm, where the Participant Firm has assigned an active Participant as its Nominee. No Participant or Participant Firm shall hold more trading permits than are necessary to the conduct of business on the Exchange.

[Transfer Fee]

[RULE 3. A transfer fee of \$200 plus 10% of the purchase price of the membership with a maximum of \$1,000 shall be paid by the applicant at the time of application, except that the transfer fee shall be \$200 where a membership is transferred from a partner in a member firm to the firm or to one of his general partners, from an officer or director of a member corporation to the corporation or to a senior officer in the same member corporation.]

[Election and Pledge]

[RULE 4. No applicant shall become a member or member organization until elected to membership and until there shall have been filed with the Secretary of the Exchange a written pledge to abide by the Constitution and Rules of the Exchange as now existing and as from time to time amended. Such pledge shall bind not only the member but his heirs, legal representatives

and assigns. In the case of a partnership, such pledge shall bind the firm and present and future partners. In the case of a corporation, such pledge shall bind the corporation, its officers and directors and there shall be filed therewith a certified copy of a resolution of the board of directors of the corporation so providing.]

[Procedure of] Application Procedure

RULE 3 [5]. Applications for Trading Permits shall be made according to the following procedures:

Application

(a) Each application for a Trading Permit [membership, or an application to become an Approved Lessor,] shall be made in writing and be filed with the Secretary of the Exchange [together with the names of two sponsors who shall be responsible individuals who have known the applicant sufficiently well and over a long enough period of time that they can unqualifiedly endorse the character and integrity of the applicant from their personal knowledge of him and of his business connections]. All applications shall be investigated by the staff to determine if the applicant meets the requirements for Participants [membership or as an Approved Lessor].

Staff Determination

(b) If the staff determines that the applicant is not qualified to hold a Trading Permit [for election to membership or approval as an Approved Lessor], the applicant shall be sent a statement of reasons therefor and may, within 15 days of the receipt thereof, file a request with the Executive Committee that it consider his or its application together with a written statement indicating why in his or its opinion the staff determination is in error [or insufficient to preclude the issuance of a Trading Permit [his or its election to membership or approval as an Approved Lessor]].

Notice and Posting

(c) If the staff preliminarily determines that the applicant is qualified to hold a Trading Permit [for membership or approved as an Approved Lessor] or if the applicant files a request with the Executive Committee pursuant to paragraph (b), the name of the applicant [the sponsors' names and the name of the member or member organization from which the membership is to be transferred] shall be posted upon the bulletin board on the Floor of the Exchange for ten business days and notice thereof mailed to all Participants [the members].

Term of Trading Permit

(d) Unless otherwise suspended, revoked or terminated in accordance with these Rules, a Trading Permit shall remain valid for a term of one year following its issuance date. A valid Trading Permit shall automatically renew for an additional one-year term on each anniversary of the issuance date, unless the Participant has provided sixty days' prior written notice to the Exchange of the Participant's waiver of renewal, in which case the Trading Permit will automatically expire on the anniversary of the issuance date.

Posting and Voting on Trading Permit Application [Membership]

RULE 4 [6]. During the posting period for a [membership] Trading Permit application pursuant to Rule [5] 3 of this Article, [or an application to become an Approved Lessor,] any Participant [member] may file an objection to the application [the election of the applicant to membership or as an Approved Lessor] with the Chairman of the Executive Committee. The applicant shall be sent a statement of reasons for such objection and may, within 10 business days of the receipt thereof, file a written response thereto with the Executive Committee.

If the staff made a preliminary determination that the applicant is qualified to hold a Trading Permit [for membership], if no objections were filed during the posting period, and if no material information that adversely reflects upon the applicant comes to the attention of the staff before the expiration of the posting period, the Trading Permit [membership transfer] shall automatically become effective at the opening of business on the first business day after the expiration of the posting period. If all three of these conditions are not present for a particular applicant, the staff shall so notify the applicant of such fact and the Executive Committee shall consider the posted application and vote upon the application [applicant for membership, or an application to become an Approved Lessor]. The affirmative votes of a majority of the members of the Executive Committee present at the time of voting shall be required to approve the application. [elect. These transfers become effective upon election to membership or upon approval as an Approved Lessor.]

In the event the applicant does not receive such majority vote, he, she or it shall have the right to a hearing before the Executive Committee, conducted in accordance with procedures set forth in a notice of such hearing to be given to the applicant. Following the hearing, the Executive Committee shall again vote upon the applicant, a majority vote of the members of the Executive Committee present at the time of voting being required to elect. The decision of the Executive Committee shall be final.

[Organization Membership]

[RULE 7. If the applicant for membership be a partnership or a corporation it shall designate in writing filed with the Secretary of the Exchange a nominee, or nominees, if applicable, and a voting designee, each of whom shall satisfy the requirements of Rule 13 of Article II (in the case of member firms) or Rule 12 of Article III (in the case of member corporations). Such designations shall be subject to approval by the Exchange in accordance with the procedures set forth in Rules 5 and 6 of this Article, and, subject to such approval, each nominee and voting designee shall have the authority, rights and privileges provided by Rule 13 of Article II or Rule 12 of Article III. Except as specifically provided otherwise, the word “member” wherever used in the Rules shall include and also mean the nominee of a member organization but shall not include the voting designee if a different person.]

••• *Interpretations and Policies:*

[.01 For purposes of the Federal Election Campaign Act, 2 U.S.C. Section 431, a member

organization which is a corporation shall not be deemed to be the member, but the nominee thereof shall be.]

Registration of Participant Firms [Member Organizations]

RULE 5 [8]. Every individual holder[owner] of a Trading Permit [membership] who becomes a general partner in a non-Participant [member] firm or an officer or director of a non-Participant [member] corporation dealing in securities shall apply for registration of the firm or corporation as a Participant Firm [member organization], in accordance with the procedures set forth in Rules 3 [5] and 4 [6] of this Article. If the Exchange declines to approve such registration, the individual Participant [member] shall withdraw from the firm or resign from the corporation or dispose of his Trading Permit [membership]. Unless the context otherwise indicates, the term “Participant Firm [member organization]” as used in the Rules shall include and mean a firm or corporation so registered by an individual Participant [member].

[Not Liable for Purchase or Sale of Membership]

[RULE 9. As a convenience to buyers and sellers, the Secretary of the Exchange may assist in arranging the purchase or sale of memberships but he shall be under no liability so to do. Nor shall he or the Exchange be held liable for the failure of the consummation of any membership transfer, regardless of the cause of such failure.]

Transfers of Trading Permits [Memberships]

RULE 6 [10]. Except as provided below, a Trading Permit is a license [A membership is a privilege] which cannot be transferred, by purchase, sale, assignment, lease or other transfer arrangement. The Exchange shall not be required to recognize any agreement or instrument entered into or executed by a Participant which purports to transfer or assign any interest in a Trading Permit, or which purports to create any lien or other right with respect to the Trading Permit, or which purports, in any manner, to provide for the disposition of the Trading Permit to a Participant's creditor.

A Participant Firm may transfer its Trading Permit from the name of one Nominee employee to the name of another Nominee employee. The Participant Firm shall submit to the Exchange the name of the proposed transferee Nominee and, if the proposed Nominee is not in the control of a Participant Firm or otherwise a registered employee, shall submit all information required for the Exchange to conduct an investigation of the proposed Nominee. The proposed transfer shall not become effective until the Exchange approves the intrafirm transfer of the Trading Permit to the name of the proposed Nominee. [until the transferee shall have been elected a member or member organization. All bids for, and offerings of, memberships shall be submitted to and will be processed by the Exchange in accordance with procedures that shall from time to time be established by the Executive Committee. All contracts for the sale of memberships shall be approved by the Exchange. A sale or transfer of a membership without Exchange approval shall confer no rights on the purchaser or transferee to become a member, to exercise any rights of membership or otherwise to deal on or with the Exchange on a basis other than that of a non-member. Transference pursuant to Article IA, whereby the transferor retains the right to reacquire the membership, must be in accordance with the requirements of the Exchange and the terms of all such arrangements must be approved by the Exchange. A sale or transfer of a membership, including transfers pursuant to Article IA, shall not be approved by the Exchange if the transferee (or the Lessor in the case of transfers pursuant to Article IA), together with any person who directly or indirectly controls or is controlled by, or is under common control with, the transferee or Lessor, as the case may be, owns or has the voting power of 10% or more of the outstanding memberships of the Exchange, unless this requirement is waived by the Board for good cause shown.]

[••• *Interpretations and Policies:*

.01 The Executive Committee has adopted the following procedure for processing transfers of memberships:

All bids for, and offerings of, memberships will be submitted to, and processed by, the Exchange's Membership Department. No private negotiations and/or sales of memberships will be allowed without the written approval of the Exchange, and any sale contracts resulting from such private negotiations may be nullified by the Exchange.

Applicants for membership will not be permitted to enter a bid for a membership until the staff has determined from the application submitted that no statutory bar to membership exists or, in the case of Approved Lessors, that they have complied with all prerequisites to becoming an Approved Lessor as set forth in the Rules.

Any contract for the sale of a membership, which contract has been made by the Exchange on behalf of the buyer and seller, will remain in force for the ten business days next following the date on which the contract was executed. Such contract will be extended beyond the original termination date only if both parties agree in writing to such an extension and to a new termination date.]

[.02 Transfers, pursuant to Article IA, whereby the transferor retains the right to reacquire the membership, will not be processed by the Exchange's membership Department unless the transferor is current in all filings and payments of dues, fees and charges relating to that membership, including filing fees and charges required by the Securities and Exchange Commission and the Securities Investor Protection Corporation.]

[.03 Suspension of Membership Market. Effective August 5, 2004, the Exchange will not approve the transfer of a membership by any member or approved lessor. This prohibition shall remain in effect until the earlier of (a) the date of issuance (to CHX members and approved lessors) of disclosure documents relating to a proposed demutualization transaction or (b) the Exchange's determination that it will not seek approval of a demutualization transaction.]

[.04 No approval of new approved lessors. Effective October 26, 2004, the Exchange will not approve the transfer of a membership to a person or firm who seeks to become an approved lessor, but who is not already the owner of a CHX membership, unless that person or firm qualifies as an accredited investor. This policy will end if and when the Exchange determines that it will not seek approval of the demutualization transaction.]

Termination of Trading Permit by Participant [Selling of Membership]

RULE 7 [11]. A Participant who has been issued a Trading Permit may request that the Exchange terminate the Trading Permit by providing written notice to the Exchange in a manner approved by the Exchange. Subject to Article XIV, Rule 10, termination of the Trading Permit at the Participant's request does not discharge the Participant from any financial or other obligations to the Exchange that accrued prior to termination of the Trading Permit.

[The Chief Executive Officer shall sell the membership of a member or member organization or an Approved Lessor under any of the following circumstances:]

[1. The legal representative of a deceased or incompetent member has failed to consummate a sale of the membership within six months of the member's death or insanity or within such extended time as may have been granted such legal representative by the Exchange.]

[2. The member organization owning a membership has been in process of liquidation for more than six months without having sold the membership owned by it.]

[3. The member or member organization has been found to be insolvent and has not been

reinstated to membership within six months of its insolvency or such further period as may have been extended it in writing by the Exchange.]

[4. The member or member organization which has been suspended for reasons other than insolvency fails to obtain reinstatement at the expiration of the period for which he or it has been suspended.]

[5. The member or member organization has been expelled from the Exchange.]

[6. An Approved Lessor has not entered into an acceptable financing arrangement or lease within the time period permitted under Article IA, Rule 1(e), or any information provided by Lessor to the Exchange in its application to become an Approved Lessor is not true and correct or Approved Lessor omits information required to be disclosed in such application or the Approved Lessor no longer meets the qualifications to be an Approved Lessor.]

[Proposed Intent to Transfer Membership]

[RULE 12. A member or member organization proposing to transfer his or its membership shall not, after the posting of notice of the proposed transfer, make any contract on the Exchange for settlement on or subsequent to the tenth business day after such posting, unless such member is a general partner in a member firm or an officer in a member corporation which will continue to be a member firm or member corporation notwithstanding the completion of such transfer, in which case such member may make contracts on behalf of any member organization whose status as such will continue subsequent to the date of the completion of such transfer.]

[Maturation of Transferring Member Exchange Contracts]

[RULE 13. All open Exchange Contracts of a transferring member or member organization shall mature on the full business day preceding the tenth business day after the posting of the proposed transfer, unless such organization will continue to be a member organization notwithstanding the completion of such transfer, and if not settled before 1:15 P.M. of such preceding full business day, shall be closed out as in the case of an insolvency unless the same are assumed or taken over by another member or member organization.]

[Distribution of Proceeds]

[RULE 14. (a) Upon any transfer of a membership, whether made by a member or his legal representative or by a member organization or by an Approved Lessor, or by the Chief Executive Officer pursuant to the provisions of the Constitution and Rules, the proceeds thereof shall be applied by the Exchange for the following purposes and in the following order of priority:]

[Exchange Charges

1. The payment of such sums as the Chief Executive Officer shall determine are or may

become due to the Exchange from the member or member organization or Approved Lessor whose membership is transferred or from a member firm in which the transferring member is a general partner or from the member corporation in which the transferring member is an officer or director.]

[Stock Clearing Charges

2. The payment of such sums as the Chief Executive Officer shall determine are or may become due to the Midwest Clearing Corporation, Midwest Securities Trust Company, or any corporation, a majority of whose voting stock is owned by the Exchange, from the member or member organization or Approved Lessor whose membership is transferred or from a member firm in which the transferring member is a general partner or from the member corporation in which the transferring member is an officer or director.]

[Floor Charges

3. The payment of such sums as the Chief Executive Officer shall determine are due by such member or member organization to other members or member organizations as a result of losses arising directly from the closing out under the Constitution and Rules of contracts entered into in the ordinary course of business on the Floor of the Exchange for the purchase, sale, borrowing or loaning of securities. There shall not be allowed as entitled to priority in payment under subsection 3 any claim otherwise allowable under this subsection, with respect to which the claimant, in the opinion of the Chief Executive Officer, did not take promptly all other proper steps under the Constitution and Rules to protect his or its rights and to enforce such claim when due. No claim asserted under subsection 3 shall be considered by the Chief Executive Officer nor shall any member or member organization asserting such a claim have any rights thereunder, unless a written statement of such claim shall have been filed with the Secretary of the Exchange prior to the transfer of the membership against which the claim is being made. If the proceeds of the transfer of a membership are insufficient to pay in full all claims allowed under this subsection 3, payment shall be made pro rata upon all such allowed claims.]

[Contingent Claims

4. If a claim is contingent or the amount that ultimately will be due thereon cannot, for any reason, be immediately ascertained or determined, the Chief Executive Officer in his sole discretion may, out of the proceeds of the transfer of the membership, reserve and retain for later distribution in accordance with the Rules such amount as he may deem appropriate, pending the determination of the amount due on such claim.]

[Unusual Expenses Incurred with Litigation

5. After provision for the payment of the sums payable under subsections 1, 2 and 3 hereof and provision for the reserve, if any, under subsection 4 hereof, there may, in the discretion of the Chief Executive Officer, be deducted from the remaining proceeds and paid to the Exchange the amount of any unusual expenses incurred by the Exchange in connection with litigation involving the disposition of such proceeds, including counsel's

fees and disbursements and the cost of producing records pursuant to a court order or other legal process.]

[Surplus After Claims

6. (a) The surplus, if any, of the transfer of a membership, after provision for the payment of the sums provided under subsections 1, 2 and 3 and the setting aside of the reserve under subsection 4 hereof, shall be paid to the member or member organization or Approved Lessor whose membership is transferred, or to his or its legal representatives, upon the execution and delivery to the Exchange by him or it of a release or releases satisfactory to the Chief Executive Officer, unless the Chief Executive Officer, in his discretion, determines that the protection of the creditors of the member or member organization or Approved Lessor requires the use of said surplus or any part thereof.

(b) Amounts held on deposit with a bank or trust company in escrow pursuant to Paragraph (b)(2) of 17 CFR 240.15c3-1 shall be applied by the Exchange to the purposes and in the order of priority set forth in Paragraph (a) of this Rule. A copy of the escrow agreement and any changes thereto must be filed with the Exchange.]

[Recognition of Agreements of Purported Transferees]

[RULE 15. No recognition or effect need be given by the Exchange to any agreement or to any instrument entered into or executed by a member or his legal representatives or a member organization or an Approved Lessor which purports to transfer or assign the interest of such member or member organization or Approved Lessor in his or its membership, or in the proceeds or any part thereof, or which purports to create any lien or other right with respect thereto, or which purports in any manner to provide for the disposition of such proceeds to a creditor of such member or member organization or Approved Lessor, nor shall payment of such proceeds be made by the Exchange on the order of such member or member organization or Approved Lessor except in its sole discretion, and then only upon receipt of a release or releases satisfactory to the Chief Executive Officer.]

[Sum Payable Out of Proceeds of a Membership]

[RULE 16. If the amount of any sum payable out of the proceeds of a membership or the escrow account provided for in Rule 14(6)(b) of this Article cannot, for any reason, be immediately ascertained and determined, the Chief Executive Officer may reserve and retain such amount as he may deem appropriate, pending determination of the amount so payable.]

Suits Against Officers, Directors and Staff

RULE 8 [17]. No Participant [member or member organization or an Approved Lessor] shall institute a lawsuit or any other type of legal proceeding against any officer, director, committee member, employee or agent of the Exchange or any of its subsidiaries or any other Exchange official, for actions taken or omitted to be taken in connection with the official business of the Exchange or any affiliate, including without limitation CHX Holdings, Inc.

[subsidiary], except to the extent such actions or omissions constitute violations of the federal securities laws for which a private right of action exists and except, with respect to Directors of the Exchange, to the extent such limitation is prohibited by Delaware law and the Exchange's Certificate of Incorporation.

Limitation of Liability

RULE 9 [18]. (a) The Exchange shall use its best efforts to perform its duties and responsibilities in the manner specified in the Rules but shall have no liability to any Participant [member or member organization or an Approved Lessor] for any loss, cost, expense, damage or liability for non-performance or misperformance of such duties and responsibilities, except to the extent that it is attributable to the willful misconduct, gross negligence, bad faith, or fraudulent or criminal acts of the Exchange or its officers, employees or agents. The limitation of liability set forth in this paragraph shall not apply to violations of the federal securities laws.

(b) The provisions of paragraph (a) of this Rule shall be in addition to, and not in any way a limitation of, Sec. 5 of Article VI[X] of the Exchange's bylaws[Constitution].

(c) Any Participant [member or member organization or an Approved Lessor] who fails to prevail in a lawsuit or administrative adjudicative proceeding instituted by that Participant [member or member organization or an Approved Lessor] against the Exchange or any of its officers, directors, committee members, employees or agents, shall pay to the Exchange all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed Fifty Thousand Dollars (\$50,000.00). This provision shall not apply to internal disciplinary actions by the Exchange or administrative appeals.

[ARTICLE IA]
[Approved Lessors]
Entire article to be deleted

[Qualifications]

[RULE 1. (a) A person or entity (a “Lessor”) who desires to purchase a membership on the Exchange for the sole purpose of providing a financing mechanism for another person or entity that desires to become a “member” or “member organization” (a “lessee”) may do so upon approval by the Exchange in accordance with Article I, Rules 5 and 6. Once a Lessor has registered with and been approved by the Exchange, the Lessor shall become an “Approved Lessor.” A person that desires to obtain title to a membership by transfer from an Approved Lessor must also register as an Approved Lessor and be approved in accordance with Article I, Rules 5 and 6, unless such person registers as a “member” or “member organization” of the Exchange. An Approved Lessor shall not be considered a “member” or “member organization” for any purpose, including but not limited to, for purposes of the Federal securities laws, or the Exchange’s Certificate of Incorporation, Constitution and Rules; provided, however, that Approved Lessor will possess liquidation rights set forth in the Certificate of Incorporation and Constitution as the owner of the membership and, if in good standing as an Approved Lessor, shall be entitled to vote on such liquidation. A Lessor and an Approved Lessor shall have no other voting rights except as specifically set forth in Rule 2(h) of this Article.]

[(b) A Lessor shall not be registered as an Approved Lessor if Lessor, or any entity with which Lessor is associated, or if Lessor is not a natural person, if Lessor, any director, officer, partner or employee of Lessor, or any person who directly or indirectly controls or is controlled by, or is under common control with Lessor:

(i) is the subject of, or is a party to, a disciplinary, administrative or injunctive proceeding by the Securities and Exchange Commission, the Commodity Futures Trading Commission, any other federal agency or the attorney general or regulatory authority of any state, territory, possession, the District of Columbia or any domestic or foreign securities, options or commodity exchange, clearing organization, contract market or self-regulatory organization or any domestic or foreign professional accounting, banking, securities, finance, commodities, insurance, law or real estate association (collectively, “Regulatory Entity”);]

[(ii) has not paid any dues, fines, charges, or other debts to any Regulatory Entity;]

[(iii) has ever been subject to an expulsion, bar, denial (including withdrawal of an application for cause or denial of trading privileges), suspension, restriction or revocation of membership or registration, permanent or temporary injunction (involving embezzlement, theft, fraud, misappropriation of funds, forgery, counterfeiting, false pretenses, securities or commodities), cease and desist order by, any Regulatory Entity;]

[(iv) has ever been convicted or found guilty of, or pleaded guilty or nolo

contendere to any felony in a federal, state or foreign court; or]

[(v) is subject to a statutory disqualification as defined under the Securities Exchange Act or the Commodities Exchange Act.]

[The Exchange may waive any of the above provisions under appropriate circumstances.]

[(c) A Lessor shall not be registered as an Approved Lessor unless a standard form Subordination and Sale Agreement, as described in Rule 3 of this Article, has been executed, filed with, and approved by the Exchange. When the Approved Lessor enters into a financing or lease agreement, a copy must also be filed with, and approved by, the Exchange.]

[(d) If a Lessor is a natural person, he shall file with the Exchange a completed Form U-4 (Uniform Application for Securities Industry Registration) for informational purposes only, and, if associated with an entity, a completed Form BD for the entity for informational purposes only. If the Lessor is not a natural person, it shall file with the Exchange a completed Form BD, including all schedules thereto, for Lessor, and a completed form U-4 for any person that controls, is controlled by or is under common control with Lessor, for informational purposes only. Lessor must also affirmatively disclose if any item in subsection (b) of this rule applies and must describe the facts and circumstances relating to such disclosure. An Approved Lessor shall notify the Exchange in the event that any prior disclosure becomes inaccurate or incomplete, or if any item in subsection (b) becomes applicable.]

[(e) An Approved Lessor must enter into a financing arrangement or lease for its membership within 60 days after becoming registered with the Exchange as an Approved Lessor, provided, however, that, upon request of an Approved Lessor, the Exchange may extend such time period, from time to time, for good cause shown. In the event that a financing arrangement or lease is not entered into within this time period, the Exchange may dispose of the membership in accordance with Rules 11 through 16 of Article I.]

[••• *Interpretations and Policies:*

.01 For purposes of Rule 1 of this Article and Rule 10 of Article I, the term “control” shall mean the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. A person shall be presumed to control another person if such person:

(1) is a director, general partner or officer exercising executive responsibility (or having similar status or functions);

(2) directly or indirectly has the right to vote 5% or more of a class of a voting security or has the power to sell or direct the sale of 5% or more of a class of voting securities;

(3) is entitled to receive 5% or more of the net profits; or

(4) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 5% or more of the capital of the partnership.]

[Financing Agreements and Leases]

[RULE 2. A fully executed copy of the financing agreement (or lease) or any subsequent amendment thereto shall be filed with and approved by the Exchange prior to the effectiveness of the financing agreement (or lease) or any subsequent amendment thereto. A financing agreement or lease shall contain provisions addressing the following terms:

(a) The agreement shall not be effective unless the transfer of membership is approved under the Exchange's Rules for transfer of memberships.]

[(b) The agreement shall be subject to cancellation by the lessee upon at least 30 days' prior written notice to the Exchange and to the Lessor, except in case of the lessee's death or incompetency. Upon the lessee's death or incompetency, the lessee's legal representative shall give prompt notice of such event to the Exchange and the Lessor. The agreement shall be subject to cancellation by the Lessor upon at least 30 days' prior written notice to the Exchange and to the lessee.]

[(c) The agreement shall require the lessee to pay the Exchange or any of its affiliates all applicable dues, fees, charge, and other debts arising from the use of the membership and the lessee shall be liable for all such debts.]

[(d) The lessee shall not be permitted to transfer, to pledge, or otherwise to encumber title to the membership during the term of the lease.]

[(e) Upon the death or incompetency of the lessee, the expiration of the agreement, or the occurrence of any other event specified in such agreement terminating the agreement, title to the membership shall be transferred to the Lessor in accordance with the Exchange's Rules for transfer of memberships. However, Lessor may not exercise any of the privileges of membership unless Lessor satisfies all the requirements to become a "member" or "member organization" of the Exchange. In the event of a re-transfer, an Approved Lessor shall be responsible for all of the obligations arising out of obtaining the title (including payment of dues and/or fees) and shall enter into a new financing agreement or lease for the membership within a reasonable period of time, as determined by the Exchange. If no new financing agreement or lease is entered into, the Exchange may sell the membership in accordance with Article I of the Exchange's Rules.]

[(f) Upon any event specified in paragraph (e) of this Rule, the lessee or his legal representative shall not use the membership for any purpose without the written consent of the Lessor.]

[(g) The lessee shall be deemed to be a member or member organization of the Exchange for all purposes of the Exchange's Certificate of Incorporation, Constitution and Rules except as may be otherwise provided in the Constitution, Rules or Certificate of Incorporation.]

[(h) The lessee shall exercise all voting rights with respect to the membership except if the Approved Lessor is qualified as a member or member organization pursuant to Exchange rules based on another membership. In such event, the lease shall set forth voting rights of the respective parties, and, if the Approved Lessor is permitted to vote, shall set forth whether such voting ability is pursuant to a revocable or irrevocable proxy.]

[(i) The Exchange may dispose of a membership subject to a financing arrangement or lease in accordance with its Constitution and Rules.]

[Subordination and Sale Agreements]

[RULE 3. (a) The subordination and sale agreement shall be in a form acceptable to the Exchange. It shall be executed by the Lessor and filed with the Exchange with the accompanying executed financing agreement or lease pursuant to Rule 1 of this Article. If a financing agreement or lease has not yet been entered into, Lessor shall nonetheless execute the subordination and sale agreement and submit it to the Exchange. Another subordination and sale agreement must be executed when the financing agreement or lease is submitted to the Exchange for approval.]

[(b) The subordination and sale agreement shall authorize the Exchange to sell the membership (i) in the event it becomes necessary to satisfy the claims of creditors of the lessee and of any member or member organization with which lessee is associated arising out of the business transacted by the lessee during the term of the lease or (ii) pursuant to the provisions of the Constitution and Rules of the Exchange for any reason, including but not limited to, the non-payment by lessee of dues, fees, charges, or other debts. The agreement shall also contain a provision whereby the Lessor agrees that the membership and the proceeds of the sale of the membership shall be an asset of the lessee. Sales of memberships pursuant to this provision shall be conducted in accordance with the Constitution and Rules of the Exchange in the same manner as sales of memberships of members. Approved Lessors must also agree to be bound by the Certificate of Incorporation, Constitution and Rules of the Exchange relating to Approved Lessors, as such are amended from time to time, must designate an agent, located in Illinois, for the service of process and must consent to the jurisdiction of the state and federal courts located in Cook County, Illinois.]

[ARTICLE IB]
[E-Session Trading Privileges]
Entire article to be deleted
[Definitions]

[RULE 1. For purposes of this Article IB, the following terms shall have the meanings set forth below.

“Lease Agreement” is the agreement by which an E-Session Lessee may lease the E-Session Trading Privileges of an Exchange membership from an E-Session Lessor as described in Rule 7 herein.

“E-Session Lessee” is a person who has been approved by the Exchange to lease the E-session Trading Privileges of an Exchange membership.

“E-Session Lessor” is a person who is an Eligible Lessor as described in Rule 2 herein.

“E-Session Trading Privileges” are all the rights and privileges of an Exchange membership available to be leased for the E-Session. These are limited to access rights to the trading floor during the E-Session in the capacity of a floor broker or co-specialist only.

“E-Session” is the trading session commencing after the Post Primary Trading Session as determined by the Exchange.]

[Eligible E-Session Lessors]

[RULE 2. The trading floor access privileges of an Exchange membership may be leased for the E-Session from either an Approved Lessor or a member or member organization that leases its membership privileges to a lessee for the Primary Trading Session or by a member or member organization that owns a membership and uses the membership for his or its own purposes during the Primary Trading Session (each, an “Eligible Lessor”). An E-Session Lessee leasing the E-Session Trading Privileges of an Exchange membership either from an Approved Lessor or from a member or member organization may not sublease, sell or otherwise transfer such E-Session Trading Privileges to another member or member organization or another E-Session Lessee.]

[Eligible E-Session Lessees]

[RULE 3. (a) Any person or entity desiring to become an E-Session Lessee by leasing a membership for the E-Session must register with and be approved by the Exchange as a member or member organization in accordance with the Constitution and rules of the Exchange.

(b) Any person desiring to become an E-Session Lessee must execute a Lease Agreement. Such Lease Agreement must satisfy the conditions set forth in Rule 7 below.

(c) Any person desiring to become an E-Session Lessee must provide to the Exchange

evidence of an agreement with a registered clearing firm that has been approved by the Exchange. Such evidence may be in the form of a clearing agreement. The applicant must also provide proof that such clearing firm will guarantee the applicant's obligations for any and all losses incurred through his or its lease of the E- Session Trading Privileges.

(d) Such E-Session Lessee shall be considered a "member" or "member organization" for purposes of the federal securities laws, and the Exchange's Certificate of Incorporation, Constitution and rules, except as otherwise provided herein.]

[Voting Rights]

[RULE 4. The E-Session Lessee shall have no voting rights in connection with his or its interest in the membership. Any and all voting rights of a membership will be retained by the existing Voting Designee on such membership.]

[Termination]

[RULE 5. If the Exchange determines that termination of the E-Session Trading Privileges is in the best interests of the Exchange, the Exchange may unilaterally terminate such privileges for all E-Session Lessees upon 30 days' written notice.

Either the E-Session Lessor or the E-Session Lessee may terminate a Lease Agreement upon 30 days' notice to the other party and the Exchange.]

[Suspension of E-Session Lessee/Sale of Membership]

[RULE 6. The membership upon which the E-Session Trading Privileges of an E-Session Lessee are based shall not be considered an asset of the E-Session Lessee. In the event that an E-Session Lessee is suspended from membership in the Exchange, such suspension shall not affect the title to the membership upon which the E-Session Trading Privileges are based. In such event, the E-Session Lessor shall be free to re-lease the E-Session Trading Privileges associated with such membership to another E-Session Lessee or use the E-Session Trading Privileges associated with such membership for himself or itself. The Exchange and other creditors may not attach, sell or otherwise encumber the membership associated with the E-Session Trading Privileges based solely on the actions of an E-Session Lessee if such E-Session Lessee is not associated with the E-Session Lessor.]

[Leases]

[RULE 7. A fully executed copy of the lease or any subsequent amendment thereto shall be filed with and approved by the Exchange prior to the effectiveness of the lease or any subsequent amendment thereto. A lease shall contain provisions addressing the following terms:]

[(a) The agreement shall not be effective unless the E-Session Lessee is approved under the Exchange's rules as a member or member organization.]

[(b) The agreement shall be subject to cancellation by the E-Session Lessee upon at least 30 days' prior written notice to the Exchange and to the E-Session Lessor, except in case of the E-Session Lessee's death or incompetency. Upon the E-Session Lessee's death or incompetency, the E-Session Lessee's legal representative shall give prompt notice of such event to the Exchange and the E-Session Lessor. The agreement shall be subject to cancellation by the E-Session Lessor upon at least 30 days' prior written notice to the Exchange and to the E-Session Lessee.]

[(c) The agreement shall require the E-Session Lessee to pay the Exchange or any of its affiliates all applicable dues, fees, charges and other debts arising from the use of the E-Session Trading Privileges and the E-Session Lessee shall be liable for all such debts.]

[(d) The E-Session Lessee shall not be permitted to sell, transfer, to pledge, or otherwise to encumber title to the membership or the E-Session Trading Privileges during the term of the lease.]

[(e) Upon the death or incompetency of the E-Session Lessee, the expiration of the Agreement, or the occurrence of any other event specified in such Agreement terminating the Agreement, the E-Session Trading Privileges associated with a membership shall be returned to the E-Session Lessor. If the E-Session Lessor is an Approved Lessor, the E-Session Lessor may not exercise any of the E-Session Trading Privileges unless E-Session Lessor satisfies all the requirements to become a "member" or "member organization" of the Exchange. In the event of a return of such E-Session Trading Privileges to an Eligible Lessor, such Eligible Lessor shall be responsible for all of the obligations arising out of such return of such privileges (including payment of dues and/or fees).]

[(f) Upon any event specified in paragraph (e) of this rule, the E-Session Lessee or his legal representative shall not use the membership for any purpose without the written consent of the E-Session Lessor.]

[(g) The E-Session Lessee shall be deemed to be a member or member organization of the Exchange for all purposes of the Exchange's Certificate of Incorporation, Constitution and rules except as may be otherwise provided herein.]

[(h) The E-Session Lessee shall not be entitled to exercise any voting rights with respect to the membership.]

ARTICLE III
Participant Firms [Member Firms]

Acquisition of Trading Permit [Membership by General or Limited Partnership]

RULE 1. Subject to application to and approval by the Exchange, a general or limited partnership or a corporation may become a Participant Firm [member firm] by [acquiring direct ownership of] obtaining a Trading Permit [membership in the Exchange] or by its registration as a Participant Firm [member firm] on application of a Participant [member of the Exchange] who is or is about to become a general partner in the partnership or a duly elected officer of the corporation. A Participant [member] who intends to form a Participant Firm [member firm] or to admit any person to partnership in such a firm shall notify the Exchange in writing before such formation or admission becomes effective and shall submit such information in connection therewith as may be required by the Exchange.

[Definitions]

RULE 2. Reserved for future use.

[When used in this Article, unless the context otherwise requires—(1) The term “principal partner” means a general or limited partner having an interest representing 5% of the voting power, or 5% of the net worth, or a 5% participation in the net profits, of a member firm.]

Registration Requirements

RULE 3. No partnership or corporation shall be registered as a Participant Firm [member firm] unless it shall be actively engaged in the securities business as a dealer or broker. All of the principal officers and (unless otherwise approved by the Exchange’s Executive Committee) a majority of the directors of a member corporation shall be persons who are actively engaged in the conduct of a Participant Firm’s business.

Filing Requirements

[General Partners] Parties Bound by Rules of Exchange

RULE 4. All partnership articles, articles of incorporation, bylaws and all amendments thereto of a Participant Firm [member firm] for which this Exchange is the Designated Examining Authority (“DEA”) or of a Participant Firm[member firm] subject to examination by another self-regulatory organization not having a comparable rule shall be submitted to and be acceptable to the Exchange. A Participant Firm, for which the Exchange is the DEA, that is a corporation shall also file with the Exchange a current list an descriptive identification of all officers and directors, as well as evidence, satisfactory to the Exchange, that the officers of the Participant Firm are duly authorized to act for the Participant Firm in entering into contracts on the floor of the Exchange.

General partners or officers of [in] a Participant Firm [member firm] who are not themselves Participants [members of the Exchange], shall be bound by the bylaws[Constitution]

and Rules of the Exchange.

Exchange Not Bound by Partnership Agreement or Corporate Documents

RULE 5. Nothing contained in the partnership agreement, articles of incorporation, operating agreement resolutions, or bylaws of any Participant Firm [member firm], or any amendment thereto, shall be binding upon the Exchange or any of its present or future Participants [members or member organizations] other than the parties to such partnership agreement, corporate document or amendment. The fact that any such partnership agreement, corporate document or amendment may have been or may be submitted to the Exchange or any of its officers, employees or committees shall not constitute or operate as notice to the Exchange or any of its present or future Participants [members or member organizations] of any limitations contained in such partnership agreement, corporate document or amendment on the rights and powers of the partnership or corporation or the rights, powers, duties and obligations of any partner of such partnership or officer or director of such corporation in respect of his or its status as a Participant [membership in the Exchange or the rights of the Exchange or any of its present or future members or member organizations, under the Constitution or Rules of the Exchange, with respect to the proceeds from the sale of his or its membership. If required, the proceeds of the membership owned by a member or member organization shall always be available for the protection of his or its creditors].

Subordination of Claims

RULE 6. (a) A claim of any partner, stockholder, officer or director against a Participant Firm [member firm] in which he is [either] a general or limited partner, stockholder, officer or director shall be subordinate to all claims of customers and other Participants [members or member organizations] of the Exchange until such claims have been paid or provision for payment thereof shall have been made.

(b) Withdrawal of Capital—The partnership articles or organizational documents of each Participant Firm [member firm] for which this Exchange is the Designated Examining Authority shall contain provisions that without prior written approval of the Exchange the capital contribution of any person [partner] may not be withdrawn on less than six months' written notice of withdrawal given no sooner than six months after such contribution was first made. Each Participant Firm [member firm] shall promptly notify the Exchange of the receipt of any notice of withdrawal of any part of a person's [partner's] capital contribution or if any withdrawal is not made because prohibited under the provisions of [Securities and Exchange] Commission Rule 15c3-1 (see 15c3-1(e)).

Conducting Business as Partnership

RULE 7. Except as may be otherwise permitted by the Exchange, no Participant [member] shall conduct business under a partnership style unless he has at least one partner, nor shall any Participant Firm [member firm] doing business with the public have less than 2 general partners; provided, however, that if by death or otherwise only one general partner remains in the firm, he may continue business under the firm name for such period as may be allowed by the

Exchange.

Limitation on Interests in Other Organizations [Partners as Members]

RULE 8. No person shall at the same time be a partner, officer, director or stockholder in more than one Participant Firm [member firm, whether as a general or as a limited partner, nor shall he at the same time be an officer, director or stockholder of a member corporation], nor shall he be affiliated in any manner with a non-Participant partnership or corporation [member firm or non-member corporation] which is engaged in the securities business, unless such affiliation has been disclosed to and is approved by his Participant Firm [member firm].

A Participant Firm [member corporation] for which this Exchange is the Designated Examining Authority shall not be a subsidiary of a parent firm except in accordance with the following:

(1) A Participant Firm [member corporation] for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm if all requirements of the following paragraphs (i) through (iii) are met in addition to other applicable Rules in Article II[s I and III]:

(i) Each parent firm shall agree to file with the Exchange annual financial statements of itself and its other subsidiaries.

(ii) Each parent firm shall agree to file with the Exchange and keep current (A) a list and descriptive identification of its directors, principal officers and principal stockholders (if a corporation) or its principal partners (if a partnership), and (B) an identification of the types of businesses conducted by itself and its other subsidiaries. The principal officers or principal partners of the parent firm shall be bound by the bylaws[Constitution] and Rules of the Exchange.

(iii) Each parent firm shall agree to furnish to the Exchange such information regarding security transactions and related activities of itself and its other subsidiaries as may be required by the Exchange to insure compliance with its Rules.

(2) A Participant Firm [member corporation] for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm in such other circumstances and subject to such other limitations or conditions as the Board of Directors or Executive Committee may find appropriate.

No parent firm of a Participant Firm [member corporation] and no other subsidiary of such a parent firm shall engage in any aspect of the securities business or in any act, practice or course of conduct in connection with any aspect of the securities business which the Participant Firm [member corporation] itself would be prohibited from undertaking.

No Participant for which this Exchange is the Designated Examining Authority nor any partner, officer, director or principal stockholder of such Participant Firm, shall be affiliated with, or have any financial interest in, any other corporation or firm engaged in the securities

business, unless such affiliation or financial interest has been duly disclosed to and approved by the Participant Firm.

Notice of Death or Retirement of Partner

RULE 9. (a) A Participant Firm [member firm] for which this Exchange is the Designated Examining Authority shall give the Exchange immediate written notice of the death of any partner, officer or director and not less than 5 days' prior written notice of the retirement of any partner, officer or director or the dissolution of the firm.

(b) Upon the death or withdrawal as a general partner or officer of an individual Participant [member] who, at the time of his death or withdrawal, was a general partner or officer in a firm registered on the Exchange in which no other general partner or officer is a Participant [member of the Exchange] and which firm is not a Participant Firm [member firm] by direct ownership of a Trading Permit [membership in the Exchange], the status and privileges of a Participant Firm [member firm] may be extended to the continuing or successor firm. Such extension may be made by the Board of Directors or by the Chief Executive Officer. The extension of such privileges shall be only for such period of time as may be reasonably necessary to enable the partnership or corporation to acquire a Trading Permit [membership] in its own name or to enable it to become registered as a Participant Firm [member firm] by another individual Participant [member of the Exchange]. During the period of the extension of such privileges the continuing or successor firm shall have the obligations of a Participant Firm [member firm] and by the acceptance of the status and privileges accorded, the firm assumes all such obligations. [During such period the proceeds of the membership shall be, insofar as necessary, subject to the Constitution and Rules of the Exchange, an asset of the firm for the protection of its creditors.]

[Partnership] Affiliation with Suspended Participants [Members]

RULE 10. A Participant [member] shall not form a partnership or corporation with a suspended Participant [member of the Exchange] nor with any person who has been expelled from the Exchange nor with any insolvent person nor with any person who may have previously been a Participant [member of the Exchange] and against whom any Participant [member] holds a claim arising out of a transaction made during the time of such participation [membership] and which has not been released or settled in accordance with the Constitution and Rules of the Exchange.

Special or Limited Partner

RULE 11. A Participant [member] who is a special or limited partner in a partnership cannot confer any of the privileges of the Exchange on such firm.

Termination of Registration

RULE 12. The registration of a Participant Firm [member firm] by a Participant [member] may be terminated by the Exchange for cause it deems sufficient upon written notice to the Participant[member].

“Nominee” and “Voting Designee” of Participant Firm [Member Firm]

RULE 13. Designation

(a) A Participant Firm [member firm] which is such because of the direct ownership of a Trading Permit [membership] shall designate in writing filed with the [Secretary] Exchange a [n]Nominee and a [v]Voting [d]Designee (who may be the same or different persons). A Participant Firm [member firm] owning more than one Trading Permit [membership] may make the same or different designations for its several Trading Permits [memberships]. [Such] D[d]esignations of Nominees shall be subject to approval by the Exchange in accordance with the procedures set forth in Rules 2[5], [and] 3[6] and 6 of] Article II. The Exchange and all other persons shall be entitled to rely upon such designations until a substitute [n]Nominee or [v]Voting [d]Designee has been designated as provided by paragraph (e) of this Rule or until a new [n]Nominee or [v]Voting [d]Designee has been approved by the Exchange.

Nominees

(b) A [n]Nominee of a Participant Firm [member firm] shall have, subject to the provisions of the Constitution and Rules, all the privileges of an individual Participant [membership] and full authority to represent and act for the Participant Firm [member firm] in all Exchange matters (except those matters upon which the vote, consent or similar formal expression of the Participant Firm [member firm] is required or permitted or in connection with meetings of Participants [members] or the obtaining of any such consent or similar formal expression). Only such [n]Nominee may act as a broker for the Participant Firm [member firm] if it desires to effect transactions on the Floor without the services of another broker. The [n]Nominee of a Participant Firm [member firm] shall be one of its general partners or, with the approval of the Board of Directors, another person affiliated with such Participant Firm [member firm]. Except as otherwise specifically provided, the word “Participant” [member] whenever used in the Rules shall include and also mean the [n]Nominee of a Participant Firm [member] organization but shall not include the voting designee if a different person.

Voting Designees

(c) A [v]Voting [d]Designee of a Participant Firm [member firm] shall represent and act for the Participant Firm [member firm] with respect to any matter upon which its vote, consent or

similar formal expression is required or permitted and in connection with all meetings of Participants [members] and the obtaining of any such consent or similar formal expression. A [v]Voting [d]Designee of a Participant Firm [member firm] shall be one of its general partners, the chairman of its board, its president or one of its vice presidents.

Alternate Voting Designees

(d) If it elects to do so, a Participant Firm [member firm] may designate an alternate [v]Voting [d]Designee who shall have full authority to act instead of the [v]Voting [d]Designee.

Substitutes

(e) During the absence or disability of its regular [n]Nominee or [v]Voting [d]Designee (or both the [v]Voting [d]Designee and his alternate), a Participant Firm [member firm] may, with the consent of the Exchange, designate a substitute [n]Nominee or [v]Voting [d]Designee, provided the substitute meets the requirements of this Rule.

Limitations on Exchange Personnel

RULE 14. No officer or employee of the Exchange may be a general or limited partner, own or hold capital stock or have any direct or indirect financial interest in a Participant Firm [member firm]. An officer or employee of any corporation, a majority of whose capital stock is owned by the Exchange, shall be deemed to be an employee of the Exchange within the meaning of this Rule.

Transfer of Equity Securities of a Participant Firm

RULE 15. No Participant Firm for which this Exchange is the Designated Examining Authority and no officer, director or principal stockholder of such a Participant Firm shall, without the prior consent of the Exchange, sell, assign, transfer, pledge or hypothecate equity securities of the Participant Firm except to an officer, director or principal stockholder thereof; provided, however that such consent need not be obtained for any such transaction by an officer, director or principal stockholder involving less than 1% of a class of equity securities of the Participant Firm but a report shall be filed if and when two or more such transactions by any one officer, director or principal stockholder have aggregated 1% or more of a class of equity securities. No Participant Firm shall redeem or purchase its own shares, or in any other manner effect a reduction in its capital stock, without the prior consent of the Exchange.

••• Interpretations and Policies:

.01 Public Offerings

The Exchange will not ordinarily consent to a public offering of equity securities unless the Participant Firm will have and agrees to maintain a ratio of not more than 50% of properly subordinated debt to equity (including common and preferred stock) after giving effect to such public offering; provided, however, that the Exchange may grant permission for a Participant Firm to depart temporarily from this requirement where a showing has been made that such departure will be in the interests of the customers and/or security holders of the Participant Firm.

.02 Limitation on Secondary Offerings

Except in cases of death, forced withdrawal, retirement or extreme hardship, the Exchange will not ordinarily consent to a public offering of equity securities of a Participant Firm unless the primary purpose is to raise capital for the Participant Firm. Accordingly, except for such special cases, the Exchange will not ordinarily consent to a public offering on behalf of any of the officers, directors or principal stockholders of a Participant Firm unless such secondary offering is concurrent with a primary offering by the Participant Firm itself and at least 75% of the total offering is on behalf of the latter. Likewise, except for such special cases, the Exchange will not ordinarily consent to a private sale of equity securities of a Participant Firm by any of its officers, directors or principal stockholders to any corporation having publicly-held equity securities unless such sale is concurrent with an investment of capital in the Participant Firm that will significantly increase its net worth.

.03 Use of Proceeds

The Exchange may withhold its consent to a public offering by a Participant Firm where proceeds to be received by it are not adequately devoted to meeting needs of its listed business; e.g., where back-office needs are neglected in favor of expanded sales.

.04 Floor Traders and Floor Brokers

The Exchange will not consent to a sale to persons other than officers, directors or principal stockholders of the equity securities of a Participant Firm whose principal purpose and activity are to operate as a floor broker and/or registered floor trader.

.05 Trading by a Participant Firm in Its Own or Its Parent Firm's Securities

Trading by a Participant Firm in its own securities, the securities of its parent firm, and the securities of other subsidiaries of its parent firm is subject to Rule 20 of Article VIII.

.06 Compliance with Blue Sky Laws

Participant Firms are hereby cautioned that they should be certain that any sale of their securities is made in accordance with the law of each state which may be applicable. It is

strongly urged that each Participant Firm clear any sale of its securities with its counsel in order to insure against possible inadvertent violations of state securities laws.

Reporting of Loans

RULE 16. No Participant Firm for which this Exchange is the Designated Examining Authority shall make any substantial loan to any officer, director or principal stockholder thereof without promptly reporting the same to the Exchange in writing.

[ARTICLE III]
Entire article to be deleted
[Member Corporations]

[Qualifications and Procedure for Acquiring Membership]

[RULE 1. Subject to application to and approval by the Exchange, a corporation may become a member corporation by acquiring direct ownership of a membership in the Exchange or by its registration as a member corporation on application of a member of the Exchange who is or is about to become a duly elected officer of the corporation. Whether the application be for registration by a member of the Exchange or by the corporation itself, the following Rules must be complied with.]

[Definitions]

[RULE 2. When used in this Article, unless the context otherwise requires—

(1) The term “principal stockholder” means any person or entity beneficially owning, directly or indirectly, equity securities representing 5% of the voting power in elections of directors, or 5% of the net worth, or a 5% participation in the net profits, of a corporation.

(2) The term “parent firm” means a corporation or partnership which beneficially owns, directly or indirectly, equity securities representing 20% or more of the voting power in the election of directors of a member corporation, or such lesser percentage of such voting power as constitutes in the circumstances effective control of the member corporation.

(3) The term, “subsidiary”, when applied to a member corporation, means a member corporation that has a Parent firm (as defined in paragraph (2) of this Rule).

(4) The term “principal officer” means a president, executive vice president, treasurer, secretary and any other person who performs for an organization, whether incorporated or unincorporated, functions corresponding to those performed by the foregoing officers.]

[Evasion of Financial Responsibilities Prohibited]

[RULE 3. The corporate form may not be used by a member corporation to evade financial responsibilities. Claims of a director, officer or principal stockholder of a member corporation shall be subordinate in right of payment to the payment or provision for payment of all claims of customers of such member corporation or of other members or member organizations of the Exchange.]

[Filing and Approval of Articles of Incorporation]

[RULE 4. The articles of incorporation, by-laws and all amendments to either, now in effect or adopted in the future, of a member corporation shall be filed with the Exchange and shall be subject to its approval].

[Authorization of Officers to Act]

[RULE 5. There shall also be filed with the Exchange evidence satisfactory to it that the officers of a member corporation are duly authorized to act for it in entering into contracts on the floor of the Exchange.]

[Officers, Directors and Principal Stockholders]

[RULE 6. For those member organizations for which this Exchange is the Designated Examining Authority, there shall be filed with the Exchange and kept current a list and descriptive identification of all officers and directors of a member corporation, all of whom shall be subject to approval by the Exchange, and in the event of disapproval shall, subject to review of such disapproval in accordance with Rule 8 of Article VI, be separated from the member corporation within a reasonable time. Officers, directors and principal stockholders of a member corporation who are not themselves members of the Exchange shall be bound by the Constitution and Rules of the Exchange. All of the principal officers and a majority of the directors of a member corporation shall be persons who are actively engaged in the conduct of the corporation's business; provided, however, the Executive Committee may, upon application, exempt a member corporation from the requirement that a majority of the directors of a member corporation be persons who are actively engaged in the conduct of the corporation's business.]

[Subsidiary of Another Corporation]

[RULE 7. A member corporation for which this Exchange is the Designated Examining Authority shall not be a subsidiary of a parent firm except in accordance with paragraph (1) or (2) of this Rule.

(1) A member corporation for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm if all requirements of the following paragraphs (i) through (iii) are met in addition to other applicable Rules in Articles I and III:

(i) Each parent firm shall agree to file with the Exchange annual financial statements of itself and its other subsidiaries.

(ii) Each parent firm shall agree to file with the Exchange and keep current (A) a list and descriptive identification of its directors, principal officers and principal stockholders (if a corporation) or its principal partners (if a partnership), and (B) an identification of the types of businesses conducted by itself and its other subsidiaries. The principal officers or principal partners of the parent firm shall be bound by the Constitution and Rules of the Exchange.

(iii) Each parent firm shall agree to furnish to the Exchange such information regarding security transactions and related activities of itself and its other subsidiaries as may be required by the Exchange to insure compliance with its Rules.

(2) A member corporation for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm in such other circumstances and subject to such other limitations or conditions as the Board of Directors or Executive Committee may find appropriate.]

[Activities of Parent Firms]

[RULE 8. No parent firm of a member corporation and no other subsidiary of such a parent firm shall engage in any aspect of the securities business or in any act, practice or course of conduct in connection with any aspect of the securities business which the member corporation itself would be prohibited from undertaking.]

[Interest in Other Corporations]

[RULE 9. No member corporation for which this Exchange is the Designated Examining Authority nor any officer, director or principal stockholder of such corporation, shall be affiliated with, or have any financial interest in, any other corporation or firm engaged in the securities business, unless such affiliation or financial interest has been duly disclosed to and approved by the member corporation.]

[Transfer of Equity Securities]

[RULE 10. No member corporation for which this Exchange is the Designated Examining Authority and no officer, director or principal stockholder of a member corporation shall, without the prior consent of the Exchange, sell, assign, transfer, pledge or hypothecate equity securities of the member corporation except to an officer, director or principal stockholder thereof; provide, that such consent need not be obtained for any such transaction by an officer, director or principal stockholder involving less than 1% of a class of equity securities of the member corporation but a report shall be filed if and when two or more such transactions by any one officer, director or principal stockholder have aggregated 1% or more of a class of equity securities. No member corporation shall redeem or purchase its own shares, or in any other manner effect a reduction in its capital stock, without the prior consent of the Exchange.]

[••• *Interpretations and Policies:*

.01 Public Offerings.—

The Exchange will not ordinarily consent to a public offering of equity securities unless the member corporation will have and agrees to maintain a ratio of not more than 50% of properly subordinated debt to equity (including common and preferred stock) after giving effect to such public offering; provided, however, that the Exchange may grant permission for a member corporation to depart temporarily from this requirement where a showing has been made that such departure will be in the interests of the customers and/or security holders of the member corporation.]

[.02 Limitation on Secondary Offerings.—

Except in cases of death, forced withdrawal, retirement or extreme hardship, the Exchange will not ordinarily consent to a public offering of equity securities of a member corporation unless the primary purpose is to raise capital for the member corporation.

Accordingly, except for such special cases, the Exchange will not ordinarily consent to a public offering on behalf of any of the officers, directors or principal stockholders of a member corporation unless such secondary offering is concurrent with a primary offering by the member corporation itself and at least 75% of the total offering is on behalf of the latter. Likewise, except for such special cases, the Exchange will not ordinarily consent to a private sale of equity securities of a member corporation by any of its officers, directors or principal stockholders to any corporation having publicly-held equity securities unless such sale is concurrent with an investment of capital in the member corporation that will significantly increase its net worth.]

[.03 Use of Proceeds.—

The Exchange may withhold its consent to a public offering by a member corporation where proceeds to be received by it are not adequately devoted to meeting needs of its listed business; e.g., where back-office needs are neglected in favor of expanded sales.]

[.04 Floor Traders and Floor Brokers.—

The Exchange will not consent to a sale to persons other than officers, directors or principal stockholders of the equity securities of a member corporation whose principal purpose and activity are to operate as a floor broker and/or registered floor trader.]

[.05 Trading by a Member Corporation in Its Own or Its Parent Firm's Securities.—

Trading by a member corporation in its own securities, the securities of its parent firm, and the securities of other subsidiaries of its parent firm is subject to Rule 20 of Article VIII.]

[.06 Compliance with Blue Sky Laws.—

Member corporations are hereby cautioned that they should be certain that any sale of their securities is made in accordance with the law of each state which may be applicable. It is strongly urged that each member corporation clear any sale of its securities with its counsel in order to insure against possible inadvertent violations of state securities laws.]

[Death or Retirement of Registrant Member]

[RULE 11. If upon the death or retirement of a member who has registered a corporation of which he was an officer, no other officer of such corporation is a member of the Exchange, the status and privileges of a member corporation may be extended to the corporation. Such extension may be made by the Board of Directors or by the Chief Executive Officer. The extension of such privileges shall be only for such period of time as may be reasonably necessary to enable the corporation to acquire a membership in its own name or to enable it to become registered as a member corporation by another member of the Exchange. During the period of the extension of such privilege the corporation shall have the obligations of a member corporation and by the acceptance of the status and privileges accorded the corporation assumes all such obligations. During such period the proceeds of the membership shall be, insofar as necessary, subject to the Constitution and Rules of the Exchange, an asset of the corporation for

the protection of its creditors.]

["Nominee" and "Voting Designee" of Member Corporation]

[RULE 12. Designation

(a) A member corporation which is such because of the direct ownership of a membership shall designate in writing filed with the Secretary a nominee and a voting designee (who may be the same or different persons). A member corporation owning more than one membership may make the same or different designations for its several memberships. Such designations shall be subject to approval by the Exchange in accordance with the procedures set forth in Rules 5 and 6 of Article I. The Exchange and all other persons shall be entitled to rely upon such designations until a substitute nominee or voting designee has been designated as provided by paragraph (e) of this Rule or until a new nominee or voting designee has been approved by the Exchange.

Nominees

(b) A nominee of a member corporation shall have, subject to the provisions of the Constitution and Rules, all the privileges of an individual membership and full authority to represent and act for the member corporation in all Exchange matters (except those matters upon which the vote, consent, or similar formal expression of the member corporation is required or permitted or in connection with meetings of members or the obtaining of any such consent or similar formal expression). Only such nominee may act as a broker for the member corporation if it desires to effect transactions on the Floor without the services of another broker. The nominee of a member corporation shall be its chairman of the board, vice chairman of the board; president, one of its vice-presidents or, with the approval of the Board of Directors, another person affiliated with such member corporation. Except as otherwise specifically provided, the word "member" whenever used in the Rules shall include and also mean the nominee of a member organization but shall not include the voting designee if a different person.

Voting Designees

(c) A voting designee of a member corporation shall represent and act for the member corporation with respect to any matter upon which its vote, consent or similar formal expression is required or permitted and in connection with all meetings of members and the obtaining of any such consent or similar formal expression. A voting designee of a member corporation shall be its chairman of the board, president or one of its vice-presidents.

Alternate Voting Designees

(d) If it elects to do so, a member corporation may designate an alternate voting designee who shall have full authority to act instead of the voting designee of the member corporation.

Substitutes

(e) During the absence or disability of its regular nominee or voting designee (or both the voting designee and his alternate) a member corporation may, with the consent of the Exchange, designate a substitute nominee or voting designee, provided the substitute meets the requirements of this Rule.]

[Reporting Loans]

[RULE 13. No member corporation for which this Exchange is the Designated Examining Authority shall make any substantial loan to any officer, director or principal stockholder thereof without promptly reporting the same to the Exchange in writing.]

[Termination of Registration]

[RULE 14. The registration of a member corporation by a member may be terminated by the Exchange for cause it deems sufficient upon written notice to the member, or by the member upon written notice to the Exchange. In the latter case, such termination shall become effective upon such date as the Exchange may determine.]

[Exchange Not Bound]

[RULE 15. Nothing contained in any articles of incorporation, resolutions, by-laws, or any amendment thereto of a corporation, even though submitted to or filed with the Exchange, shall be binding upon the Exchange or any of its present or future members or member organizations, except such as may be officers, directors, or stockholders of such corporations.]

[Limitations on Exchange Personnel]

[RULE 16. No officer or employee of the Exchange may own or hold capital stock or other direct or indirect interest in securities of a member corporation. An officer or employee of any corporation, a majority of whose capital stock is owned by the Exchange, shall be deemed to be an employee of the Exchange within the meaning of this Rule.]

ARTICLE IV Committees

Appointment and Approval

RULE 1. The committees provided for in this Article shall be appointed as provided in the Exchange's bylaws or as set out in this Article.[, except the Judiciary Committee, shall be appointed by the Vice Chairman of the Board with the approval of the Board of Directors. The Chairman of the Board shall be an ex-officio member of each such committee unless otherwise provided in the Constitution or the Rules.] Except as otherwise required by rules in this Article, t[The Vice Chairman of the Board shall designate the [C]chairman and one or more [V]vice [C]chairmen of each such committee. [The Vice Chairman of the Board may appoint a] A temporary member of any such committee may be appointed, using the same process required for regular appointments to the committee, during the absence or inability to act of a regular member; such temporary appointee shall have all the rights, power, authority, duties and obligations of the regular committeeman until the latter is again present and able to act.

Executive Committee

RULE 2. There shall be an Executive Committee, which shall have not less than five members, all of whom shall be directors, plus the Chairman of the Board. A majority of the committee members (including the Chairman if the Chairman is a Public Director) shall be Public Directors. The Chairman of the Board shall be the Chairman of the Executive Committee.

The Executive Committee shall have such powers as may be delegated to it by the Board of Directors, and between meetings of the Board of Directors, it shall have, and may exercise, all the rights, powers, authority, duties and obligations of the Board of Directors not otherwise delegated to another committee or an officer or officers of the Exchange by the bylaws, rules or by the Board of Directors, except the authority to propose amendments to the certificate of incorporation, to adopt an agreement of merger or consolidation, to recommend to stockholders the sale, lease or exchange of all or substantially all of the property and assets of the Exchange or to recommend to the stockholders a dissolution of the Exchange or the revocation of a dissolution.

Finance Committee

RULE 3 [2]. There shall be a Finance Committee which shall have not less than five members, in addition to the Chairman of the Board[ex-officio member], all of whom shall be [Governors] Directors. The Committee shall review all annual Profit Plans and Budgets for the Exchange and its subsidiaries prior to submission to the Board and make such recommendations to the Board with respect thereto as it may deem appropriate. It shall review from time to time the financial condition of the Exchange and its subsidiaries, and make such recommendations to the management or to the Board with respect thereto as it may deem appropriate. It shall formulate an investment policy and submit same to the Board for approval, and shall review the performance of all Exchange investments on a quarterly basis.

Regulatory Oversight Committee

RULE 4. There shall be a Regulatory Oversight Committee which shall have seven members, including five Public Directors, one Participant Director who is a Participant primarily engaged in business on the Exchange's trading floor or a person associated with a Participant Firm that is primarily engaged in business on the Exchange's trading floor (an "On-Floor Participant Director") and one Participant Director who is associated with a Participant Firm that is not primarily engaged in business on the Exchange's trading floor (an "Off-Floor Participant Director"). The Chairman of the Board, if he is not also serving as the Chief Executive Officer, shall be one of the five Public Directors on the committee. The committee shall be appointed by the Vice Chairman and approved by the Public Directors on the Exchange's Board of Directors. The committee shall select its chairman from among the Public Directors on the committee.

The Regulatory Oversight Committee shall assist the Board in monitoring the design, implementation and effectiveness of the Exchange's programs to promote and enforce compliance with the federal securities laws, SEC rules and CHX rules. The committee shall have the powers and responsibilities set out in a written charter and approved by the Board from time to time.

Committee on Exchange [Floor] Procedure

RULE 5 [3]. There shall be a Committee on Exchange [Floor] Procedure which shall have not less than seven members (at least three of whom shall be active on the Floor of the Exchange as specialists, odd-lot dealers or floor brokers)[in addition to the ex-officio member]. The [C]chairman shall be a member of the Executive Committee. It shall have general supervision of the conduct and dealings on the Floor of the Exchange and shall [recommend for adoption by the Executive Committee such rules and regulations as may be necessary for the convenient and orderly transaction of business of the Floor of the Exchange. It shall] have the power to enforce [such] the Exchange's rules and regulations by recommending staff investigations for violations thereof, in accordance with the procedure provided in Article XII. The Committee shall coordinate with and provide information and assistance to the Committee on Specialist Assignment and Evaluation.

Notwithstanding the foregoing and Rule 10 of this Article, and except as otherwise provided under Article VIII, Rule 23, the Committee if it so determines may act through a subcommittee to perform any of its duties pursuant to the Rules of the Exchange or otherwise. A subcommittee shall be composed of not less than three (3) Participants [members] of the Exchange appointed by the Chairman of the Committee, a majority of whom shall constitute a quorum. The Chairman of each subcommittee shall be a member of the full Exchange [Floor] Procedure Committee. Any Participant [member] adversely affected by a determination of a subcommittee regarding any matter may appeal to the full Committee within five days of receiving notice of its determination by making a written request therefore specifically stating the action complained of, the specific reasons why exception is taken thereto, and the relief sought. Any determination made by a subcommittee which is not specifically appealed as set forth herein shall be final. Except with respect to a subcommittee determination pursuant to such authority as set forth

under Article XII, Rule 3, the determination of the Exchange [Floor] Procedure Committee on appeal shall be final. Any action appealed shall be stayed until the appeal is decided.

Committee on Specialist Assignment and Evaluation

RULE 6 [4]. There shall be a Committee on Specialist Assignment and Evaluation which shall have not less than five members.—The majority of the members of this Committee shall not be affiliated with broker/dealers and no member of the Committee may be affiliated with a specialist unit. The Chairman of this Committee shall not be affiliated with a broker/dealer. The Committee shall have the responsibility for appointing specialists, co-specialists, relief specialists and odd-lot dealers, evaluating and monitoring their performance, and conducting de-registration proceedings in accordance with the provisions of Article XXX. It shall consult and coordinate with the Exchange [Floor] Procedure Committee where appropriate to ensure that the expertise available through the Exchange [Floor] Procedure Committee is utilized in connection with performance of these responsibilities.

Judiciary Committee

RULE 7 [5]. Whenever, in accordance with the Rules, a disciplinary matter is to be reviewed by a Judiciary Committee, the Chief Executive Officer shall appoint five disinterested Participants [members] of the Exchange and/or general partners or officers of Participant Firms [member organizations] as a Judiciary Committee, for that purpose. A new Judiciary Committee shall be appointed to consider and determine each such matter. If a vacancy shall occur on a Judiciary Committee after it has begun its proceedings, the remaining members appointed by the Chief Executive Officer shall complete consideration and disposition of the matter. Once a Judiciary Committee has determined the matter for which it was appointed and has notified the Secretary in writing of its decision, it shall be dissolved automatically.

Compensation Committee

RULE 8 [6]. There shall be a Compensation Committee which shall consist of the Chairman of the Board and not less than two other Directors[Governors]. [Not less than 50 percent] A majority of the committee members shall be Public Directors[Non-Industry Governors, including at least one Public Governor]. The Compensation Committee [It] shall have the responsibility of establishing, without the Chairman's participation or vote when the Chairman also is acting as Chief Executive Officer, the compensation of the Chief Executive Officer and of coordinating with the Chief Executive Officer to determine the compensation of other Exchange officers, as well as a comprehensive corporate compensation and benefits policy for Exchange staff. The comprehensive corporate policy shall include the structure and the administration of the determined compensation policy, the advisability and use of outside consultants, and a periodic review of the manner in which the determined policy is being administered.

Audit Committee

RULE 9 [7]. There shall be an Audit Committee which shall have not less than three

members, all of whom shall be Directors[Governors]. The Chairman of the Board shall be one of the committee members [also serve on the Committee] when he is not also acting as the Chief Executive Officer. A majority [Not less than 50 percent] of the committee members shall be Public Directors[Non-Industry Governors (including at least one Public Governor)]. The Chairman of the Committee shall be a Public Director[Non-Industry Governor].

The Committee shall assist the Board of Directors in monitoring the integrity of the Exchange's financial statements, the Exchange's systems of internal controls and the qualifications, independence and performance of the Exchange's internal auditor and independent public accountant. In addition, to the extent not performed by the Regulatory Oversight Committee, the Committee shall assist the Board in monitoring the Exchange's compliance with legal and regulatory requirements that may have a material impact on the financial statements. The Committee shall have the direct responsibility and authority to engage and oversee the work of the independent public accountant retained to audit the Exchange's financial statements and shall have all other responsibilities that are given to it by the Board of Directors from time to time. The Committee's powers and responsibilities shall be set out in a written charter and approved by the Board from time to time.

[The Committee shall have the responsibility to annually review with the independent auditors, the scope of their examination and the cost thereof. It shall periodically review with the independent auditors and the internal auditor, the Exchange's internal controls and the adequacy of the internal audit program. It shall review the annual "management letter" and other reports submitted by the independent auditors, and take such action with respect thereto as it may deem appropriate. The Committee shall also annually recommend to the Board of Directors independent public accountants for appointment as auditors of the books, records and accounts of the Exchange and its subsidiaries.]

Participant Advisory Committee

RULE 10. There shall be a Participant Advisory Committee, which shall have not less than five members, all of whom shall be Participants. The Committee shall have the responsibility to recommend for adoption by the Board of Directors rules or regulations as may be necessary for the convenient and orderly transaction of business on the Exchange's Floor and through the Exchange's Trading Facilities. It shall also advise Exchange management regarding enhancements to the Trading Facilities and other issues affecting Participants.

Nominating and Governance Committee [on Organization and Governance]

RULE 11 [8]. There shall be a Nominating and Governance Committee [on Organization and Governance] which shall consist of [have] three (3) Public Directors and three (3) Participant Directors appointed by the Board of Directors [not less than five members in addition to the Chairman of the Board, all of whom shall be Governors]. The Committee shall have the responsibility to (a) annually nominate directors for the class of directors standing for election at the annual meeting of stockholders that year; and (b) periodically review the organization and governance structure of the Exchange and its subsidiaries, and make such recommendations to the Board with respect thereto as it may deem appropriate.

Committee Quorum

RULE 12 [9]. One-half of its members, including the ex-officio ones, shall constitute a quorum of each committee provided for in this Article, except for the Executive Committee, the Compensation Committee, the Regulatory Oversight Committee and the Audit Committee. For the Executive Committee, the Compensation Committee, the Regulatory Oversight Committee and the Audit Committee, a quorum for the transaction of business shall consist of one-half of the committee members, including not less than 50 percent of the [Non-Industry members of such committees]Public Directors serving as members of such committees. If at least 50 percent of the [Non-Industry]Public Director committee members are (i) present at or (ii) have filed a waiver of attendance for a meeting after receiving an agenda prior to such meeting, the requirement that not less than 50 percent of the [Non-Industry]Public Director committee members be present to constitute the quorum shall be deemed satisfied.

ARTICLE V
Admission to Floor—Communications

Visitors on Floor

RULE 1. No change to text.

Communications and Announcements

RULE 2. No change to text.

Admission to Floor by Employee of Participant [Member]

RULE 3. No employee of a Participant [member or member organization] shall be admitted to the Floor of the Exchange unless he is registered with and approved by the Exchange, and upon compliance of both the employer and the employee with such requirements as the Exchange may determine. The privilege of admission to the Floor of the Exchange of any such employee may be revoked by the Exchange for cause it deems to be sufficient.

••• *Interpretations and Policies:*

.01 Applications for Registration—Registration applications for all employees of Participants [members and member organizations] for admission to the Floor shall be submitted to the Exchange on the Uniform Application for Securities Industry Registration or Transfer (Form U-4).

.02 Fingerprinting—All Floor employees of Participants [members and member organizations] and all employees of Participants [members and member organizations] who have submitted registration applications for admission to the Floor are required to be fingerprinted and to submit, or cause to be submitted, such fingerprints to the Exchange for identification and appropriate processing.

.03 Termination—Following the termination of a Floor employee, a Participant [member (or member organization)] shall promptly, but in no event later than thirty (30) calendar days after such termination, give written notice of such termination to the Exchange on Form U-5 and concurrently provide a copy of such notice to the person who has been terminated.

[Member] Participant Wires from Floor

RULE 4. No Participant [member or member organization] shall establish or maintain any telephone or other wire communication between his or its office and the Exchange, without prior approval by the Exchange. The Exchange may direct discontinuance of any communication facility terminating on the Floor of the Exchange. It may deprive any Participant [member or member organization] of the privilege of using any public telephone or means of communication installed by the Exchange for the use of Participants [members or member organizations].

Exchange Wires from Floor

RULE 5. No change to text.

ARTICLE VI
Restrictions and Requirements

Notification of Wire Connection or Office Sharing Arrangements

RULE 1. The Exchange may require in written form specified by the Exchange notification of wire connections and office sharing arrangements by Participants [members and member organizations]. Upon notice to a Participant [member or [member organization] that the Chief Executive Officer has withheld or withdrawn approval of such wire connection or office sharing arrangement, the same shall be terminated.

Registration and Approval of Participant [Member and Member Organization] Personnel

RULE 2. Registration.

(a) All registered persons (as defined in subsection (b) below) shall be registered with the Exchange; provided that the Exchange may waive this requirement or may permit a short-form registration or notification in the case of an individual who is properly registered with another self-regulatory organization having registration and examination procedures acceptable to the Exchange. Every other employee and person associated with a Participant [member or member organization] must also be acceptable to the Exchange.

(b) Registered persons are Participants [members] and persons associated with a Participant [member or member organization] who are engaged or will be engaged in the securities business of a Participant [member or member organization], or the management of such securities business, including the functions of supervision, solicitation, conduct of business or the training of persons associated with a Participant [member or member organization] for any of these functions. Such registered persons shall include without limitation:

- (1) Sole Proprietors;
- (2) Officers;
- (3) Partners;
- (4) Principal Stockholders (as defined in Article III, Rule 4);
- (5) Directors;
- (6) Branch office managers;
- (7) Nominees;
- (8) Representatives (including any persons performing the duties customarily performed by a salesperson or registered representative);
- (9) Persons engaged in any of the following functions on behalf of a Participant [member or member organization]:
 - (i) underwriting, trading or sales of securities;
 - (ii) research or investment advice, other than general economic information or advice, with respect to the activities described in subparagraph (i) above; and
 - (iii) activities other than those specifically mentioned that involve communication, directly or indirectly, with public investors in securities in connection with activities described in subparagraphs (i) and (ii) above; and

(10) Persons listed on Schedules A, B or C of a Participant's [member's or member organization's] Form BD.

Persons Exempt from Registration.

(c) The following persons associated with a Participant [member or a member organization] are not required to be registered with the Exchange unless such person is otherwise covered by (b)(1)-(b)(10) above:

(1) persons associated with a Participant [member or member organization] whose functions are solely and exclusively clerical or ministerial; and

(2) persons associated with a Participant [member or member organization] who are not actively engaged in the securities business.

Other Registration Requirements.

(d) A Participant [member or member organization] shall not make application for the registration of any person associated with the Participant [member or member organization] where there is no intent to employ such person in the securities business of the Participant [member or member organization]. Upon notice to a Participant [member or member organization] that the Exchange has withheld or withdrawn approval of the registration of a person required to be registered hereunder, or has withheld or withdrawn approval of any other person, the relationship between the Participant [member or member organization] and such person (unless in a different capacity for which such person is deemed acceptable) shall be terminated. If a Participant [member or member organization] knows, or in the exercise of reasonable care should know, that any prospective employee or person associated with the Participant [member or member organization] is subject to one or more statutory disqualifications referred to in the [Securities] Exchange Act [of 1934, as amended], such Participant [member or member organization] shall submit details, similar to those required on Form U4, on such prospective employee or person associated with such Participant [member or member organization, as the case may be,] to the Exchange and receive Exchange approval before such person becomes associated with the Participant [member or member organization]. Each Participant [member or member organization] shall take reasonable care to determine the existence of a statutory disqualification prior to employing any prospective person to be associated with the Participant [member or member organization]. If a person already associated with a Participant [member or a member organization] thereafter becomes subject to a statutory disqualification, notice shall be sent to the Exchange promptly.

••• *Interpretations and Policies:*

.01 No change to text.

.02 Termination of Registered Persons. Following the termination of a person associated with a Participant [member] in a registered capacity, such Participant [member] shall promptly, but in no event later than thirty (30) calendar days after such termination, give written notice of such termination to the Exchange on Form U-5, and concurrently provide a copy of such notice to the person whose association has been terminated. This requirement shall only apply to Participant

Firms [member organizations] for which the Exchange is the Designated Examining Authority and to registered persons of other Participant Firms [member organizations] active on the CHX trading floor.

Training and Examination of Registrants

RULE 3. The Exchange may require the successful completion of a training course or an examination, or both, in connection with the registration of Participants [members] and persons associated with a Participant [member or member organization], and may charge fees for such registration and examination. This provision shall apply to all Participants [members and member organizations], including Participants [members and member organizations] which are to be solely on the Floor of the Exchange.

••• *Interpretations and Policies:*

.01 Floor Participants [Member Organizations]

(a) Floor [Membership] Exam

All applicants for a Trading Permit and [membership on the Exchange] requesting a floor presence must successfully complete the Floor [Membership] Exam.

(b) Market Maker Exam

Prior to the Exchange approving a Participant's [member's] request to qualify as a market maker, such Participant [member] must successfully complete the Market Maker Exam. Successful completion of the Floor [Membership] Exam is a pre-requisite for the Market Maker Exam. Anyone holding a special floor registration as a co-specialist shall not be required to take the Market Maker Exam in order to function as a Market Maker.

(c) Co-Specialist Exam

In order for a Participant [member] to be qualified as a co-specialist such Participant [member] must take the Co-Specialist Exam. Such Participant [member] may take the Exam no sooner than 90 days after he/she has been recognized by the Exchange [Floor] Procedure Committee as a [member] Participant/Relief Specialist under supervision. Successful completion of the Floor [membership] Exam is a prerequisite for the Co-Specialist Exam. Upon successful completion of the Co-Specialist Exam, a co-specialist may petition the Exchange [Floor] Procedure Committee to be removed from supervision and to function as a co-specialist.

(d) Public Business Exam

Floor Participants [members] who successfully complete the Series 7 Examination may conduct a public business which is limited to accepting orders while on the floor directly from nonbroker-dealer customers. In lieu of the Series 7 Examination, Floor Participants [members] who successfully complete the Series 7A Examination may conduct a public business which is limited to accepting orders directly from professional customers for execution on the trading floor. Floor clerks, employed by floor Participants [members] that have successfully completed the Series 7 or Series 7A Examination, may accept orders from professional customers for execution on the trading floor so long as such clerks successfully complete both the Floor [Membership] Exam and either the Series 7 Examination or the Series 7A Examination. For

purposes of this interpretation and policy, a “professional customer” includes a bank; trust company; insurance company; investment trust; a state or political subdivision thereof; a charitable or nonprofit educational institution regulated under the laws of the United States, or any state; a pension or profit sharing plan subject to ERISA or of any agency of the United States or of a state or political subdivision thereof; or any person (other than a natural person) who has, or who has under management, net tangible assets of at least sixteen million dollars.

(e) Joint Back Office Participants
No change to text.

.02 Persons off the floor

Associated persons of Participants [members] for which the Exchange is the Designated Examining Authority (“DEA”) who execute, make trading decisions with respect to, or otherwise engage in proprietary or agency trading of equities, preferred securities or convertible debt securities, must successfully complete the Uniform Registered Representative Exam, Series 7. This interpretation and policy .02 shall not apply to any associated person who is subject to the examination requirements of interpretation and policy .01 because he or she is physically located on the floor of the Exchange.

Employment of Registered Persons

RULE 4. (a) Every partner, officer, director, branch office manager and sales representative who is assigned or delegated any responsibility or authority for the supervision or control of an office, department or business activity of a Participant Firm [member organization] shall devote his entire time during business hours to the business of such [member organization].

(b) Without the prior written consent of his Participant [member or member organization] employer, no partner, officer, director or employee of a Participant Firm [member organization] shall, at any time, be engaged in any other business; or be employed or compensated by any other person; or serve as an officer, director, partner or employee of another business organization; or own any stock or have, directly or indirectly, any financial interest in any other organization engaged in any securities, financial or kindred business, provided, however, that such written consent shall not be required with regard to stock ownership or financial interest in any securities, financial or kindred business, which is publicly owned.

(c) Any partner, officer, director or employee may become a partner, officer, director or employee in one or more organizations provided that such person may have supervisory responsibilities as described in paragraph (b) of this Rule in only one Participant Firm [member organization]. No Participant [member] shall qualify more than one Participant Firm [member organization] for a Trading Permit [membership].

Supervision of Participants [Members and Member Organizations] and Their Branch and Resident Offices

RULE 5. (a) A Participant Firm [member organization] for which this Exchange is the Designated Examining Authority or subject to examination by another self-regulatory

organization not having a comparable rule shall not open a branch or resident office unless it has obtained the prior written approval of the Exchange. Application for approval of the opening of a branch or resident office shall be made on a form provided by the Exchange at least one month (or such shorter period as the Exchange may approve) prior to the proposed opening date of the office.

(b) A Participant Firm [member organization] which maintains branch or resident offices shall establish procedures providing for close supervision of such offices, and shall maintain a close, responsible relationship with the person in charge of such office or offices. A designated partner or officer of the main office shall be personally responsible for proper supervision of such branch or resident office.

(c) Each Participant [member and member organization] shall establish written procedures, and a system for applying such written procedures, to assure that its registered representatives and other employees are adequately and closely supervised. No such system shall be deemed adequate unless it is reasonably designed to prevent and detect, insofar as practicable, violations of the applicable securities laws, the rules and regulations thereunder, and the Constitution and Rules of the Exchange.

••• *Interpretations and Policies:*

.01 Registration of new branch offices –

Outlined below are the steps to be taken when registering new branch offices.

(1) Each Participant Firm [member organization] must forward a completed Schedule E to form BD to the Exchange.

* * * * *

.02 Written supervisory procedures.—

Every Participant [member and member organization] shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, employees and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable rules of the Exchange and as required by Section 15(f) of the Exchange Act and SEC Rule 17a-8. The Participant's [member's or member organization's] written supervisory procedures shall set forth the supervisory system established by the Participant [member or member organization] and shall include the titles, registration status and locations of the required supervisory personnel and the responsibilities of each supervisory person as these relate to the types of business engaged in, applicable securities law and regulations, and the rules of the Exchange. The Participant [member or member organization] shall maintain internal records of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the Participant [member or member organization] for a period of not less than three years, the first two years in an easily accessible place.

A copy of a Participant's [member's or member organization's] written supervisory procedures, or the relevant portions thereof, shall be kept and maintained at each location where supervisory activities are conducted on behalf of the Participant [member or member organization]. Each Participant [member and member organization] shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations, including the rules of the Exchange, and as changes occur in its supervisory system, and each Participant [member] or [member] organization shall be responsible for communicating amendments through its organization.

Clerk on the Floor

RULE 6. No Participant [member or member organization] shall employ a Participant [member of the Exchange] as a clerk on the Floor of the Exchange, except for a period of not more than six months from his receipt of a Trading Permit [election to membership].

Providing Information

RULE 7. The Exchange may require a Participant [member or member organization] to provide any reasonable information or material pertaining to any determination required to be made under any provision of this Article.

Review Procedure

RULE 8. No change to text.

Continuing Education for Registered Persons

RULE 9. (a) *Regulatory Element*

No change to text.

(b) *Firm Element*

(1) *Persons Subject to the Firm Element*—The requirements of Section (b) of this Rule shall apply to any registered person who has direct contact with customers in the conduct of the Participant's [member's or member organization's] securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(2) *Standards*

(i) Each Participant [member and member organization] must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each Participant [member and member organization] shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the Participant's [member's or member

organization's] size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a Participant [member or member organization's] analysis determines a need for supervisory training for persons with supervisory responsibilities, such training must be included in the Participant's [member or member organization's] training plan.

(ii) Minimum Standards for Training Programs—Programs used to implement a Participant's [member's or member organization's] training plan must be appropriate for the business of the Participant [member or member organization] and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the Participant [member or member organization]:

- a. General investment features and associated risk factors;
- b. Suitability and sales practice considerations; and
- c. Applicable regulatory requirements.

(iii) Administration of Continuing Education Program—Each Participant [member and member organization] must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) *Participation in the Firm Element*—Covered registered persons included in a Participant's [member's or member organization's] plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Participant [member or member organization].

(4) *Specific Training Requirements*—The Exchange may require a Participant [member or member organization], either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

••• *Interpretations and Policies:*

.01 For purposes of this Rule, the term “registered person” means any Participant [member], registered representative or other person registered or required to be registered under Exchange rules, but does not include any such person whose activities are limited solely to the transaction of business on the Floor with Participants [members] or registered broker-dealers.

.02 For purposes of this Rule, the term “customer” means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a Participant [member or member organization].

* * * * *

Anti-Money Laundering Compliance Program

RULE 10. Each Participant Firm [member organization] and each Participant [member] not associated with a Participant Firm [member organization] shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.) and the implementing regulations promulgated under that Act by the Department of the Treasury. Each Participant Firm's [member organization's] anti-money laundering program must be approved, in writing, by a member of the Participant's senior management.

The anti-money laundering program required by this Rule shall, at a minimum:

(a)-(b) No change to text.

(c) Provide for independent testing for compliance to be conducted by Participant [member] staff or by a qualified outside party;

* * * * *

ARTICLE VII
Suspension—Reinstatement

Automatic Suspension

RULE 1. A Participant [member or member organization] failing to perform his or its contracts, or being insolvent, shall immediately inform the Secretary of the Exchange in writing that he or it is unable to perform his or its contracts or is insolvent. Such Participant's Trading Permit [member or member organization] shall thereupon be suspended [from membership] by the Chief Executive Officer and prompt notice of such suspension shall be given to all Participants [the membership]. Such suspension shall continue until the Participant's Trading Permit [member or member organization] is reinstated by the Board of Directors.

Emergency Suspension

RULE 2. (a) Whenever it shall appear to the Chief Executive Officer (after such verification and with such opportunity for comment by the Participant [member or member organization] as the circumstances reasonably permit) that a Participant [member or member organization] (i) has failed to perform his or its contracts or is insolvent or is in such financial or operational condition or otherwise conducting his or its business in such a manner that he or it cannot be permitted to continue in business with safety to his or its customers or creditors or to the Exchange, including but not limited to, the reasonable belief that the Participant [member or member organization] is violating and will continue to violate any material provision of the Rules of the Exchange or the federal securities laws (or rules promulgated thereunder) or (ii) has been and is expelled or suspended from any self-regulatory organization or barred or suspended from being associated with a member of any self-regulatory organization, the Chief Executive Officer may suspend such Participant's Trading Permit [member or member organization] or limit or prohibit such Participant's [member or member organization with respect to] access to services offered by the Exchange, and if so suspended or limited or prohibited, prompt notice of such suspension, limitation or prohibition shall be given to all Participants [the membership]. Unless the Chief Executive Officer shall determine after further inquiry that lifting the suspension, limitation or prohibition without further proceedings is appropriate, such suspension, limitation or prohibition shall continue until the Participant's Trading Permit [member or member organization] is reinstated or terminated [the membership disposed of] pursuant to the provisions of Rule 3 of this Article or unless otherwise determined pursuant to Rule 2 (b) of this Article. In the case of a person who is not a Participant [member], whenever it shall appear to the Chief Executive Officer (after such verification and with such opportunity for comment by the person as circumstances reasonably permit) that such person does not meet the qualification requirements or prerequisites for access to services offered by the Exchange and such person cannot be permitted to continue to have such access with safety to investors, creditors, Participants [members] or the Exchange, the Chief Executive Officer may limit or prohibit any person with respect to such access. The Chief Executive Officer shall, within two business days of taking action pursuant to this Rule 2, furnish such person with a written statement setting forth the reasons and specific grounds which constitute the basis for the action taken.

(b) No change to text.

Failure to Obtain Reinstatement

RULE 3. If a Participant [member or member organization] suspended under the provisions of Rule 1 or Rule 2 (a) of this Article fails to obtain reinstatement within one year from the time of his or its suspension, or within such further time as the Board of Directors may grant, or fails to obtain reinstatement as hereinafter provided, his or its Trading Permit [membership] shall be terminated [disposed of by the Chief Executive Officer]. Any person suspended under this Article, may, at any time, be reinstated by the Board of Directors upon their own motion.

Procedure for Reinstatement

RULE 4. Application

(a) When a Participant [member or member organization] suspended under the provisions of Rule 1 of this Article applies for reinstatement, he or it shall be investigated by the staff to determine if the circumstances which brought about the suspension have been corrected and if any specified requirements imposed as a condition of reinstatement have been met, prior to the consideration by the Executive Committee of said application.

* * * * *

Termination of Rights by Suspension

RULE 5. A Participant [member or member organization] suspended under the provisions of this Article shall be deemed not in good standing and shall be deprived during the term of his or its suspension of all rights and privileges of a holder of a Trading Permit [membership], as provided in Rule 2(b) of Article I. A Participant's [member's] suspension shall create a vacancy in any office or position held by him.

ARTICLE VIII
Business Conduct

Fraudulent Acts

RULE 1. No Participant [member or member organization] or partner, officer, director or registered employee of a Participant Firm [member organization] shall commit any fraud or fraudulent act.

Attempt to Hide Prior Misdealings

RULE 2. No applicant for a Trading Permit [membership] or registration as a Participant Firm [member organization] nor any person about to become a partner, officer, director or registered employee of a Participant Firm [member organization] shall fail to disclose to the Exchange the facts and circumstances of every fraudulent and dishonest act of which he or it has been guilty prior to such application.

Fictitious Transactions

RULE 3. No Participant [member or member organization] or partner, officer, director or registered employee of a Participant Firm [member organization] shall make a fictitious transaction or give an order for the purchase or sale of securities, the execution of which would involve no change of ownership, or execute such order with knowledge of its character.

Upsetting Market Equilibrium

RULE 4. No Participant [member or member organization] or partner, officer, director or registered employee of a Participant Firm [member organization] shall make any purchases or sales or offers of purchase or sale of securities for the purpose of upsetting the equilibrium of the market and bringing about a condition of demoralization in which prices will not fairly reflect market values, or assist in making any such purchases or sales or offers of purchase or sale with knowledge of such purpose or be with such knowledge a party to or assist in carrying out any plan or scheme for the making of such purchases or sales or offers of purchase or sale.

Prohibition of Mis[-]statements

RULE 5. No Participant [member or member organization], or partner, officer, director, principal shareholder or registered employee of a Participant Firm [member organization] shall make a mis[-]statement upon a material point to the Board of Directors, or to a committee, officer or employee of the Exchange. This prohibition shall also apply to applications made prior to acquisition of a Trading Permit [membership], registration as a Participant Firm [member organization], admission to partnership and election as an officer or director of a Participant Firm [member corporation].

Adherence to All Rules, By-Laws and the Constitution

RULE 6. No Participant Firm [member or member organization] or partner, officer, director, principal shareholder or registered employee of a Participant Firm [member organization] shall violate any provision of the Constitution or Rules of the Exchange or a resolution of the Board of Directors or Executive Committee regulating the conduct or business of Participants [members, member organizations] or [partners in member firms or] partners, officers, directors or principal shareholders of Participant Firms [member corporations].

Just and Equitable Trade Principles

RULE 7. No Participant Firm [member or member organization] or partner, officer, director or registered employee of a Participant Firm [member organization] shall engage in conduct or proceeding inconsistent with just and equitable principles of trade. The willful violation of any provision of the [Securities] Exchange Act [of 1934] or any rule or regulation thereunder shall be considered conduct or proceeding inconsistent with just and equitable principles of trade.

Expulsion, Suspension and Discipline

RULE 8. A Participant [member or member organization] or partner, officer, director or registered employee of a Participant Firm [member organization] found guilty of conduct or proceeding inconsistent with just and equitable principles of trade shall be expelled, suspended or disciplined.

Transactions Off the Floor

RULE 9. (a) No rule, stated policy or practice of this exchange shall prohibit or condition, or be construed to prohibit, condition or otherwise limit, directly or indirectly, the ability of any Participant [member] to effect any transaction otherwise than on this exchange in any reported security listed and registered on this exchange or as to which unlisted trading privileges on this exchange have been extended which is not a covered security.

(b) No change to text.

Dealings on Market Price Fluctuations

RULE 10. No Participant [member or member organization] or partner, officer, director or registered employee of a Participant Firm [member organization] shall deal in differences or quotations on the fluctuations in the market price of any commodity or security, without a bona fide purchase of such commodity or security in a regular market or on a national securities exchange.

Submission of Books to Board

RULE 11. (a) No Participant [member, member] organization,] or partner, officer, director or other person associated with a Participant [member] or other person or entity subject to the jurisdiction of the Exchange shall impede or delay an Exchange examination, inquiry or investigation (whether formal or informal) with respect to possible violations within the disciplinary jurisdiction of the Exchange or with respect to possible limitations on access to Exchange services or otherwise with respect to the discharge of its duties nor refuse to furnish testimony, documentary materials or other information requested by the Board of Directors or by the Exchange (or by any committee, subcommittee, or officer thereof) during the course of such examination, inquiry or investigation or otherwise in furtherance of the discharge of its or his duties. Failure to furnish such testimony, documentary materials or other information requested pursuant to this Rule on the date or within the time period requested shall be considered obstructive of an Exchange inquiry or investigation and shall be subject to formal disciplinary action.

(b) No Participant [member, member organization], or partner, officer, director or other person associated with a Participant [member] or other person or entity subject to the jurisdiction of the Exchange shall refuse to appear and testify before another exchange or self-regulatory organization in connection with a regulatory investigation, examination or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation, examination or disciplinary proceeding if the Exchange requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange pursuant to subsection (c) of this Rule. The requirements of this Rule 11(b) shall apply regardless of whether the Exchange has itself initiated a formal investigation or disciplinary proceeding.

* * * * *

Acts Detrimental to Interest or Welfare of Exchange

RULE 12. No Participant [member or member organization] or partner, officer, director or registered employee of a Participant Firm [member organization] shall commit any act detrimental to the interest or welfare of the Exchange or engage in conduct inconsistent with the maintenance of a fair and orderly market or the protection of investors.

Use of Trading Permit [Exchange Membership]

RULE 13. No Participant Firm [member organization], for which this Exchange is the Designated Examining Authority, parent firm or other corporate affiliate of such a Participant Firm [member organization] shall in any way use the fact that it is a Participant Firm [member organization] or parent firm or corporate affiliate of a Participant Firm [member organization] of the Exchange, except that the Participant Firm [member organization] may itself use the fact that it is a Participant Firm [member organization] of the Exchange in the conduct of its securities business and such other businesses as are authorized by, or have been approved by the Exchange pursuant to, Rule 1(c)(4) of Article I.

Prohibited Accounts

RULE 14. Employees of the Exchange or of Participants [Members of Exchange]

(a) No Participant [member or member organization] shall take or carry an account in which a registered employee of the Exchange or of a Participant [member or member organization] is directly or indirectly interested, unless the written consent of the employer has first been obtained. A registered employee of any corporation, a majority of whose capital stock is owned by the Exchange, shall be deemed a registered employee of the Exchange within the meaning of this rule.

Employee of Bank, Insurance Company or Corporation

(b) No Participant [member or member organization] shall take or carry a general account in which an employee of a bank, trust company, insurance company or any corporation, firm or individual engaged in the business of dealing, either as a broker or principal in stocks, bonds or other securities, bills of exchange, acceptances or other forms of commercial paper, is directly or indirectly interested, unless the written consent of the employer has first been obtained.

••• *Interpretations and Policies:*

.01 Written consent of the Exchange for accounts of registered employees of the Exchange shall be conditioned on the employee giving written instructions to the Participant Firm [member organization] to send duplicate copies of confirmations to the Legal Department of the Exchange.

Order Listed for Non-Participant [Member] in Attendance

(c) No Participant [member or member organization] shall execute an order in a security solely listed on the Exchange for the account of a non-Participant [member] in attendance on the Trading Floor, or an account in which such non-Participant [member] has an interest, unless the transaction is of a stabilizing nature; i.e., purchases shall be at prices lower than the last different-price transaction and sales shall be at prices higher than the last different-price transaction except when a transaction is in liquidation at a loss.

Officers and Employees of Exchange

RULE 15. (a) No Participant [member or member organization] shall:

(1) Employ or compensate for services rendered, any officer or employee of the Exchange or of another Participant [member or member organization] without the prior written consent of the employer and, in the case of floor employees, the prior written consent of the employer and the Exchange;

(2) Give any gratuity in excess of \$100 per person per year to any officer or employee of the Exchange, or of another Participant [member or member organization] or to any officer or employee of a news or financial information medium, bank, trust company, insurance company, or any corporation, firm or individual engaged in the

business of dealing, either as broker or principal in stocks, bonds or other securities, bills of exchange, acceptances or other forms of commercial paper, without the prior written consent of the employer and, in the case of floor employees, the prior written consent of the employer and the Exchange.

* * * * *

Disciplinary Actions by Other Organizations

RULE 16. Disciplinary Action. Every Participant [member] shall promptly notify the Exchange in writing of any disciplinary action, including the basis therefor, taken by any national securities exchange or association, clearing corporation, commodity futures market or government regulatory body against the Participant [member] or its associated persons, and shall similarly notify the Exchange of any disciplinary action taken by the Participant [member] itself against any of its associated persons involving suspension, termination, the withholding of commissions or imposition of fines in excess of \$2,500, or any other significant limitation on activities.

Transactions for or with Unapproved Customers

RULE 17. No Participant Firm [member organization] shall make any transaction for the account of or with a customer unless, prior to or promptly after the completion thereof, a general partner or officer of the Participant Firm [member firm or an officer of the member corporation] shall specifically approve the opening of such account, provided, however, that in the case of a branch office the opening of an account for a customer may be approved by the manager of such branch office, but the action of such branch office manager shall within a reasonable time be approved by a general partner or officer of the Participant Firm [member firm or an officer of the member corporation]. The general partner or officer approving the opening of an account shall, prior to giving his approval, be informed as to the essential facts relative to the customer and shall indicate his approval in writing on any document which will become part of the permanent records of the firm or corporation. [Additional requirements for opening options accounts are contained in Article XLVIII, Rule 3.]

Pledged Securities

RULE 18. No agreement between a Participant Firm [member organization] and a customer, authorizing the Participant Firm [member organization] to pledge securities, either alone or with other securities carried for the account of the customer, either for the amount due thereon or for a greater amount, or to loan such securities, shall justify the Participant Firm [member organization] in pledging or loaning more of such securities than is fair and reasonable in view of the indebtedness of such customer to such firm or corporation.

Mailing Communications to Non-Participant [Member] Customer

RULE 19. No Participant Firm [member organization] shall mail confirmations, statements or other communications to a non-Participant [member] customer in care of such

Participant Firm [member organization] or in care of any other Participant [member or member organization] or in care of an employee of any Participant [member or member organization] unless such Participant [member or member organization] shall have been so directed in writing by such customer and unless duplicate copies of such confirmations, statements or other communications are mailed to such customer at his place of business or residence or at some other address designated in writing by such customer; however, the Exchange, may in specific instances, waive the requirement that duplicate copies be sent.

Trading by a Participant Firm [Member Corporation] in Its Own or Its Parent Firm's Securities

RULE 20. After the completion of a distribution of its securities, no Participant Firm [member corporation] which has any publicly held securities outstanding shall effect any transaction (except on an unsolicited basis) for the account of any customer in, or make any recommendation of any such security issued by any corporation controlling, controlled by or under common control with such [member] corporation.

Customer Account Transfers

RULE 21. (a) When a customer whose securities account is carried by a Participant Firm [member organization] (the "carrying organization") wants to transfer the entire account to another Participant Firm [member organization] (the "receiving organization") and gives written notice of that fact to the receiving organization, both Participant Firms [member organizations] must expedite and coordinate activities with respect to the transfer.

(b)-(e) No change to text.

(f) The Exchange may exempt from the provisions of this rule, either unconditionally or on specified terms and conditions, (i) any Participant Firm [member organization] or class of Participant Firm [member organization] or (ii) any type of account, security or financial instrument.

(g) Unless an exemption has been granted pursuant to paragraph (f) of this rule, the Exchange may impose upon a Participant Firm [member organization] a fee of up to \$100 per securities account for each day such Participant Firm [member organization] fails to adhere to the time frames or procedures required by this rule and related published interpretations.

* * * * *

••• Interpretations and Policies:

.01 Responsibility to Expedite and Coordinate Transfer of Account Upon Customer's Request

A. Rule Inapplicable to Partial Transfers

Rule 21 is applicable only when a customer intends to transfer his or her entire securities account from one Participant Firm [member organization] to another. If a customer desires to transfer a portion of his or her account, an authorized letter should be transmitted to the

carrying organization indicating such intent and specifying the portion of the account to be transferred. Although such transfers are not subject to Rule 21, Participant Firms [member organizations] are expected to expedite authorized partial transfers of customer securities accounts and coordinate their activities with respect thereto.

B. Written Procedures Required

Participant Firms [Member organizations] must develop written procedures for customer securities account transfers that ensure implementation of and compliance with the requirements of Rule 21.

.02 Transfer Procedures

No change to text.

.03 Completion of Transfer

(1)-(2) No change to text.

(3) Fail Contracts—Capital Charges

The staff of the [Securities and Exchange] Commission's Division of Market Regulation has advised the Exchange that it would not recommend enforcement action if Participant Firms [member organizations] interpret Securities Exchange Act Rule 15c3-1(c)(2)(ix), which requires deductions from net capital for fail to deliver contracts outstanding five or more business days (twenty-one or more business days with respect to municipal securities), as not applying to fail to deliver contracts established pursuant to the requirements of Rule 21, including the interpretations thereunder.

(4) Fail Contracts—Safekeeping Positions

All fail contracts required to be established on safekeeping positions, as defined in .02(4)(b) above, must indicate that they relate to a safekeeping position. Participant Firms [Member organizations] should adopt additional procedures to ensure appropriate record keeping with respect to such safekeeping position related fail contracts and thereby avoid erroneous deliveries and dividend adjustments.

* * * * *

.04 Closing Out Fail Contracts

(1) No change to text.

(2) Acceptability of Comparable Securities

Participant Firms [Member organizations] may agree to close out fail contracts established pursuant to the requirements of Rule 21 through the delivery of securities that are

substantially comparable to those owed.

(3) No change to text.

.05 Automated Customer Securities Account Transfer Systems

(1) “Participant in a Registered Clearing Agency”

For purposes of paragraph (e) of this rule, the term “participant in a registered clearing agency” shall mean a [member] of a registered clearing agency that would be eligible to make use of the agency’s automated customer securities account transfer capabilities.

.06 Exemptions

(1)-(3) No change to text.

(4) Delayed Delivery Assets—Fail Contracts

The following assets are deemed subject to delayed delivery for purposes of Rule 21 and are thereby exempt from the requirement in sub-paragraph (b)(3) of the rule that fail to receive and fail to deliver contracts must be established for positions in a customer’s securities account that have not been physically delivered:

- (a) bankrupt issues
- (b) insurance policies (annuities)
- (c) stripped coupons
- (d) when-issued or when-distributed securities.

However, zero value fail to receive and fail to deliver instructions must be generated for such assets. Such fail instructions should be reflected on Participants’ [member organizations’] books and records, although they need not be so reflected by a receiving organization for bankrupt issues that are non-deliverable. A bankrupt issue shall be deemed non-deliverable only if the carrying organization does not possess (which shall be deemed to include possession at a securities depository for the carrying organization’s account) the quantity of shares necessary to effect delivery and no transfer agent is available to re-register the shares to be delivered.

(5) No change to text.

.07 Transfer Instructions and Reports

Prescribed Forms

Participant Firms [Member organizations] must use the transfer instructions and provide the reports prescribed by the Exchange when accomplishing account transfers pursuant to Rule 21. [The Exchange deems the transfer instructions and reports required by the Midwest Clearing Corporation (MCC) in connection with its automated customer account transfer system, and transfer instructions and reports that are substantively similar to those required by MCC, as acceptable for the purpose of accomplishing transfers of accounts under the rule.]

.08 Transfer to or from Non-Participant [member] Organization

Transfer of a customer's account to or from a non-Participant [member] organization shall be handled as expeditiously as a transfer with a Participant Firm [member organization].

Responsibility for Acts of Others

RULE 22. It is the responsibility of Participants [members] and general partners and officers of Participant Firms [member organizations] to effect consistent compliance by their respective organizations with the Constitution and Rules of the Exchange in areas where they have or should have direct or supervisory responsibility. Participants [Members] and general partners and officers of Participant Firms [member organizations] are liable to the same discipline and penalties for acts or omissions of their Participant Firm [member organizations] relating to these areas of responsibility as though such act or omission were their own personal act or omission.

Arbitration of Participant [Member] Controversies

RULE 23. (a) Any controversy between parties who are Participants [members, member organizations or Approved Lessors] or their nominees or associated persons which arises out of the Exchange business of such parties shall be submitted to arbitration, through the Director of Arbitration, to an Arbitration Panel composed of members of the Committee on Exchange [Floor] Procedure in accordance with Rule 23(b), unless non-Participants [members other than Approved Lessors] are also parties to the controversy. To the extent that any such claim alleges employment discrimination, including any sexual harassment claim, in violation of a statute, such claim shall be eligible for arbitration only where the parties have agreed to arbitrate the claim after it has arisen. If such non-Participants [members] are also parties to such controversies, the arbitrators shall be appointed in accordance with Section 8 of Rule 24 under this Article unless such non-Participants [members] consent to arbitration before an Arbitration Panel selected by parties as provided in this Rule 23. However, controversies shall be resolved by the Committee on Exchange [Floor] Procedure, if the parties to such controversy agree to be bound by the decision of that Committee or if Exchange rules otherwise require resolution by the Committee on Exchange [Floor] Procedure. The rules and procedures applicable to arbitrations which are set forth in Rule 24 do not apply to controversies which are to be resolved by the Committee on Exchange [Floor] Procedure.

(b) Unless the parties to the controversy agree to be bound by the Committee's determination, resolution shall be by an Arbitration Panel whose resolution of the dispute shall be binding and final. The Arbitration Panel shall be composed of an odd number of arbitrators who shall be selected as follows:

Each of the parties to the controversy shall select one member of the Committee on Exchange [Floor] Procedure to serve as an arbitrator on the Arbitration Panel. The arbitrators so selected shall then among them agree on the selection of one or more additional arbitrators, provided that the additional arbitrators so selected are either Participants [members] or representatives of Participant Firms [member organizations] of the Exchange, and provided further that no member of the Arbitration Panel may be a person with a direct or indirect

financial interest in the claim. In the event that the initial arbitrators selected by the parties to the controversy cannot agree on the selection of the above-mentioned additional arbitrator or arbitrators, as the case may be, or if any party to a controversy, after due notice, fails to select a member of the Committee on Exchange [Floor] Procedure to serve as an arbitrator, then in that event such arbitrator or additional arbitrator(s) shall be appointed by the Committee on Exchange [Floor] Procedure, except that any members of the Committee who either have already been selected to serve on the Arbitration Panel or who have a direct or indirect financial interest in the claim shall not participate in the selection of such additional arbitrator(s). Except as otherwise provided in this Rule, the rules and procedures applicable to arbitrations concerning Participant [member] controversies which are to be resolved by an Arbitration Panel shall be those set forth hereinafter under Rule 24.

Arbitration Rules

RULE 24. Section 1.—Arbitration.

(a) Except as provided otherwise in these Rules, any dispute, claim or controversy between a customer or non-Participant [member] and a Participant [member, member organization,] or associated person arising in connection with the business of such Participant [member, member organization,] or associated person in connection with his activities as an associated person shall be arbitrated under this Rule of the Exchange as provided by any duly executed and enforceable written agreement or upon the request of the customer or non-Participant [member].

(b) No change to text.

(c) Class Action Claims.

(i)-(ii) No change to text.

(iii) No Participant [member, member organization, and/] or associated person shall seek to enforce any agreement to arbitrate against a customer that has initiated in court a putative class action or is a member of a putative or certified class with respect to any claims encompassed by the class action unless and until; (a) the class certification is denied; (b) the class is decertified; (c) the customer is excluded from the class by the court; or (d) the customer elects not to participate in the putative or certified class action or, if applicable, has complied with any conditions for withdrawing from the class prescribed by court.

(iv) No Participant [member, member organization, and/] or associated person shall be deemed to have waived any of its rights under this Rule or under any agreement to arbitrate to which it is party except to the extent stated in this paragraph.

(d) No change to text.

••• Interpretations and Policies:

.01 The Exchange will not exercise its right to decline the use of its arbitration facilities as set forth in Rule 24(b) of this Article VIII in the event that the Exchange is the Designated

Examining Authority of the Respondent Participant [member] or the enforcement of the applicable rules has not been ceded to another self-regulatory organization pursuant to its Rule 17d-2 Agreement. In other instances, the Exchange may exercise its right to decline the use of its arbitration facilities set forth in Rule 24 (b) of this Article VIII in the event that the nexus between the dispute and the Exchange is minimal.

.02 For purposes of this Rule and Rule 23 under this Article VIII, the terms Participant, Participant Firm, [member, member organization,] associated person and an employee of a Participant [member], shall be deemed to encompass those persons and entities who were Exchange Participants [members] or persons associated with a Participant [member] at the time the circumstances occurred which gave rise to the controversy.

Section 2.—Simplified Arbitration.

(a) Any dispute, claim or controversy, arising between a public customer(s) and an associated person or a Participant [member] subject to arbitration under this Rule involving a dollar amount not exceeding \$10,000 exclusive of attendant costs and interest, shall be arbitrated as hereinafter provided.

(b)-(1) No change to text.

Sections 3-7.

No change to text.

Section 8.—Designation of the Number of Arbitrators.

(a)(1) In all arbitration matters involving public customers and other non-Participants [members] where the matter in controversy exceeds \$10,000, or where the matter in controversy does not involve or disclose a money claim, the Director of Arbitration shall appoint an arbitration panel which shall consist of no less than three (3) arbitrators, at least a majority of whom shall not be from the securities industry, unless the public customer or other non-Participant [member] requests a panel consisting of at least a majority from the securities industry.

(2) An arbitrator will be deemed as being from the securities industry if he or she:

(i) Is a person associated with a Participant [member], broker-dealer, government securities broker, government securities dealer, municipal securities dealer, or registered investment advisor, or

(ii) Has been associated with any of the above within the past five (5) years, or

(iii) Is retired from, or spent a substantial part of his or her business career

in, any of the above, or

(iv) Is an attorney, accountant, or other professional who devoted twenty percent (20%) or more of his or her professional work effort to securities industry clients within the last two (2) years.

(v) Is an individual who is registered under the Commodity Exchange Act or is a member of a registered futures association or any commodities exchange or is associated

with any such person(s).

(3) An arbitrator who is not from the securities industry shall be deemed a public arbitrator. A person will not be classified as a public arbitrator if he or she has a spouse or other member of the household who is a person associated with a registered broker dealer, municipal securities dealer, government securities broker, government securities dealer, or investment advisor.

(b) *Composition of Panels.* No change to text.

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**Schedule of Fees
Public Customer Claimant**

* * * * *

Industry Claimant*

* * * * *

* This is the fee schedule for claims submitted by [member] Participants or [member organizations] Participant Firms, against public customers, registered representatives or non-[member]Participants other than public customers, and for claims submitted by registered representatives or non-[member]Participants other than public customers against [member]Participants or [member organizations] Participant Firms or non-[member]Participants. The one arbitrator column also sets forth the forum fee for pre-hearing conferences with a single arbitrator.

[Member] Controversies

* * * * *

Business Conduct

RULE 25. (a) In recommending to a customer the purchase, sale or exchange of any security, a Participant [member] shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.

(b) Prior to the execution of a transaction recommended to a customer, other than transactions with customers where investments are limited to money market mutual funds, a Participant [member] shall make reasonable efforts to obtain information concerning:

- (i) the customer's financial status;
- (ii) the customer's tax status;
- (iii) the customer's investment objectives;
- (iv) such other information used or considered to be reasonable by such Participant [member] or registered representative in making recommendations to the customer.

••• *Interpretations and Policies:*

.01 The following is a non-exclusive list of practices that the Exchange deems to violate a Participant's [member]'s duty to recommend to a customer only securities suitable for that customer.

(a) Recommending speculative low-priced securities to customers without knowledge of or an attempt to obtain information concerning the customers' other securities holdings, their financial situation and other necessary data.

(b) Excessive activity in a customer's account, often referred to as "churning" or "overtrading." There are no specific standards to measure excessiveness of trading in customer accounts, because this must be related to the objectives and financial situation of the customer involved.

(c) Trading in mutual fund shares, particularly on a short-term basis. It is clear that normally these securities are not proper trading vehicles and such activity on its face may raise the question of trade violation.

(d) Fraudulent activity, including: establishing fictitious accounts in order to execute transactions which otherwise would be prohibited; executing transactions in discretionary accounts in excess of or without actual authority from customers; causing the execution of transactions which are unauthorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon; and unauthorized use or borrowing of customers' funds and securities.

(e) Recommending the purchase of securities or the continuing purchase of securities in amounts that are inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment.

.02 Derivatives and Other New Financial Products. As new financial products are introduced into the marketplace, it is important that Participants [members] make every effort to familiarize themselves with each customer's financial situation, trading experience, and ability to meet the risks involved with such products and to make every effort to make customers aware of the pertinent information regarding new financial products. Moreover, Participants [members] should be careful to always comply with all Exchange requirements regarding the trading of such products.

ARTICLE IX Trading Rules

Excessive Purchases or Sales—Personal Interest

RULE 1. No Participant [member or member organization] or any partner or officer in a Participant [member] firm shall effect on the Exchange purchases or sales for any account in which he or it is directly or indirectly interested, which purchases or sales are excessive in view of his or its financial resources, or in view of the market for such security.

Interest in Joint Account

RULE 2. No Participant or partner, officer or director of a Participant Firm [member, member organization, partner of a member firm or officer or director of a member corporation], shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling any security on the Exchange unless such joint account is reported to and not disapproved by the Exchange. Such reports in form prescribed by the Exchange shall be filed with the Exchange before any transaction is completed on the Exchange for such joint account.

The Exchange shall require weekly reports in form prescribed by the Exchange to be filed with it with respect to every substantial joint account for buying or selling any specific security on the Exchange, and with respect to every joint account which actively trades in any security on the Exchange (a) in which any Participant or partner, officer or director of a Participant Firm [member, member organization, partner of a member firm or officer or director of a member corporation] holds any interest or participation; or (b) of which such Participant or partner, officer or director of a Participant Firm [member, member organization, partner of a member firm or officer or director of a member corporation] has knowledge by reason of transactions executed by or through such Participant or partner, officer or director of a Participant Firm [member, member organization, partner of the member firm or officer or director of the member corporation], provided, however, that this paragraph shall not apply to joint accounts specifically permitted specialists and odd-lot dealers by the Rules.

Discretion of Participants [Members] Prohibited

RULE 3. No Participant or partner, officer or director of a Participant Firm [member, partner in a member firm or officer or director of a member corporation], while on the Floor[s] of the Exchange, shall execute or cause to be executed on the Floor[s] of the Exchange, or through ITS or any other Application of the System, any transaction for the purchase or sale of any security with respect to which transaction such Participant, partner, officer or director of a Participant Firm [member, partner, officer or director] is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale.

The provisions of the preceding paragraph of this Rule shall not apply (1) to any discretionary transaction executed by such Participant, partner, officer or director of a Participant Firm [member, partner, officer or director] for any bona fide cash investment account or for the

account of any person, who due to illness, absence or similar circumstance, is actually unable to effect transactions for his own account; provided the person executing or causing to be executed any such transaction shall keep available for inspection a detailed record of any such transaction and the grounds for exercising such discretion and shall file with the Exchange a quarterly report of all such transactions, each such report shall be filed not more than ten days after the end of the period in which it occurs and shall show the name of each account for which any such transaction was executed, the amount of such discretionary purchases or sales and the grounds for exercising such discretion with respect to each account; or (2) to any transaction permitted under Rule 18 of Article XXI for any account in which the Participant or partner, officer or director of a Participant Firm [member, partner of a member firm or officer or director of a member corporation] executing such transaction is directly or indirectly interested.

No Participant or partner, officer or director of a Participant Firm [member, member organization, partner in a member firm or officer or director of a member corporation] shall execute or cause to be executed on the Exchange purchases or sales of any stock for any account with respect to which such Participant [member, member organization, partner, officer or director] is vested with any discretionary power, which purchases or sales are excessive in size or frequency in view of the financial resources of such account.

Discretion of [Member] Employees Prohibited

RULE 4. No Participant [member or member organization] shall permit any person employed by such Participant [member or member organization] or by any other Participant [member or member organization] to exercise discretion in the handling of a transaction for a customer of such Participant [member organization] and no Participant or partner, officer or director of a Participant Firm [member, member firm or partner thereof, or member corporation or officer or director thereof], shall delegate to any such employee any discretionary power vested by a customer in such Participant [member, firm], partner, [corporation] officer or director, unless prior written authorization of the customer has been received and, if such discretionary authority runs, directly or by re-delegation, to any employee of another Participant [member or member organization], the carrying firm or corporation must obtain the prior written consent of the employer of the individual authorized to exercise discretion. A general partner of the carrying firm or an officer of the carrying corporation shall approve and initial each discretionary order entered by an employee of such firm or corporation or of another Participant [member or member organization] on the day the order is entered. The provisions of this rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed. Additionally, if the discretionary power is exercised in relation to trading in options contracts, the provisions of Article XLVIII, Rule 6 must be observed.

Personal Selling and Purchasing Prohibited

RULE 5. No Participant or partner, officer or director in a Participant Firm [member, partner in a member firm, officer or director of a member corporation] shall (1) personally buy or initiate the purchase of any security on the Exchange for his own account or for any account in which the Participant Firm or any partner, officer or director thereof [he, his member firm, or any

partner of his member firm, his member corporation or any officer or director of his member corporation], is directly or indirectly interested, while he personally holds or has knowledge that the Participant Firm or any partner, officer or director thereof [his member firm or his member corporation or an officer or director thereof] holds an unexecuted market order to buy such security in the unit of trading for a customer; or (2) personally sell or initiate the sale of any security on the Exchange for any such account, while he personally holds or has knowledge that the Participant Firm or any partner, officer or director thereof [member firm or a partner thereof or his member corporation or an officer or director thereof] holds an unexecuted market order to sell such security in the unit of trading for a customer.

No Participant or partner, officer or director thereof [member, partner in a member firm or officer or director of a member corporation] shall (1) personally buy or initiate the purchase of any security on the Exchange for any such account at or below the price at which he personally holds or has knowledge that his Participant Firm or any partner, officer or director thereof [member firm or a partner thereof or his member corporation or an officer or director thereof] holds an unexecuted limited price order to buy such security in the unit of trading for a customer or (2) personally sell or initiate the sale of any security on the Exchange for any such account at or above the price at which he personally holds or has knowledge that his Participant Firm or any partner, officer or director thereof [member firm or a partner thereof or his [member corporation or an officer or director thereof] holds an unexecuted limited price order to sell such security in the unit of trading for a customer

The provisions of this Rule shall not apply (1) to any purchase or sale of any security in an amount less than the unit of trading or by an odd-lot dealer to offset odd-lot orders of customers or (2) to any purchase or sale of any security upon terms for delivery other than those specified in such unexecuted market or limited price order.

••• *Interpretations and Policies:*

.01 A Participant [member] who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Rule.

Price Manipulation—Personal Interest

RULE 6. No Participant or partner, officer or director of a Participant Firm [member, member organization, partner of a member firm or officer or director of a member corporation] shall execute or cause to be executed on the Exchange the purchase of any security at successively higher prices or the sale of any security at successively lower prices for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such security, or for the purpose of unduly or improperly influencing the market price of such security, or for the purpose of making a price which does not reflect the true state of the market in such security.

Records of Orders Transmitted

RULE 7. Every Participant or partner, officer or director of a Participant Firm [member, member organization, or any partner of a member firm or officer or director of a member

corporation] shall preserve, for at least three years, a record of every order transmitted by such Participant or partner, officer or director of a Participant Firm [member, member organization, partner in a member firm or officer or director of member corporation] to the floor of the Exchange, which record shall include the name and amount of the security, the terms of the order and the time when such order was so transmitted, and the time at which a report of execution was received. These requirements are also applicable to the cancellation of an order covered by this Rule.

Exceptions

Under exceptional circumstances the Exchange may upon written request waive the requirements contained in the above Rule.

••• *Interpretations and Policies:*

.01 Every order covered by the above rule to be executed pursuant to Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder shall bear an identifying notation that will enable the executing Participant [member] to disclose to other [member] Participants that the order is subject to those provisions.

Securities Dealt In

RULE 8. No change to text.

Party to Joint Account Agreement

RULE 9. No Participant [member or member organization] which is a party to a joint account agreement with one or more other Participants [members or member organizations] under which trading in certain securities is conducted in and for a joint account shall buy or sell any of such securities for his or its own account, or any other account in which he or it has an interest, without the prior knowledge and consent of all other parties to such joint account agreement.

Business Days and Hours of Trading

RULE 10. (a) No change to text.

(b) The Exchange will be open for business for two trading sessions during each business day.

* * * * *

In the event of a crisis, the chairman or the vice-chairman of the Board of Directors or the president may, with the prior approval of a Director from a Participant Firm [member firm] and a Director from the floor, suspend trading at any time during a session.

Trading Halts Due to Extraordinary Market Volatility

RULE 10A. No change to text.

••• *Interpretations and Policies:*

.01-.03 No change to text.

.04 The reopening of trading following a trading halt under this Rule 10A shall be conducted pursuant to procedures adopted by the Exchange and communicated by notice to its Participants [members and member organizations].

.05 No change to text.

Stop Order Ban Due to Extraordinary Market Volatility

RULE 10B. If the New York Stock Exchange (“NYSE”) institutes a stop and stop limit order ban pursuant to NYSE Rule 80A, no Participant [member or member organization] shall enter any stop order or stop limit order in Dual Trading System issues traded both on the Exchange for the remainder of the trading day, except that a Participant [member or member organization] may enter such a stop order or a stop limit order of 2,099 shares or less for the account of an individual investor pursuant to instructions received directly from the individual investor.

* * * * *

Manipulative Operations

RULE 11. No Participant [member, member organization] or any other person or organization subject to the jurisdiction of the Exchange shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation.

* * * * *

Circulation of Rumors

RULE 12. No Participant [member, member organization] or any other person or organization subject to the jurisdiction of the Exchange shall circulate in any manner rumors of a sensational character which might reasonably be expected to affect market conditions on the Exchange. Discussion of unsubstantiated information published by a widely circulated public media is not prohibited when its source and unsubstantiated nature are also disclosed. Report shall be promptly made to the Exchange of any circumstance which gives reason to believe that any rumor or unsubstantiated information might have been originated or circulated for the purpose of influencing prices in listed securities.

Dealings by Participants [Members] on the Exchange

RULE 13. (a) No Participant [member] or [member] organization shall effect any transaction in any security on the Exchange for his or its account, the account of an associated person, or an account with respect to which the Participant [member, member organization] or an associated person thereof exercises investment discretion.

(b) No change to text.

(c) No bid or offer made by a Participant [member] on an order for the account of such Participant [member or member organization] subject to Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder shall be entitled to priority over, parity with or precedence based on size over any order which is for the account of a person who is not a Participant [member, member organization] or an associated person thereof.

(d) Immediately before executing an order pursuant to Section 11(a)(1) (G) of the Exchange Act and Rule 11a1-1(T) thereunder, a Participant [member] (other than the specialist in such security) shall clearly announce or otherwise indicate to the specialist and to other Participants [members] then present in the trading Crowd in such security that he is representing an order to be executed pursuant to Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder.

Transactions for Personal Interest Accounts

RULE 14. No Participant or partner, officer or director of a Participant Firm [member, partner of a member firm, or officer or director of a member corporation], while on the floor, shall, without the prior approval of a member of the Committee on Exchange [Floor] Procedure, initiate the purchase or sale on the Exchange of any stock for any account in which he or his Participant Firm [member firm] or any partner, officer or director of such firm, [or his member corporation or any officer or director of such corporation] is directly or indirectly interested with any person other than such Participant Firm [member firm] or a partner, officer or director thereof [or such member corporation or an officer or director thereof]. This Rule shall not apply to any purchase or sale (1) for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions; or (2) by an odd-lot dealer or a specialist for any joint account in which he is expressly permitted to have an interest or participation by the Rules.

••• *Interpretations and Policies:*

.01 A Participant [member] who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Rule.

Dealing in Stocks on Put, Call, Straddle or Option

RULE 15. No Participant or partner, officer or director in a Participant Firm [member, partner in a member firm or officer or director of a member corporation] while on the floor, shall

initiate the purchase or sale on the Exchange for his own account or for any account in which he, his Participant Firm [member firm or any partner thereof or his member corporation] or any partner, officer or director thereof is, directly or indirectly, interested in any stock in which he holds or has granted any put, call, straddle or option, or in which he has knowledge that his Participant Firm [member firm] or any partner, officer or director thereof [or his member corporation or any officer or director thereof], holds or has granted any put, call, straddle or option; provided, however, that the preceding prohibition shall not be applicable in respect of any option issued by the Options Clearing Corporation that was acquired or granted in a publicly reported transaction. Each person able to initiate the purchase or sale of any stock while on the floor shall report to the Exchange, in such form and at such times as the Exchange requires, all options that he holds or has granted, or that his Participant Firm [member firm] or any partner, officer or director thereof, [or his member corporation or any officer or director thereof,] holds or has granted.

••• *Interpretations and Policies:*

.01 A Participant [member] who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Rule.

Floor Trading for Own Account

RULE 16. (a) No Participant or partner, officer or director of a Participant Firm [member, partner in a member firm or officer or director of member corporations], while on the floor, shall effect a transaction for his own account, or an account in which he has an interest, in a security solely listed on the Exchange, unless he acts as the specialist, co-specialist, relief specialist or odd-lot dealer, or he has been duly registered as a “Floor Trader” for the privilege of effecting transactions as principal, and had at the time of application for the privilege a liquid net worth of not less than \$10,000 and is in compliance with Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder.

Provisions for Floor Trading

(b) All trading by a Floor Trader under this privilege shall conform to the following provisions:

1-2. No change to text.

3. any agency order or orders in the same issue received during a single trading session following a purchase or sale for the Floor Trader’s own account shall be relinquished to another floor Participant [member].

4-5. No change to text.

(c) Participants [Members], while acting as Registered Floor Traders on the Floor of the Exchange, shall not congregate in a particular stock and dominate the market in that stock; and shall effect purchases and sales in an orderly manner. They shall not be conspicuous in the market. The chairman of the Committee on Exchange [Floor] Procedure, and in his absence, any committeeman shall approve or disapprove the presence of Registered Floor Traders as to their

numbers and trading activities.

Short Sales

RULE 17. (a) No Participant [member or member organization] shall effect a sell order or sale of any security unless such sell order or sale is effected in compliance with SEC Rule 10a-1 promulgated under the [Securities] Exchange Act [of 1934].

(b) No Participant [member or member organization] shall effect a “short” sale, as that term is used in Rule 10a-1 under the [Securities] Exchange Act [of 1934], for his or its own account or for the account of a customer in any security unless, prior to effecting such short sale, the Participant [member] makes arrangements to either borrow the necessary stock or obtains other assurances that delivery can be made on settlement date. Such assurances include knowledge that the security is available for borrowing, conversion privileges, exercise of rights or other similar situations, provided, however, that the security needed for delivery can be exchanged in normal transfer time.

* * * * *

ARTICLE X Margins

Meeting Margin Calls by Liquidation Prohibited

RULE 1. No Participant Firm [member organization] shall permit a customer to make a practice of effecting transactions requiring initial or additional margin or full cash payment and then furnishing such margin or making such full cash payment by liquidation of the same or other commitments, except that the provisions of this Rule shall not apply to any account maintained for another broker or dealer in which are carried only the commitments of customers of such other broker or dealer, exclusive of the partners, stockholders, officers and directors of such other broker or dealer, provided such other broker or dealer (1) is a Participant Firm [member organization] of the Exchange, or (2) has agreed in good faith with the Participant Firm [member organization] carrying the account that he will maintain a record equivalent to that referred to hereinafter in this Article, or (3) is not subject to the regulations of the Board of Directors of the Federal Reserve System.

Record of Margin Calls and Receipt of Margin

RULE 2. Each Participant Firm [member organization] carrying margin accounts for customers shall make each day a record of every case in which, pursuant to the Rules of the Exchange or regulations of the Board of Directors of the Federal Reserve System, initial margin must be obtained in a customer's account because of the transactions effected in such account on such day. Such record shall be preserved for at least 3 years and shall show for each account the amount of margin so required and the time and manner in which such margin is furnished or obtained. Such record shall be in a form approved by the Exchange and shall contain such additional information as the Exchange may from time to time prescribe. The Exchange may exempt any Participant Firm [member organization] who is a Participant Firm [member organization] of another national securities exchange having a comparable rule with which such Participant Firm [member organization] complies.

Initial Margin Rule

RULE 3. (a) For the purpose of affecting new securities transactions and commitments, the margin required shall be at least the greater of the amount specified in the regulations of the Board of Directors of the Federal Reserve System or an amount equivalent to the requirements of paragraph (b) of this Rule, or such greater amount as the Exchange may from time-to-time require for specific securities, with a minimum equity in the account of at least \$2,000 except that cash need not be deposited in excess of the cost of any security purchased. The foregoing minimum equity and cost of purchase provisions shall not apply to "when distributed" securities in cash accounts and the exercise of rights to subscribe.

For the purpose of this Rule, the term customer shall include any person or entity for whom securities are purchased or sold or to whom securities are sold or from whom securities are purchased whether on a regular way, when issued, delayed, or future delivery basis. It will also include any person or entity for whom securities are held or carried. The term will not include a broker or dealer from whom a security has been purchased or to whom a security has been sold for the account of the Participant Firm [member organization] or its customers. Withdrawals of cash or securities may be made from any account which has a debit balance, “short” position, or commitments, provided that after such withdrawal the equity in the account is at least the greater of \$2,000 or the amount required by the maintenance requirement of this Rule.

Maintenance Margin Rule

(b) The margin which must be maintained in margin accounts of customers, whether Participants, Participant Firms [members, member organizations] or non-Participants [members], shall be as follows:

(1)-(4) No change to text.

Exceptions to Rule

(c) The foregoing requirements of this Rule are subject to the following exceptions:

(1) No change to text.

(2) Exempted Securities

(A) Positions in United States Government Obligations.—The minimum margin on any positions in obligations issued or unconditionally guaranteed as to principal or interest by the United States Government shall be 5% of the principal amount of such obligations, unless the Exchange, upon written application to the Department of Participant [Member] Firms, grants a lower requirement in the case of a particular issue.

(B) No change to text.

(C) Cash Transactions with Customer—Special Provisions—When a customer purchases an issued “exempted” security from or through a Participant Firm [member organization], in a cash account, full payment shall be made promptly. If, however, delivery or payment therefore is not made promptly after the trade date, a deposit shall be required as if it were a margin transaction, unless it is a transaction with a bank, trust company, insurance company, investment trust or charitable or nonprofit educational institution.

In connection with any net position resulting from any transaction in issued “exempted” securities made for a Participant Firm [member organization], or a non-Participant [member] broker/dealer, or made for or with a bank, trust company, insurance company, investment trust or charitable or nonprofit educational institution, no margin need be required and such net position need not be marked to market. However, where such net position is not marked to the market, an amount equal to the loss at the market in such position shall be considered as cash required to provide margin in the computation of the Net

Capital of the Participant Firm [member] organization under the Exchange's Capital Requirements.

(3) Joint Accounts in which the Carrying Organization or a Partner or Stockholder Therein has an Interest—In the case of a joint account carried by a Participant Firm [member organization], in which such firm [organization], or any partner[, member,] or any stockholder (other than a holder of freely transferable stock only) of such Participant Firm [member organization] participates with others, the interest of each participant other than the carrying Participant Firm [member organization] shall be margined by each such participant pursuant to the provisions of the Rule as if such interest were in a separate account. The Exchange will consider requests for exemption from the provisions of this paragraph, provided

(A)-(B) No change to text.

(C) the account is maintained as a Special Miscellaneous Account conforming to the conditions of Section 4(f)(5) of Regulation T of the Board of Directors of the Federal Reserve System and is confined exclusively to transactions and positions in (i) serial equipment trust certificates, or (ii) interest-bearing obligations which are the subject of a primary distribution and which are covered by the first four ratings of any nationally known statistical service and each other participant margins his share of such account on such basis as the Exchange may prescribe. Requests for exemption from the provisions of this section should be submitted in writing to the Department of Participant [Member] Firms and, in addition to indicating the names and interests of the respective participants in the joint account, should contain a statement that the conditions in Paragraphs (A), (B), (C) (i) or (C)(ii) actually obtain.

(4) No change to text.

(5) International Arbitrage Accounts—International arbitrage accounts for non-Participant [member] foreign correspondents who are registered with and approved by the Exchange shall not be subject to this Rule. In computing, under the Exchange's Capital Requirements, the Net Capital of any Participant Firm [member organization] carrying such an account which is not margined in accordance with the maintenance requirements hereof, the Exchange will consider as a debit item any difference between the minimum amount of margin computed in accordance with those requirements and the margin in such account.

(6) Specialists' Accounts.—

(A) The account of a Participant [member] in which are effected only transactions in securities in which he is registered and acts as a specialist may be carried upon a margin basis which is satisfactory to the specialist and the Participant Firm [member organization]. The amount of any deficiency between the margin deposited by the specialist and the margin required by the other provisions of this Rule shall be considered as a debit item in the computation of the Net Capital of the Participant Firm [member organization] under the Exchange's Capital Requirements.

(B) In the case of joint accounts carried by Participant Firms [member organizations] for specialists, in which the Participant Firms [member organizations] participate, the margin deposited by the other participants may be in any amount which is

mutually satisfactory. The amount of any deficiency between the amount deposited by the other participant, or participants, based upon their proportionate share of the margin required by the other provisions of this Rule, shall be considered as a debit item in the computation of the Net Capital of the Participant Firm [member organization] under the Exchange's Capital Requirements.

(7) Joint Back Office Participant Accounts—A clearing Participant [member or member organization] may carry and clear the accounts of joint back office (“JBO”) participants upon a margin basis which is satisfactory to both parties, provided the requirements of Regulation T Section 220.7 (or any successor thereto) and Article XI, Rule 3A are adhered to.

(d)(1) No change to text.

(2) “When Issued” and “When Distributed” Securities.—

(A) *Margin Accounts*

No change to text.

(B) *Cash Accounts*

In connection with any transaction or net position resulting from contracts for a “when issued” security in an account other than that of a Participant Firm [member organization], non-Participant [member] broker or dealer, bank, trust company, insurance company, investment trust, or charitable or nonprofit educational institution, deposits shall be required equal to the margin required were such transaction or position in a margin account.

In connection with any net position resulting from contracts for a “when issued” security made for or with a non-Participant [member] broker or dealer, no margin need be required, but such net position must be marked to the market.

In connection with any net position resulting from contracts for “when issued” security made for a Participant Firm [member organization] or for or with a bank, trust company, insurance company, investment trust, or charitable or non-profit educational institution, not be marked to the market. However, where such net position is not marked to the market, an amount equal to the loss at the market in such position shall be considered as cash required to provide margin in the computation of the Net Capital of the Participant Firm [member organization] under the Exchange's Capital Requirements.

* * * * *

(3) Transactions and positions in “conditional rights to subscribe”.—For the purposes of the initial and maintenance margin requirements of this Rule, no value shall be given to any “long_ position in “conditional rights to subscribe,_ until such time as the conditions relating to the effectiveness of the rights to subscribe are met.

* * * * *

A Participant Firm [member] organization shall obtain from a customer additional funds or collateral to “mark to the market” any loss resulting from a sale of “conditional rights to subscribe” when the securities, on which the “conditional rights to subscribe” accrue, are not registered in the name of the organization carrying the account, or its nominee, and the “conditional rights to subscribe” are not in the organization’s possession.

Funds or securities deposited as “marks to market” are not to be considered when determining the status of a customer’s margin or cash account from the standpoint of this Rule.

(4) Guaranteed Accounts.—Any account guaranteed by another account may be consolidated with such other account and the required margin may be determined on the net position of both accounts, provided the guarantee is in writing and permits the [member] organization carrying the account, without restriction, to use the money and securities in the guaranteeing account to carry the guaranteed account or to pay any deficit therein; and provided further that such guaranteeing account is not owned directly or indirectly by (a) a partner, [member], or any stockholder (other than a holder of freely transferable stock only) in the organization carrying such account or (b) a [member], [member] organization, a partner, or any stockholder (other than a holder of freely transferable stock only) therein having a definite arrangement for participating in the commissions earned on the guaranteed account. However, the guarantee of a limited partner or of a holder of nonvoting stock, if based upon his resources other than his capital contribution to or other than his interest in a [member] organization, is not affected by the foregoing prohibition, and such a guarantee may be taken into consideration in computing margin in the guaranteed account.

(5)-(6) No change to text.

(7) Practice of Meeting Margin Calls by Liquidation Prohibited.—No Participant Firm [member organization] shall permit a customer to make a practice of effecting transactions requiring margin and then either deferring the furnishing of margin beyond the time when such transactions would ordinarily be settled or cleared, or meeting such demand for margin by the liquidation of the same or other commitments in his account.

(8) No change to text.

(9) (a) Free Riding in Cash Accounts Prohibited.—No Participant [member or member organization] shall permit a customer (other than a broker/dealer or bank, trust company, insurance company, investment trust, or charitable or non-profit educational institution) to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No Participant Firm [member organization] shall permit such a customer to make a practice of selling securities which were purchased in a cash account at another Participant Firm [member organization] and are not yet paid for. A customer shall not be deemed to be continuing this practice if for a period of 90 days (or less with the approval of the Exchange) no such transactions have taken place. A Participant

Firm [member organization] transferring an account which is under restraint to another Participant Firm [member organization] shall inform the receiving Participant Firm [member organization] of the restraint.

(b) Unless funds sufficient for the purpose are already in the account, no security other than an exempted security shall be purchased for, or sold to, any customer in a special cash account with the creditor if any security other than an exempted security has been purchased by such customer in such an account during the preceding 90 days, and then, for any reason whatever, without having been previously paid for in full by the customer, the security has been sold in the account or delivered out to any broker or dealer. A Participant Firm [member organization] transferring an account which is under restraint to another Participant Firm [member organization] shall inform the receiving Participant Firm [member organization] of the restraint.

* * * * *

ARTICLE XI
Financial Responsibility and Reporting Requirements

Prerequisite for Clearing Transactions

RULE 1. Before a Participant [member or member organization shall clear its own transactions or do business with the public, he or it shall notify the Exchange in writing.

Liquid Net Worth of Individual Applicant

RULE 2. Individual applicants for a Trading Permit [membership] shall have a liquid net worth of not less than \$10,000, over and above the cost of the Trading Permit [membership].

Non-Partner Applicant

Each individual applicant for a Trading Permit [membership] who will not be a partner or officer of a Participant Firm [in a member firm or an officer of a member corporation] which is subject to Rule 3 of this Article shall have at time of application and shall maintain during the time he holds a Trading Permit [such individual membership] personal unencumbered net worth represented by assets readily convertible into cash in the amount of not less than \$10,000 over and above the cost or value of the Trading Permit [membership].

Net Capital and Aggregate Indebtedness

RULE 3. (a)(1) Except as otherwise provided below, a Participant [member or member organization] shall at all times—

* * * * *

(2) A Participant [member or member organization] that is registered as a specialist on the Exchange whose specialist transactions are effected through and carried in a specialist account cleared by another broker or dealer shall at all times—

* * * * *

(3) a Participant [member or member organization] that is registered as a specialist on the Exchange and that clears its own specialist account(s) shall at all times—

* * * * *

(4) A Participant [member or member organization] that clears the specialist accounts of another Participant [member or member organization] registered as a specialist on the Exchange shall, at all times—

* * * * *

(5) A Participant [member or member organization] shall promptly notify the Exchange if it ceases to be in compliance with the requirements of clauses (1), (2), (3), (4) or (5) (whichever is applicable) of this paragraph (a) or if it becomes obligated to file monthly reports under paragraph (b) of this Rule. A Participant [member or member organization] shall also promptly notify the Exchange of any material unsecured or partly secured loan, drawing in excess of share of profits, or other obligation owed to the Participant [member or member organization] by (i) any person, including a subordinated lender, having a capital interest in the Participant [member or member organization], (ii) any partner, officer, director or employee of the Participant [member or member organization], or (iii) any corporation, firm or entity in which any partner, officer, director or employee of the Participant [member or member organization] holds office or has a material financial interest. Such notification may show such obligations owed to the Participant [member or member organization] by category without personal identification, except that personal identification shall be made in respect to any person having such obligations equal to five percent or more of the Participant's [member or member organization's] debt equity total.

(6) The Exchange may at any time or from time to time with respect to a particular Participant [member or member organization] or all Participants [members or member organizations] or a new Participant [member or member organization] prescribe greater net capital or net worth requirements than those prescribed under this Rule including more stringent treatment of items in computing net capital or net worth.

Monthly Financial Statements

(b)(1) For those Participant Firms [member organizations] for which this Exchange is the Designated Examining Authority, monthly financial statements consisting of FOCUS Part II or Part IIA Report shall be filed with the Exchange for a minimum period of three months unless otherwise specified in writing, by any such Participant Firm [member organization] which:

* * * * *

(iv) carries in the proprietary or other accounts of the Participant Firm [member organization] equity securities having a market value in excess of twice its debt equity total, or

* * * * *

(viii) the Exchange otherwise determines that the Participant Firm [member organization] may be approaching financial or operational difficulty.

(2) In addition to the regular annual field examination that all Participants [member organizations] receive, the Exchange will conduct such extraordinary field examinations of Participants [member organizations] filing monthly reports pursuant to this paragraph as it shall determine to be necessary or appropriate for the protection of investors, other Participants [member(s) and member organizations] and the Exchange.

* * * * *

Responsibility of Computations of Net Capital Requirements

(c) It shall be the responsibility of Participants [members] and partners and officers of Participant Firms [member organizations] to effect consistent compliance by their respective organizations with the net capital requirements of the Exchange. The frequency of computations of net capital may be determined by the Participant Firm [member organization], but failure to make adequate computations at reasonable intervals of time or under unusual conditions shall be subject to Exchange review and action. In no event shall a computation be prepared less frequently than once a month. All computations shall be retained for a period of not less than three years.

Restrictions on Operations

(d) Whenever it shall appear to the Chief Executive Officer that a Participant Firm [member organization] obligated to file reports under paragraph (b) of this Rule is unable within a reasonable period to maintain sufficient net capital to a point where it is no longer obligated to file such reports, or that a Participant Firm [member organization] is carrying inventories which are excessive in relation to its capital, failing to maintain necessary operational personnel and facilities, or engaging in any other activity which casts doubt upon such Participant Firm's [member organization's] continued compliance with the net capital requirements of the Exchange, the Chief Executive Officer may impose such conditions and restrictions upon the operations, business and expansion of such Participant Firm [member organization] and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determined to be necessary or appropriate for the protection of investors, other Participants [members] and Participant Firms [member organizations] and the Exchange. Each action taken under this Rule shall be reported promptly to the Vice Chairman of the Board of Directors [Governors].

* * * * *

Joint Back Office Participants

RULE 3A. An arrangement may be established between two or more registered broker-dealers pursuant to Regulation T Section 220.7 to form a joint back office ("JBO") arrangement for carrying and clearing accounts of participating broker-dealers. Participants [Members and member organizations] for which the Exchange is the Designated Examining Authority ("DEA") shall provide written notification to the Exchange prior to becoming a JBO Participant (as defined below) and prior to clearing a JBO account.

(a) *Requirements for Joint Back Office Participants.* In addition to complying with the requirements of Rule 3 of this Article XI, a Participant [member or member organization] for which the Exchange is the DEA that maintains a joint back office ("JBO") arrangement (a "JBO Participant") with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 (or any successor thereto) of the Federal Reserve System shall:

1-4. No change to text.

5. designate one registered person associated with such Participant [member] as a financial and operations principal, whose responsibilities shall include:

(A) – (C) No change to text.

(D) supervision of and responsibility for individuals who are involved in the actual maintenance of the Participant's [member's] books and records from which such reports are derived;

(E) supervision and/or performance of the Participant's [member's] responsibilities under all Exchange or SEC financial responsibility rules; and

(F) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the Participant's [member's] back office operations. Such person shall successfully complete the Series 27 Financial and Operations Principal Examination.

(b) *Requirements for Clearing Participants [Members or Member Organizations] Carrying and Clearing the Accounts of JBO Participants.* A clearing Participant [member or member organization] that clears and carries the accounts of JBO Participants shall:

1. maintain (i) tentative net capital of not less than \$25 million as computed pursuant to SEC Rule 15c3-1 or (ii) net capital of not less than \$7 million as computed pursuant to SEC Rule 15c3-1, provided that such Participant [member or member organization] has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of gross haircuts calculated for all options market maker accounts and accounts of JBO Participants, without regard to related account equity or clearing firm net capital charges, is attributable to options market maker transactions. Any Participant [member or member organization] operating pursuant to subsection (ii) of this paragraph must include the gross deductions calculated for all accounts of JBO Participants in such Participant's [member's or member organization's] ratio of gross options market maker deductions to adjusted net capital in accordance with the provisions of SEC Rule 15c3-1. In the event that the tentative net capital or net capital of a clearing Participant [member or member organization] that clears and carries the accounts of JBO Participants falls below the above proscribed levels, the Participant [member or member organization] shall (i) immediately notify the Exchange in writing via telegraph, facsimile or hand delivery, of such deficiency, and (ii) take appropriate action to resolve such deficiency within three consecutive business days of the occurrence of such deficiency, and if not so resolved shall (a) not permit any new transactions to be entered by the JBO Participant and (b) be subject to the prohibitions against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment, and repayment of subordination agreements set forth in SEC Rule 15c3-1d, as if such broker-dealer's net capital were below the minimum standards specified by each of these paragraphs;

2. require and maintain equity of \$1,000,000 for each JBO Participant. If equity decreases below \$1,000,000 the Participant [member or member organization] clearing and carrying the JBO Participant's account shall issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within five business days, the clearing broker-dealer must no longer margin the account in accordance with the JBO provisions of the Regulation T and, if no other

provision of Regulation T is applicable to the account, must margin the account in accordance with the requirements prescribed for a customer in Regulation T;

* * * * *

Financial and Operational Reports

RULE 4. (a) Each Participant [member or member organization] shall file those financial and operational reports in such form and within such time period as prescribed by 17 CFR 240.17a-5 and Rule 3 of this Article. Notwithstanding the foregoing, if the Exchange is not the designated examining authority for such Participant [member or member organization], and the Participant's [member or member organization's] designated examining authority has agreed to submit such data to the Exchange within a reasonable period of time after such Participant [member organization] is required to file with its designated examining authority, the requirements of this Paragraph (a) shall be deemed to have been met.

(b) Each Participant [member or member organization] shall file annually financial statements and schedules certified by an independent public accountant acceptable to the Exchange in accordance with the requirements of 17 CFR 240.17a-5.

(i) The original audit and all working papers relative thereto shall be retained by the independent public accountant as a part of their records for three years after completion and such records shall be subject to examination by the Exchange at the office of the Participant [member or member organization] or of the Exchange.

(ii) A copy of an agreement, satisfactory to the Exchange, evidencing the engagement of an independent public accountant to conduct the audit required by this Rule shall be filed with the Exchange no later than December 10 of each year to cover the following calendar year. Such agreement must be dated no later than December 1 and may be effective until cancelled or a new agreement may be filed each year. Notwithstanding the foregoing, a copy of the audit agreement need not be filed with the Exchange if an agreement, satisfactory to the Participant's [member's or member organization's] designated examining authority, has been filed with such designated examining authority.

(iii) No change to text.

(c) Each Participant [member or member organization] shall cause an additional audit to be made of its accounts by an independent public accountant, acceptable to the Exchange, in accordance with the requirements of 17 CFR 240.17a-5 and file the results of such audit with the Exchange at such other times as the Exchange, for good cause, may require, or, at the discretion of the Exchange, file a statement with the Exchange to the effect that such audit has been made. Such statement shall be signed by the Participant Firm's general partner or executive officer [member organization's general partner in the case of a member firm, but its executive officer in the case of a member corporation] or by an individual Participant [member] and it shall be attested by the independent public accountant who certified the audit. The original report of the audit signed by the independent public accountant shall be retained as part of the books and records of the Participant [member or member organization].

••• *Interpretations and Policies:*

.01 A suggested guide for the agreement with the independent public accountant required by paragraph (b)(ii) of this Rule 4 is reproduced below. Other provisions, not inconsistent with the provisions of this suggested guide, may also be included at the discretion of the individual Participant [member] organization and its independent public accountant.

....., 19..

DATE

TO: (NAME OF MEMBER OF PARTICIPANT [ORGANIZATION])

Gentlemen:

We (I) hereby agree:

(1) to conduct an audit of your financial statements for the period ended
.., [19] 2____. . ., the end of your (calendar) (fiscal)* year and each year thereafter** in accordance with the applicable requirements of the Chicago Stock Exchange, Inc. [orporated] (Exchange) and the Securities and Exchange Commission (SEC);

(2) to notify the Exchange in writing (each year)** no later than five business days after the audit date that the audit has commenced;

(3) to notify the Exchange in advance of the commencement of any substantial interim work which would result in a hardship on your organization should the Exchange conduct an examination of your organization concurrently; and

(4) to submit to the Exchange and the SEC, financial statements, schedule(s) and report(s) based upon the audit in accordance with Exchange and SEC requirements.

Very truly yours

(Signature of Independent Public Accountant)

Agreement acknowledged:

(Name of Participant Firm [Member Organization])

By

(Signature and Title of General Partner, Officer or Participant [Member])

* Indicate which is applicable.

** Delete this phrase to make the agreement applicable to an Audit in a single year.

.02 Participants [Member firms and Member organizations] who are required to file with the Exchange monthly, quarterly and annual financial and operational reports pursuant to Article XI, Rules 3 and 4 of the Exchange Rules and [Securities and Exchange] Commission Rule 17a-5, must file in such form and within such time periods prescribed in the aforementioned rules. Repeated failure to file required financial and operational reports in a timely manner may subject Participants [members] to disciplinary proceedings under the Rules of the Exchange. A failure to file such reports of more than 90 days will result in the initiation of a disciplinary action against such [member].

.03 Participants [Member and member organizations] for which the Exchange is the Designated Examining Authority and which are required to file financial and operations reports pursuant to Paragraph (a) of this Rule shall electronically file such reports with the Exchange's Market Regulation Department utilizing the software required by the Exchange.

“Doing Business with the Public”

RULE 5. “Doing business with the public” shall mean engaging in transactions in securities with or for non-Participants [members] where the Participant [member or member organization] receives from and/or delivers to a non-Participant [member] money and/or securities or holds such money and/or securities for the account of such non-Participant [member].

Fidelity Bonds

RULE 6. (a) Each Participant Firm [member organization] doing business with the public shall carry fidelity bonds, in such form and in such amounts as the Exchange may require, covering its general partners or officers and its employees. The Stockbrokers Partnership Bond and the Brokers’ Blanket Bond approved by the Exchange, are the only forms which may be used. Specific Exchange approval is required for any variation from such forms.

(b) Participant Firms [Member] organizations subject to this rule are required to maintain basic and specific coverages, which apply both to Stockbrokers Partnership and Brokers Blanket Bond, in amounts not less than those prescribed in this Rule. Where applicable, such coverage must also extend to limited partners who act as employees, outside organizations providing electronic data processing services and the handling of U. S. government securities in bearer form.

(c) Participant Firms [Member organizations] doing business with the public shall:

* * * * *

Deductible Provision

(d)(1) A deductible provision may be included in the bond of up to \$5,000 or 10% of the minimum insurance requirement established hereby, whichever is greater.

(2) If a Participant Firm [member organization] desires to maintain coverage in excess of the minimum insurance requirement then a deductible provision may be included in the bond of up to \$5,000 or 10% of the amount of blanket coverage provided in the bond purchased, whichever is greater. The excess of any such deductible amount over the maximum permissible deductible amount described in paragraph (d)(1) above must be deducted from the Participant’s [member’s] net worth in the calculation of the Participant’s [member’s] net capital for purposes of Rule 3 of this Article. Where the Participant Firm [member organization] is a subsidiary of another Exchange Participant Firm [member organization] the excess may be deducted from the parent’s rather than the subsidiary’s net worth, but only if the parent guarantees the subsidiary’s net capital in writing.

Annual Review of Coverage

(e)(1) Each Participant Firm [member organization] not covered by subsection (e)(2) herein, shall annually review, as of the anniversary date of the issuance of the bond, the adequacy thereof by reference to the highest required net capital during the immediately preceding twelve-month period, which amount shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subsections (c)(2), (3), (4) and (5) herein.

(2) A Participant Firm [member organization] which has been in business for one year shall, as of the first anniversary date of the issuance of its original bond, review the adequacy thereof by reference to the highest required net capital experienced during its first year, recomputed as if the organization had been in business for more than two years. Such amount shall be used in lieu of required net capital under Rule 3 of this Article in determining the minimum required coverage to be carried in the Participant Firm's [members' organization's] second year pursuant to subsections (c)(2), (3), (4), and (5) herein. Notwithstanding the above, no such Participant Firm [member organization] shall carry less minimum bonding coverage in its second year than it carried in its first year in business.

(3) Each Participant [member] shall make required adjustments not more than sixty days after the anniversary date of the issuance of such bond.

Notification of Change

(f) Each Participant [member] shall report the cancellation, termination or substantial modification of the bond to the Exchange within ten business days of such occurrence.

Filing Requirements on Change of Examining Authority

RULE 7. (a) A Participant Firm [member organization] for whom another national securities exchange or registered securities association is the designated examining authority under 17 CFR 240.17d-1 and who ceases to be a member in good standing of such national securities exchange or registered securities association shall file the reports and information required by Paragraph (b) of 17 CFR 17a-5 with the Exchange at the same time such reports and information are filed with the [Securities and Exchange] Commission.

(b) The determination of what constitutes membership interest and cessation of membership in good standing shall be as defined in Paragraph (b) of 17 CFR 240.17a-5.

Operational Capability

RULE 8. (a) Whenever it shall appear to the Chief Executive Officer that a Participant Firm [member organization] is unable or unwilling to make and keep current books and records in accordance with Rules 17a-3 and 17a-4 under the [Securities] Exchange Act [of 1934] or otherwise to maintain adequate operational capability, the Chief Executive Officer may impose such conditions and restrictions upon the operations, business and expansion of such Participant Firm [member organization] and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determines to be necessary or appropriate for

the protection of investors, other Participants [members and member organizations] and the Exchange. Each action taken under this Rule shall be reported promptly to the vice-chairman of the Board.

(b) In addition to the regular annual field examination that all Participant Firms [member organizations] receive, the Exchange shall conduct such extraordinary field examinations and require such additional reporting of Participant Firms [member organizations] restricted pursuant to paragraph (a) of this Rule as it may determine to be necessary or appropriate for the protection of investors, other Participants [members and member organizations] and the Exchange.

Short Positions

RULE 9. Participants [Members and member organizations] for which the Exchange is the Designated Examining Authority (“DEA”) must report all short positions carried by the Participant [member or member firm], including odd-lots, in each stock or warrant regardless of where trades resulting in such position(s) were executed, in a manner acceptable to the Exchange. The reporting requirement is applicable to Exchange Participants [members and member organizations] that clear trades for all short positions in the firm’s account(s) and in accounts which the firm carries for other Exchange Participants [members] or non-Participants [members]. [The reporting requirements under this rule shall be deemed satisfied without the need for members or member organizations subject to the rule to separately report short positions to the Exchange so long as all of the member’s or member organization’s short positions are carried on the books of the Midwest Clearing Corporation.]

••• *Interpretations and Policies:*

.01 Each Participant [member or member organization] shall combine the short interest in each of their respective individual accounts that is “short” the security and report the sum of those short interests. However, the short interest in such accounts shall not be netted against accounts which are “long” the security. For example, if a Participant Firm [member organization] has three separate accounts, and Account 1 has short interest of 100 shares, Account 2 has short interest of 225 shares and Account 3 is long 150 shares, the Participant Firm [member organization] shall report short interest of 325, not 175.

Guarantee Letters

RULE 10. (a) No Participant [member or member organization] registered as a floor broker and which does not clear its own transactions shall act as such on the Exchange unless there is in effect a Letter of Guarantee that has been issued for such floor broker by a clearing Participant Firm [member organization]. A floor broker may have more than one such letter on file with the Exchange; provided, however, that a Letter of Guarantee with an earlier effective date will afford the clearing Participant Firm [member organization] issuing such a letter a priority over each subsequent issuer of a Letter of Guarantee for claims made against the Participant. [pursuant to Article I, Rule 14 against the distribution of proceeds from the sale of a membership by the entity covered by such Letters of Guarantee.]

(b) A Letter of Guarantee shall provide that the issuing clearing Participant Firms [member organizations] shall be responsible for the clearance of the Exchange transactions of the floor broker when the name of the clearing Participant Firm [member organization] is given up.

(c) No change to text.

[Mandatory Year 2000 Testing]

[RULE 11. Note: This rule will expire automatically on January 1, 2001

(a) Each member and member organization shall conduct or participate in testing of computer systems designed to prepare for Year 2000, in a manner and frequency prescribed by the Exchange, and shall provide to the Exchange reports related to such testing as requested by the Exchange.

(b) The Exchange may exempt a member or member organization from this requirement if that member or member organization cannot be accommodated in the schedule by the organization conducting the test or if the member does not employ computers in its business or for other reasons acceptable to the Exchange.]

[Mandatory Decimal Pricing Testing]

[RULE 12. Note: This rule will expire automatically upon the full implementation of decimal pricing.

(a) *Point-to-Point Testing.* Each member that has an electronic interface with the Exchange shall participate in point-to-point testing with the Exchange of its computer systems designed to ascertain decimal pricing conversion compatibility of those computer systems, in a manner and frequency as prescribed by the Exchange. A member that has its electronic interface through a service provider need not participate in point-to-point testing if, by a time designated by the Exchange, (1) the service provider conducts successful tests with the Exchange on behalf of the firms it serves; (2) the member conducts successful point-to-point testing with the service provider; and (3) the Exchange agrees that further testing is not necessary.

(b) *Industry-Wide Testing.* The Exchange may require certain of its members to participate in industry-wide testing of computer systems for decimal pricing conversion compatibility. The Exchange may require any member who will participate in industry-wide testing to also participate in any tests necessary to ensure preparedness to participate in industry-wide testing.

(c) *Reports.* Members participating in point-to-point testing (whether between the firm and the Exchange, between the firm and its service provider, or between the firm's service provider and the Exchange) or industry-wide testing shall file reports with the Exchange concerning the required tests in the manner and frequency required by the Exchange.

(d) *Documentation.* Members shall maintain adequate documentation of tests required by this Rule and the results of such testing for examination by the Exchange.]

ARTICLE XII

Discipline and Trial Proceedings

Investigation and Charges

RULE 1.

Investigation and Written Report of Investigation Findings

(a) Any default, misconduct or other offense alleged to have been committed by a Participant [member, member organization] or any other person or organization subject to the jurisdiction of the Exchange (the “accused”) which, by complaint, or otherwise, shall come to the attention of the Chief Executive Officer shall be investigated by the staff and a written report of such investigation shall be made to the Chief Executive Officer.

* * * * *

Summary Procedure

RULE 2.

* * * * *

(d)(1) Whenever a Participant [member or member organization], or partner, officer or registered employee of a Participant [member or member organization] is suspended or expelled from any other securities exchange or any national securities association, or is suspended or barred from being associated with any member or member organization of such exchange or association, or is suspended or barred by any governmental securities agency from dealing in securities or being associated with any broker or dealer in securities, the Chief Executive Officer may, in view of such suspension, expulsion or bar, suspend or expel such person or organization as a Participant [member or member organization], or partner, officer or registered employee of a Participant [member] or [member] organization. No such suspension imposed by the Chief Executive Officer shall commence before or expire after the suspension imposed by such other exchange, association or agency, and no such expulsion shall be imposed by the Chief Executive Officer unless such Participant [member or member organization] has been expelled or barred by such other exchange, association or agency. Nothing in this Rule 2(d) shall preclude any proceeding against any Participant [member or member organization] or partner, officer or registered employee under any other Section of this Article.

(2) In any proceeding under this Rule 2(d), the method of procedure required by Rule 1 of this Article shall not apply but the accused shall be given not less than ten days’ notice in writing that the Chief Executive Officer will conduct a hearing to determine whether or not to suspend or expel the accused, as the case may be as provided in this Rule 2(d). At such hearing, the accused Participant [member], or any partner, holder of

voting stock, director or officer of the accused Participant Firm [member organization] or any accused partner, officer or registered employee of a Participant [member or member organization] shall be afforded an opportunity to explain why it would be inappropriate for the Chief Executive Officer to accept the finding of such other exchange, association or agency or to suspend or expel the accused notwithstanding the suspension, expulsion or bar by such other exchange, association or agency. In the event that the Chief Executive Officer of the Exchange determines not to accept the finding of guilt by such other exchange, association or agency, he may order a proceeding under any other Rule of this Article. In the event that the accused fails or refuses to appear before the Chief Executive Officer, the Chief Executive Officer may nevertheless determine the matter and suspend or expel the accused as provided in this Rule 2(d). A written notice of the result shall be served upon the accused in a manner provided by Rule 1(c) of this Article and a copy thereof shall be sent to each member of the Board of Directors. Any action by the Chief Executive Officer pursuant to this Rule 2(d) shall be subject to review in accordance with the procedure specified in Rule 6 of this Article. In the event no request for review is filed within 20 days after the accused is notified of the determination of the Chief Executive Officer, such determination shall become final and conclusive.

(3) A Participant [member or member organization], or partner, officer or registered employee of a Participant [member or member organization] may, nevertheless, consent to the penalty or suspension or expulsion from the Exchange solely by reason of the imposition of the suspension, expulsion or bar by such other exchange, association or agency, and without either the separate determination of the Chief Executive Officer as provided above in this Rule 2(d)(2) or the procedure provided by Rule 1 of this Article. Such consent shall be in writing, signed by the accused Participant [member or member organization], and shall be delivered to the Exchange not later than two business days after the Exchange gives the accused notice in writing that it intends to proceed under Rule 2(d) of this Article. The consent shall take effect immediately.

Committee on Exchange [Floor] Procedure

RULE 3. (a) Without prejudice to the authority vested in the Chief Executive Officer under any other Exchange Rule, the Committee on Exchange [Floor] Procedure or its appropriately designated subcommittee shall have authority to summarily fine any Participant [member] or person associated with a Participant [member] whose conduct on the Exchange premises it deems to be improper, in an amount not to exceed \$2,500 and to exclude such Participant [member] or person associated with such Participant [member] from the Exchange premises for a period not to exceed five full business days and shall have authority to recommend investigations pursuant to Rule 1 of this Article, with respect to any default or offense relating to conduct and dealings on the Floor of the Exchange.

(b) Anything herein to the contrary notwithstanding, for violative conduct classified as Class B offenses, any member of the Committee, or a member of its appropriately designated subcommittee, may, to assure decorum on the Exchange premises, summarily fine any Participant [member] or person associated with a Participant [member] whose conduct on such premises he deems to be improper in an amount not to exceed \$100.

(c) Anything herein to the contrary notwithstanding, for violative conduct classified as Class A offenses, any member of the Committee, or a member of its appropriately designated subcommittee, with the concurrence of two other floor officials, two of whom shall be floor Directors if immediately available, may impose a summary fine not to exceed \$2,500 and summarily exclude a Participant [member] or person associated with a Participant [member] from the Exchange premises for not longer than the remainder of the trading day.

(d) Any Participant [member] or person associated with a Participant [member] adversely affected by a determination made by any person or body other than the full Exchange [Floor] Procedure Committee, regarding any action taken pursuant to this Rule 3, other than a summary exclusion pursuant to this Rule 3(c), may appeal to the full Exchange [Floor] Procedure Committee within five days of receiving notice of the action by making a written request therefor specifically stating the action complained of, the specific reasons why exception is taken thereto, and the relief sought. Any action not specifically appealed shall constitute an admission and acceptance of the sanction imposed. Upon appeal, the full Exchange [Floor] Procedure Committee may, upon review, increase or diminish the amount of any summary fine or exclusion from the Exchange premises. However, in no event shall the full Exchange [Floor] Procedure Committee increase such fine to an amount in excess of \$2,500 nor exclude such Participant [member] from the Exchange premises for a period in excess of five (5) full business days. The determination of the Exchange [Floor] Procedure Committee shall be final with respect to any action involving not more than a \$100 fine. Any action appealed shall be stayed until the appeal is decided.

Any Participant [member] or person associated with a Participant [member] adversely affected by a determination of the full Exchange [Floor] Procedure Committee, regarding any action taken pursuant to this Rule 3 involving more than a \$100 fine, may obtain a review thereof by the Executive Committee by submitting a written request therefor to the Secretary of the Exchange within 10 days of the Committee's action stating the specific action complained of, the specific reasons why the applicant takes exception thereto and the relief sought. Any action not specifically appealed will constitute an admission and acceptance of the sanction imposed. Unless the Executive Committee shall decide to open the record for the introduction of evidence or to hear argument, such review shall be based on a report of the action referred to above, as certified to the Executive Committee by the Secretary. Upon appeal, the Executive Committee may, upon review, increase or diminish the amount of any summary fine or exclusion from the Exchange premises. However, in no event shall the Executive Committee increase such fine to an amount in excess of \$2,500 nor exclude such Participant [member] or person associated with a Participant [member] from the Exchange premises for a period in excess of five (5) full business days. The decision of the Executive Committee shall be final. Any action appealed shall be stayed until the appeal is decided.

In hearing a review pursuant to this Rule, the Executive Committee shall not overturn the determination of the finder of law and fact if the factual conclusions in such determination are supported by substantial evidence and such decision is not arbitrary, capricious or an abuse of discretion.

••• *Interpretations and Policies:*

.01 No change to text.

.02 Where a Participant [member] or person associated with a Participant [member] is summarily excluded from the trading floor pursuant to this Rule 3(c), such Participant [member] or person associated with such Participant [member], as the case may be, shall have the right to petition the body who took such action for reinstatement after a sufficient “cooling-off” period has elapsed. If, in the judgment of the body that took such action, the Participant [member] or person associated with the Participant [member] no longer poses an immediate threat to the safety of persons or property, such Participant [member] or person associated with such Participant [member] shall be permitted to return to the trading floor.

.03 Dress Code. The following dress code, as may be amended and supplemented by written guidelines issued by the Committee on Exchange [Floor] Procedure, applies to Participants [members, member organizations], their employees and guests. Participants [Members], clerks, employees and visitors not in compliance with dress and appearance regulations will be denied access to the Trading Floor by the security guard.

(1) The following forms of attire shall be mandatory:

(a) All males shall wear dress shirts with ties properly knotted in an acceptable manner.

(b) All individuals on the trading floor shall dress in a manner representative of a business atmosphere.

(c) Conventional business footwear—**No Gym/Tennis Shoes.**

(d) All visitors on the trading floor shall wear appropriate business attire. The floor Participant [member] who signs the visitor onto the floor will be responsible for his/her attire and conduct.

(e) Every Participant [member], employee, and visitor must wear an identification badge provided by the Exchange.

(2) The following forms of dress and appearance are not acceptable:

(a) Blue jeans.

(b) A general unkempt or ungroomed personal appearance.

.04 Policy Against Harassment.

(1) The Chicago Stock Exchange is committed to fostering and maintaining an environment that allows each person to contribute fully to the Exchange’s success. For that reason, Participants [members], Participant Firm [member firm] employees and guests, when on Exchange premises, must not engage in the following conduct:

(a) Sexual harassment, or harassment based on race, age, national origin, gender, disability, religion, sexual orientation or any other basis prohibited by law; or

(b) Retaliation against a person who makes a good faith complaint of harassment or who participates in an investigation arising from that complaint.

Harassment or retaliation, in any form, is detrimental to the interest and welfare of the Exchange and will not be tolerated.

(2) Harassment occurs when a person engages in unwelcome or offensive conduct that is based on, for example, another person's race or gender and that conduct interferes with a person's work or creates an intimidating, hostile or offensive work environment. Inappropriate conduct includes, but is not limited to: sexual innuendoes, suggestive comments or obscene gestures; racial comments or ethnic slurs; the display of sexually suggestive or pornographic images; and unwelcome sexual advances or physical touching.

Admission of Charges by Accused

RULE 4. No change to text.

Trial Procedure

RULE 5. No change to text.

Review

RULE 6. No change to text.

Effective Date of Judgment

RULE 7. No change to text.

Disciplinary Jurisdiction

RULE 8. (a) A Participant [member] or a person associated with a Participant [member] (the "Respondent") who is alleged to have violated or aided and abetted a violation of any provision of the [Securities] Exchange Act [of 1934, as amended ("Exchange Act")], the rules and regulations promulgated thereunder, or any constitutional provisions by-law or rule of the Exchange or any interpretation thereof or resolution of the Board of the Exchange regulating the conduct of business on the Exchange shall be subject to the disciplinary jurisdiction of the Exchange under these Rules, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a Participant [member] or any other fitting sanction, in accordance with the provisions of these Rules.

(b) Any Participant [member] or person associated with a Participant [member] shall continue to be subject to the disciplinary jurisdiction of the Exchange following such person's termination of their Trading Permit [membership] or association with a Participant [member] with respect to any matter that occurred prior to such termination; provided that written notice of the commencement of an inquiry into such matters is given by the Exchange to such former Participant [member] or associated person within one year of receipt by the Exchange of written notice of the termination of such person's status as a Participant [member] or person associated with a Participant [member].

Minor Rule Violations

RULE 9. (a) In lieu of commencing a “disciplinary proceeding” as that term is used in Article XII of the Exchange Rules and Article VII of the Exchange Constitution, the Exchange may, subject to the requirements set forth in this Rule, impose a fine, not to exceed \$2500, on any Participant [member, member organization], associated person, or registered or non-registered employee of a Participant [member or member organization], for any violation of a rule of the Exchange, which violation the Exchange shall have determined is minor in nature. Any fine imposed pursuant to this Rule and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the [Securities] Exchange Act [of 1934], and as may be required by any other regulatory authority. Any fine that is contested may be publicly reported to the same extent that Exchange disciplinary proceedings may be publicly reported.

(b) Procedure for Imposing Fines. In the event that the staff of the Exchange determines that a Participant [member, member organization], associated person or registered or nonregistered employee of a Participant [member or member organization] has violated a rule of the Exchange set forth in paragraph (h) of this Rule, and the Exchange staff desires to take action under this Rule 9, the staff shall present the facts supporting the violative conduct to a Minor Rule Violation Panel. The accused shall not have the right to attend such presentation nor shall the accused have the right to present any evidence or testimony at such presentation. A Minor Rule Violation Panel may (i) accept the staff’s recommendation and impose sanctions on behalf of the Exchange in accordance with this Rule 9, (ii) reject the staff’s recommendation, or (iii) recommend that the Exchange commence a formal disciplinary proceeding. A Minor Rule Violation Panel shall have no authority, however, to authorize the initiation of a formal disciplinary proceeding. In the event a Minor Rule Violation Panel recommends that the Exchange commence a formal disciplinary proceeding, the staff shall either (i) issue a report to the Chief Executive Officer in accordance with Article XII, Rule 1(a), recommending that formal charges be brought or (ii) advise the Minor Rule Violation Panel that the staff will not recommend that the Exchange commence a formal disciplinary proceeding. In the event that the staff chooses alternative (ii) from the preceding sentence, the matter shall be returned to the Minor Rule Violation Panel that recommended the commencement of the formal disciplinary proceeding, which shall then impose a fine in accordance with the provisions of this Rule 9.

One or more Minor Rule Violation Panels shall be appointed, from time to time, by the Chief Executive Officer and shall each consist of three persons: [—one member of the Rules Subcommittee of the Committee on Exchange [Floor] Procedure, one member of the Committee on Exchange [Floor] Procedure, and one floor member who is not a member of the Committee on Exchange [Floor] Procedure or the Rules Subcommittee].

Notwithstanding anything in this paragraph (b) to the contrary, the Committee on Exchange [Floor] Procedure shall have jurisdiction to impose a fine pursuant to this Rule for violations of (h)(ii)(7) and (8) of this Rule relating to decorum on the trading floor. However, the Committee on Exchange [Floor] Procedure and a Minor Rule Violation Panel shall not, collectively, impose more than one fine pursuant to this Rule 9 relating to the same underlying violation and incident.

(c)-(e) No change to text.

(f) The Exchange shall prepare and announce to its Participants [members and member organizations] from time to time a listing of the Exchange rules and policies as to which the Exchange may impose fines as provided in this Rule. Such listing shall also indicate the specific or recommended dollar amount that may be imposed as a fine hereunder with respect to any violation of such rule or policy, or may indicate the minimum and maximum dollar amount that may be imposed by the Exchange with respect to any such violation. Nothing in this Rule shall require the Exchange to impose a fine pursuant to this Rule with respect to the violation of any rule or policy included in any such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under other provisions of Article XII rather than under this Rule.

(g) No change to text.

(h) Exchange Rules and Policies subject to the Minor Rule Violation Plan:

(i) Reporting and Record Retention Violations

(1) Acquisition of Trading Permit [Membership] by general or limited partner or officer (Article II, Rule 1)

(2)-(20) No change to text.

(ii) Floor Decorum and Minor Trading Rule Violations

(1)-(4) No change to text.

(5) Failure by floor Participants [members and member organizations] to comply with rules relating to short sales when selling short for their own account (Article IX, Rule 17).

(6)-(21) No change to text.

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Pending Proceedings

RULE 10. No change to text.

ARTICLE XIII Advertising and Promotion

False or Misleading Advertisement Prohibited

RULE 1. It shall be considered conduct or proceeding inconsistent with just and equitable principles of trade for a Participant [member or member organization], directly or indirectly, to publish circulate or distribute any advertisement, sales literature or market letter that the Participant [member] knows, or in the exercise of reasonable care could have known, contains any untrue statement of a material fact or is otherwise false or misleading.

Categories and Standards of Advertisement

RULE 2. No Participant [member firm or member corporation] for which this Exchange is the designated examining authority shall publish, circulate or distribute any advertisement, sales literature or market letter which fails to meet the standards set forth in this Rule. Advertisements include any material for use in any newspaper or magazine or other public media or by radio, telephone recording, motion picture or television. Sales literature and market letters include any communication for general distribution to customers or the public in which a particular security or insurance policy is featured or recommended, any such communication containing forecasts of business or market trends, and notices, circulars, reports, newsletters, research reports, form letters or reprints of published articles.

Making Recommendations

(a) In making a recommendation, whether or not labeled as such, the Participant [member] must have a reasonable basis for the recommendation; and the following facts should be disclosed: the price at the time the original recommendation is made; that the Participant [member] usually makes a market in the issue if such is the case; and, in addition if applicable, that the Participant [member] intends to buy or sell the securities recommended for his own account, and ownership, if any, of options, rights or warrants to purchase any security of the issuer whose securities are recommended unless the extent of such ownership is merely nominal. The Participant [member] must also provide or offer to furnish upon request appropriate investment or insurance information supporting the recommendations.

Promises and Exaggerated Claims Prohibited

(b) Advertisements, sales literature or market letters must not contain promises of specific results, exaggerated or unwarranted claims or unwarranted superlatives, opinions for which there is no reasonable basis, or forecasts of future events which are unwarranted, or which are not clearly labeled as forecasts. Nor may references to past specific recommendations state or imply that the recommendations were or would have been profitable to any person and that they are indicative of the general quality of a Participant's [member's] recommendations.

Research Reportings in Advertisements

(c) No claim or implication may be made for research or other facilities beyond those

which the Participant [member] actually possesses or has reasonable capacity to provide. A market letter or report not prepared by the distributing firm should state that it was prepared by another firm or organization.

Market Letters and Sales Literature

RULE 3. All advertisements, market letters and sales literature prepared and issued by a Participant Firm [member organization] for which this Exchange is the designated examining authority shall be approved by a partner or officer of the Participant Firm [member firm or an officer of the member corporation]. Market letters and sales literature which refer to the market or to specific companies, insurance policies, or securities, listed or unlisted, shall be retained for at least three years by the Participant Firm [member] organization which prepared the material. The copies retained shall contain the name of the partner or officer approving its issuance and the name or names of the persons who prepared the material, and shall at all times within the three-year period be readily available for examination by the Exchange.

[Advertisements, Market Sales Literature Relating to Options and Communications to Customers]

[RULE 4. To Be Deleted In Its Entirety]

ARTICLE XIV
Fiscal Policies

Fixing and Paying Fees and Charges [Dues]

RULE 1. The Exchange shall fix the Trading Permit fee and other charges [dues] payable by a Participant [member or member organization or Approved Lessor] in such amount as the Exchange deems necessary. [Dues] Fees and charges shall be payable in accordance with the Exchange's schedule of [dues and] fees and charges. [If in any fiscal year the Exchange shall find that the dues fixed for such fiscal year are either more or less than sufficient to meet the current expense of such fiscal year, the dues payable for the last quarter may be proportionately reduced or increased.]

Transaction Fee

RULE 2. The Exchange may from time to time impose a transaction fee upon Participants [members and member organizations], measured by their respective agency transactions effected on the Floor of the Exchange. The rate of such fee shall be fixed by the Exchange from time to time.

Monthly Reports

RULE 3. Each Participant Firm [member organization] and each Participant [member] who is not a nominee of a Participant Firm [member organization] shall submit to the Treasurer of the Exchange a monthly report, in such form as the Exchange may prescribe, of brokerage and handling fees earned on the Floor of the Exchange during the preceding month, together with a check covering the net commission charge Payable to the Treasurer. Reports are due and payable on or before the 15th day following the month covered by the report unless such day falls on a Sunday or holiday, in which event the report is to be filed and the fees paid on the next business day. When a Participant [member] or [member] organization has no information to report, a signed report should be submitted with a notation thereon to that effect. The Treasurer of the Exchange, under circumstances deemed by him so to warrant, is authorized to grant an extension of not exceeding five days for filing and payment. The Treasurer shall report each such extension to the Finance Committee at its next meeting thereafter.

**Report Upon Termination of Trading Permit [Transfer or Cessation of Membership] or
Dissolution of Participant Firm**

RULE 4. A Participant [member] who [transfers his membership] ceases to be a Participant or a Participant Firm [member organization] which dissolves [or ceases to be a member organization] shall forthwith file a report covering all brokerage and handling fees previously unreported. The transaction fee due thereon shall be payable within 15 days after the date of termination or [transfer,] dissolution [or retirement].

Report by Person [Member] Who Retires as General Partner or Officer

RULE 5. A person [member] who retires as a general partner or officer in a Participant Firm [member firm or an officer in a member corporation] and does not immediately become a general partner or officer in another Participant Firm [member firm or an officer of another member corporation] is required to file a report for the period commencing the next business day following his retirement.

Waiver of Monthly Reports

RULE 6. Upon written request stating the reasons therefor, the Treasurer may excuse a Participant [member or member organization] whose transactions are so infrequent as not to warrant monthly reports from reporting more than annually.

Other Charges

RULE 7. (a) In addition to the dues and transaction fee, the Exchange may from time to time fix and impose other charges or fees to be paid to the Exchange by Participants [members and member organizations and Approved Lessors] for the use of equipment or facilities or for services or privileges granted.

(b) A Participant Firm [member organization] filing monthly reports pursuant to Rule 3(c) of Article XI or restricted as to its operations, business or expansion pursuant to Rule 3(e) or Rule 10 of Article XI shall pay to the Exchange such charges or fees as the Exchange may from time to time fix and impose to cover the reasonable cost of such extraordinary review and examination of the reports and operations of such Participant Firm [member organization] as the Exchange determines to be necessary or appropriate for the protection of investors, other Participants [members and member organizations] and the Exchange.

••• Interpretations and Policies:

.01 For field examinations during any calendar year in addition to the regular annual examination—

- \$85 per day for professional fees
- \$35 per day (maximum) for living expenses
- Actual cost of travel expenses.

For review of reports filed pursuant to Rule 3(c) of Article XI—

- \$30 per report for professional fees.

[Transferred Membership and Dues]

[RULE 8. When a membership is transferred the dues for the current quarter shall be prorated between the transferor and the transferee as of the date the transferee is elected to membership.]

[Liability for Dues]

[RULE 9. Notwithstanding the death or expulsion of a member or member organization, he or it shall continue to be liable for dues until his or its membership shall be transferred. A suspended member or member organization shall be liable for dues during the period of his or its suspension. An Approved Lessor shall be liable for dues during any period in which no lease or financing arrangement is in effect.]

Participant [Member] Liable for Any Charges of Participant Firm [Member Firm or Corporation] Which He Has Registered

RULE 8 [10]. Any individual Participant [member] who has registered a Participant Firm [member organization] shall be responsible for not only any fines, charges, dues or assessments of his own but also of such registered Participant Firm [member organization]. If any Participant [member] or Participant Firm [member] organization registered by him shall neglect to pay any sum owing to the Exchange for one month after it becomes payable, he shall, after due notice, be suspended until it is paid. If not paid at the end of one year, his Trading Permit shall be terminated [he shall cease to be a member and his membership may be disposed of by the Chief Executive Officer].

[Dispossession of Membership for Default of Payments]

[RULE 11. If any member or member organization or Approved Lessor shall have been three times suspended for default in payment of his, her or its debts to the Exchange, he, she or it shall, upon the fourth suspension, cease to be a member or member organization or Approved Lessor of the Exchange and his, her or its membership may be forthwith disposed of by the Chief Executive Officer.]

Termination of Registration

RULE 9 [12]. The suspension of a Participant [member] for non-payment of his debts to the Exchange shall terminate the registration of the Participant Firm [member organization] registered by him.

Failure to Pay Debts

RULE 10 [13]. (a) Any Participant [member or member organization or Approved Lessor] who shall fail to pay any debt for [dues,] Trading Permit fees, fine, transaction fee, or other sum owing the Exchange or its subsidiaries within 60 days after the same shall become payable shall, after due notice, be suspended until payment is made. If payment be not made within six months after such suspension, the Trading Permit may be terminated [membership of the delinquent member or member organization or Approved Lessor may be disposed of by the Chief Executive Officer] on at least 10 days' written notice mailed to the Participant [him or it] at [his or its] the Participant's address last registered with the Exchange.

(b) Any Participant [member or member organization or Approved Lessor] who fails to

pay Trading Permit fees [dues] or other charges in an amount not exceeding the equivalent of Trading Permit fees [dues] for two quarters may request in writing to the Executive Committee of the Exchange for permission to surrender the Participant's Trading Permit [individual's or organization's membership] to the Exchange to discharge such liability. If the Executive Committee, in its sole discretion, approves such request, the liability for the [dues] fees or charges not paid, and any future fees or charges [dues], will cease upon notification of such acceptance by the Executive Committee, and the Participant shall be deemed to relinquish all right, title and interest in the Trading Permit. [The membership will become a Treasury membership of the Exchange; all right, title and interest in such membership will be relinquished by the member and will thereafter vest in the Exchange. The Exchange shall have no obligation to pay the member any moneys upon surrender of the membership, regardless of the then or future market value thereof, nor shall the member have any interest in the proceeds of a subsequent disposition of the membership by the Exchange.]

Fees and Charges[Dues] of Participants [Members] in Military Service

RULE 11 [14]. The Board of Directors may, upon written request, waive fees and charges [dues and assessments] for any Participant [member] who is in the active military or naval service of the United States, or who is devoting all his working time to any public service incident to national defense.

Expenditure Limits

RULE 12 [15]. Any project, non-budgeted operational activity, capital expenditure, or lease commitment in excess of an amount as established by resolution of the Board of Directors, and any new service which is planned or expected to generate gross annual revenue in excess of an amount established by the Board of Directors, shall be approved by the Board prior to implementation.

ARTICLE XV Commissions

General Rule

RULE 1. Nothing contained in the Rules of this Exchange or its practices shall be construed to require or authorize its Participants [members, or member organizations], or any person associated with its Participants [members, or member organizations], to agree or arrange directly or indirectly, for the charging of fixed rates of commission for transactions effected on, or effected by the use of, the facilities of this Exchange.

Clearing Agreements

RULE 2. All Clearing agreements between a Participant [member or member organization] and any other Participant [member or member organization], or any foreign or domestic non-Participant [member] broker/ dealer, or any substantive change in any such agreements is subject to Exchange approval. Each such arrangement and any change or termination thereof must be reported to the Exchange in writing promptly.

Interest in Customer Accounts

RULE 3. No Participant [member or member organization] or person associated therewith shall guarantee any customer against loss in his account or take or receive directly or indirectly a share in the profits of any customer's account or share in any loss sustained in any such account. For the purposes of this Rule the term customer shall not be deemed to include the Participant [member or member organization] or any joint, group, or syndicate account with such Participant [member or member organization].

Transaction Fee Charged to Customer

RULE 4. The transaction fee under the [Securities] Exchange Act [of 1934] shall be the responsibility of the Participant [member organization].

Depository Settlement Requirements

RULE 5. No Participant [member organization] shall accept an order from a customer pursuant to an arrangement whereby payment for securities purchased or delivery of securities sold is to be made to or by an agent of the customer unless the following procedure is followed:

The facilities of a Clearing Agency shall be utilized for the book-entry settlement of all depository eligible transactions. The facilities of either a Clearing Agency or a Qualified Vendor shall be utilized for the electronic confirmation and affirmation of all depository eligible transactions.

••• *Interpretations and Policies:*

.01 The following transactions shall be exempt from the provisions of this Rule :

- (1) Transactions that are to be settled outside the United States.
- (2) Transactions wherein both a [member] organization and its agent are not participants in a securities depository.
- (3) Transactions wherein both a customer and its agent are not participants in a securities depository.

.02 The exemptions contained in .01(2) and (3) of these Interpretations and Policies shall be periodically reviewed by the Exchange in order to determine their continued necessity.

.03 For the purposes of this rule, a “securities depository” shall mean a clearing agency as defined in Section 3(a)(23) of the [Securities] Exchange Act [of 1934], that is registered with the [Securities and Exchange] Commission pursuant to Section 17A(b)(2) of the Exchange Act.

.04 For the purposes of this rule, “depository eligible transactions” shall mean transactions in those securities for which confirmation, affirmation, and book entry settlement can be performed through the facilities of a Clearing Agency as defined in Rule 5.06.

.05 Rule 5 and Interpretations and Policies .01, .02, .03, and .04 become effective January 1, 1983.

.06 For the purposes of this rule, a “Clearing Agency” shall mean a Clearing Agency as defined in Section 3(a)(23) of the [Securities] Exchange Act [of 1934], that is registered with the [Securities and Exchange] Commission [(“Commission”)] pursuant to Section 17(A)(b)(2) of the Exchange Act or has obtained from the Commission an exemption from registration granted specifically to allow the clearing agency to provide confirmation and affirmation services.

* * * * *

ARTICLE XVI
Insurance as an Ancillary Activity

Participant Firms [Member Organizations] May Sell Insurance

RULE 1. A Participant Firm [member organization] may also engage in the sale of insurance (directly, or through its corporate affiliate or subsidiary) only through employees of such Participant Firm [member organization] each of whom is then in compliance with the licensing and any other requirements of applicable insurance laws and regulations.

Reports to Exchange Required

RULE 2. Each Participant Firm [member organization] which engages in the sale of insurance shall promptly report to the Exchange the name of each person through whom such Participant Firm [member organization] sells insurance, the training in the sale of insurance received by each such person, the state or states in which each such person is licensed to sell insurance, the names of the insurance companies for which each such person is licensed in each such state, and the type of license obtained by each such person in each such state.

Maintenance of Adequate Financial Records

RULE 3. Each Participant Firm [member organization] which engages in the sale of insurance shall also keep current in a separate file within the Participant Firm [member organization] the following information:

(1) a description of the Participant Firm's [member organization's] supervisory program as related to the sale of insurance, the name of each person [member or employee] within the Participant Firm [member organization] who has been given the responsibility of exercising supervisory control over the persons engaged in the sale of insurance and the specific responsibilities of each such person.

(2) a description of the Participant Firm's [member organization's] surveillance program as related to the sale of insurance, the name of each person [member or employee] within the Participant Firm [member organization] who has been given the responsibility of exercising surveillance responsibilities and the specific responsibilities of each such person.

(3) sales and other records relating to the Participant Firm's [member organization's] sale of insurance as deemed appropriate by the Participant Firm [member organization] including, without limitation, records disclosing the types and amounts of insurance sold, the commissions earned and the commissions paid to individuals engaged in the sale of such insurance. Such records shall be maintained in a reasonably accessible location for inspection by the Exchange for not less than three years.

ARTICLE XVII
Suspension and Termination of Special Floor Registration for Unsatisfactory Performance

Special Floor Registration

RULE 1. A Participant [member] with a special floor registration, i.e., a Participant [member] registered as a specialist, co-specialist, relief specialist, odd-lot dealer or market-maker holds that registration subject to (a) his compliance with the Federal securities laws and the rules of the Exchange and (b) his satisfactory performance of the responsibilities attendant to that registration as defined in the Federal securities laws and the rules and policies of the Exchange. A Participant [member] has no right to continue to hold a special floor registration after the Exchange has determined, on the basis of such information as it deems sufficient, that he has not satisfactorily performed his responsibilities.

Initial Meeting in Cases of Unsatisfactory Performance

RULE 2. (a) Notification. Any Participant [member] whose performance of the responsibilities attendant to his special floor registration appears to the committee of the Exchange charged with oversight of such performance (the “Committee”) to be unsatisfactory shall be notified in writing of the Committee’s evaluation and requested to meet informally with one or more members of the Committee at a mutually convenient time. The purpose of the meeting shall be to provide encouragement and assistance to a Participant [member] who, for one or more reasons, may not be performing satisfactorily.

(b) Conduct of Meeting. During the meeting, the member(s) of the Committee shall present the Committee’s evaluation of the Participant’s [member’s] performance and the basis for that evaluation. The Participant [member] shall be given an opportunity to comment on the evaluation, his view of his performance, and any mitigating circumstances. Formal rules of evidence shall not apply. Prior to the close of the meeting, the Participant [member] shall be informed of the possible consequences of his continued unsatisfactory performance, including the termination of his special floor registration.

(c) Participation of Technical Consultants. One or more technical consultants (appointed by the Committee from among persons not active on the Floor of the Exchange) may be present at the meeting for the purpose of answering questions from the Committee about trading techniques and procedures and the proper performance of the various responsibilities attendant to the special floor registration of the Participant [member]. The technical consultants shall not otherwise participate in the Committee’s evaluation of the Participant’s [member’s] performance.

(d) Counsel. Because of the informal and hortatory nature of the meeting, counsel for the Committee and the Participant [member] will ordinarily be excluded.

(e) Transcripts. No transcript shall be kept of the meeting.

(f) Failure to Attend Meeting. If, after receiving notice in accordance with paragraph (a) of this rule, a Participant [member] refuses or otherwise fails without reasonable justification or excuse to meet with members of the Committee, the Committee may take such remedial action as it believes appropriate, including filing a complaint with the Chief Executive Officer and requesting the commencement of disciplinary proceedings.

Continued Unsatisfactory Performance

RULE 3. (a) Notification. If, after a reasonable period of time following the initial meeting with a Participant [member], it appears to the Committee that the Participant's [member's] performance of the responsibilities attendant to his special floor registration is still unsatisfactory, the Participant [member] shall be notified in writing of the Committee's evaluation and its basis. The notice shall inform the Participant [member] of his right to a hearing on the evaluation of his performance and his right to obtain review of any Committee decision with respect to the limitation, suspension or termination of his special floor registration.

(b) Time of Hearing. Promptly after the Participant [member] has received notice in accordance with paragraph (a) of this rule, a hearing on a Participant's [member's] performance of the responsibilities attendant to his special floor registration shall be scheduled at a mutually convenient time. If the Participant [member] refuses to appear at a hearing or otherwise fails without reasonable justification or excuse to attend a scheduled hearing, he shall have waived his rights to such hearing.

(c) Conduct of Hearing. During the hearing, the information supporting the Committee's evaluation of the Participant's [member's] performance shall be presented. The Participant [member] shall have the opportunity to comment on the Committee's evaluation and present any information that he believes is relevant. The Participant [member] may question members of the Committee and Exchange staff with respect to the evaluation of his performance. Formal rules of evidence shall not apply.

(d) Participation of Technical Consultants. One or more technical consultants may be present at the hearing for the purpose of answering questions from the Committee about trading techniques and procedures and the proper performance of the various responsibilities attendant to the special floor registration of the Participant [member]. The technical consultants shall not otherwise participate in the Committee's evaluation of the Participant's [member's] performance.

(e) Right to Counsel. The Participant [member] may be represented by legal or other counsel. Counsel for the Exchange should be present.

(f) Transcript. A transcript shall be kept of the hearing and copies will be provided to the Participant [member] upon request and payment of the costs of reproduction.

(g) Decision. After considering the entire record of the hearing, the Committee shall prepare and deliver to the Participant [member] a written decision setting forth its conclusions regarding the Participant's [member's] performance and the action, if any, to be taken with

respect to the Participant's [member's] special floor registration and the basis therefor. This statement shall describe the Participant's [member's] right to appeal the Committee's decision to the Executive Committee.

(h) Effective Date. The Committee's decision shall become effective 10 days after the Participant [member] receives it unless within that period he files a written request with the Secretary of the Exchange for Executive Committee review of the Committee's decision. In the event of such a request, the Committee's action shall be stayed pending the conclusion of the Participant's [member's] appeal to the Executive Committee.

Review

RULE 4. (a) Conduct of Review. The Executive Committee shall consider a Participant's [member's] appeal within a reasonable period after a request for review of the Committee's decision has been filed. The Participant [member] requesting review shall be permitted to submit a written statement to the Executive Committee. The Secretary of the Exchange shall certify the record of the Committee's hearing and its written decision and shall submit these documents to the Executive Committee. The Executive Committee's review of the Committee's action shall be based solely on the record, the written decision and any written statement submitted by the Participant [member].

(b) Decision. After considering the materials before it, the Executive Committee shall prepare and deliver to the Participant [member] a written statement setting forth its decision and reasons therefor. If the Executive Committee affirms the Committee's action, the action shall become effective 10 days from the date of the Executive Committee's decision.

(c) The Executive Committee or Board of Directors, in hearing an appeal pursuant to this Article, shall not overturn the decision of the finder of law and fact if the factual conclusions in such decision are supported by substantial evidence and such decision is not arbitrary, capricious or an abuse of discretion.

ARTICLES XVIII—XIX

Reserved for future use.

[BY-LAWS, PART III, RULES APPLICABLE TO EQUITY TRADING
(The Rules in Part II of the By-Laws are also applicable to equity trading)]

ARTICLE XX
Regular Trading Sessions

Application

RULE 1. No change to text.

Hours of Floor Dealings

RULE 2. Except as provided in Article XX, no Participant [member or member organization] shall make any bid, offer or transaction upon the Floor of the Exchange, issue a commitment to trade through ITS from the Floor, or send an order in a Nasdaq/NM Security for execution via telephone to a NASDAQ System market maker other than during the Primary Trading Session or Post Primary Trading Session except that a specialist may issue and receive preopening notifications and pre-opening responses, pursuant to the provisions of the Plan relating to the Pre-Opening Application of the System, before the official opening of business of the Exchange and loans of money or securities may be made after those hours.

Contracts Due on Certain Business Days

RULE 3. No change to text.

Permitted Contra Parties

RULE 4. No transaction in any security admitted to dealings on the Exchange shall be made on the Floor of the Exchange except with a Participant [member or member organization] with an officer or employee of the Exchange authorized to close contracts “under the rule.”

* * * * *

Units of Trading

RULE 5. No change to text.

Transactions in Rights to Subscribe

RULE 6. No change to text.

Recognized Quotations

RULE 7. Recognized quotations shall be public bids and offers in lots of one or more trading units or multiples thereof. Bids and offers in other market centers which may be displayed on the Floor for the purpose of ITS, or in accordance with Rule 39 or Rule 40 of this Article or other purposes shall have no standing in the trading crowds on the Floor. Bids or offers for less than one unit of trading shall specify the number of shares of stock or the principal amount of the bonds covered by the bid or offer. All bids made and all offers made shall be in

accordance with the provisions of Rule 11Ac1-1 under the [Securities] Exchange Act [of 1934], governing the dissemination of quotations for reported securities. The following interpretations and policies pertain to all specialist system issues for which last sale information is reported pursuant to SEC Rule 11Aa3-1.

••• *Interpretations and Policies:*

.01-.09 No change to text.

* * * * *

Manner of Bidding and Offering

RULE 10. Bids and offers to be effective must be audibly made at the post and shall remain in full force until the person making the bid or offer shall audibly announce that he is out of the market or until he leaves the post.

••• *Interpretations and Policies:*

.01 No change to text.

.02 Clearing the Post.

Policy. All orders received by floor brokers or originated by market makers on the floor of the Exchange must effectively clear the post before the orders may be routed to another market via the ITS or through the use of alternative means.

* * * * *

All trades between Instinet and Exchange floor Participants [members] are Exchange trades and must be executed on the Exchange.

Method of Clearing the Post. The Exchange's general clearing the post policy requires floor brokers and market makers to be physically present on the Exchange floor and to be present at the post, but permits floor brokers, as a means of clearing the post, to telephonically probe a market through the specialist in order to more efficiently fulfill their fiduciary responsibility to seek a best price execution for their customer orders. A market maker, after requesting the specialist's market quote, must bid or offer the price and size of his intended interest at the post. A floor broker must clear the post by requesting a market quote from the specialist. If the specialist or any other Participant [member] who has the post indicates an interest to trade at the price that was bid or offered by the market maker or the price of the floor broker's order (even though that order has not yet been bid or offered), then the trade may be consummated with the specialist (or whomever has the post) in accordance with existing Exchange priority, parity and precedence rules. If the specialist (or any other Participant [member] who has the post) indicates interest to trade at that price but the Participant [member] communicating the intended interest, including Instinet interest, determines not to consummate the trade with the specialist or such Participant [member], then, to preserve the Exchange's existing priority, parity and precedence rules, the trade may not be done with any other Exchange floor Participant [member]. (See

Article XXX, Rule 2). If the trade is consummated with the specialist or other Participant [member] who has the post, the specialist (or any customer represented by the specialist) is not required to pay any fees to the broker or market maker in connection with the execution of the order, unless such fee is expressly authorized by an Exchange Rule. If the specialist does not indicate an interest to trade, then the trade may be consummated with another Exchange floor Participant [member] on the Exchange floor with a resultant Exchange print.

Failure to clear the post may result in a “trade-through” or “trading ahead” of other floor interest. In addition, failure to properly clear the post may result in a violation of the Exchange’s Just and Equitable Trade Principles Rule (Article VIII, Rule 7) and a market maker rule that requires all market maker transactions to constitute a course of dealing reasonably calculated to contribute to the maintenance of a fair and orderly market (Article XXXIV, Rule 1). Failure to properly clear the post may also subject Participants [members] to a fine under the Exchange’s Minor Rule Violation Plan.

RULES 11-15. No change to text.

Precedence of Bids at Same Price

RULE 16. Subject to Article XX, Rule 37(b), where bids are made at the same price, the priority and precedence shall be determined as follows:

(a)-(d) No change to text.

Priority of Bid or Offer

(e) Priority of a bid may be transferred from one Participant [member or member organization] to another provided that the bid is continued for the same amount for which it was originally made.

Transfer

(f) Priority or precedence established by a Participant [member or member organization] acting as a specialist may be transferred to another Participant [member or member organization] taking over the “book”.

RULES 17-19. No change to text.

Claim of Prior or Better Bid

RULE 20. A claim by a Participant [member or member organization] who states that he or it had on the Floor a prior or better bid or offer shall not be sustained if the bid or offer was not made with the publicity and frequency necessary to make the existence of such bid or offer generally known at the time of the transaction.

Disputes

RULE 21. Disputes arising on bids or offers, if not settled between the parties interested, shall be settled, if practicable, by a vote of the Participants [members] knowing of the transaction in question; if not so settled, they shall be settled by the Committee on Exchange [Floor] Procedure.

Minimum Variations

RULE 22. Bids and offers in specific securities or classes of securities traded on the Exchange shall not be made in variations less than the minimum variation of \$.01, or such other minimum variation as may be established for a security or class of security by the Board of Directors from time to time.

••• *Interpretations and Policies:*

.01 Notwithstanding the foregoing and any other rule regarding adherence to the minimum variation, a Participant [member] may execute orders on the Floor in increments smaller than the minimum variation in order to match bids and offers displayed by other markets for the purpose of preventing Intermarket Trading System trade-throughs, provided, however, a limit order executed on the Exchange must continue to be priced at an increment no less than the current minimum variation for such security, and specialists must continue to reflect their principal bids and offers in such increments.

Order to Buy and Sell Same Security

RULE 23. When a Participant [member or member organization] has an order to buy and an order to sell the same security, he or it shall, except as provided in Rule 12 of this Article, publicly offer such security at a price which is higher than his or its bid by the minimum variation permitted in such security before making a transaction with himself or itself.

••• *Interpretations and Policies:*

.01 No change to text.

.02 When a Participant [member] has an order to buy and an order to sell an equivalent amount of the same security, and (a) both orders are for 25,000 shares or more; (b) both orders are for accounts other than the account(s) of the executing Participant [member]; and (c) prior to presenting the cross transaction, the Participant [member] requests that the specialist and market

makers at the post quote their current market for the subject security, the Participant [member] may “cross” such orders at a price which is at or within the quoted bid or offer if the proposed cross transaction is of a size greater than the aggregate size of all interest communicated on the Exchange floor at that price. A floor broker, or a specialist or market maker who communicated a bid or offer at a price better than the cross price upon the Participant’s [member’s] request prior to presentation of the proposed crossing transaction, may trade with either the bid or offer side of the presented cross transaction only to provide a price which is better than the cross price as to all or part of such bid or offer. A Participant [member] who is providing a better price to one side of the cross transaction must trade with all other market interest having priority at that price before trading with any part of the cross transaction.

Record of Orders

RULE 24. (a) Every Participant [member or member organization] shall preserve for at least three years a record of every order originated by him or it on the Floor and given to another Participant [member or member organization] for execution, and of every commitment or obligation to trade issued from the Floor through ITS or any other application of the System or pursuant to Rule 39 or Rule 40, and of every order originating off the Floor, transmitted by any person other than a Participant [member or member organization] to such Participant [member or member organization] on the Floor, which record shall include the name and the amount of the security, the terms of the order and the time when such order was so given or transmitted; provided, however, that the Exchange may, upon application, grant exemption from the provisions of this Rule.

(b) No change to text.

(c) Before any such order is executed, including the case where an order is to be executed by the issuance from the Floor of a commitment or obligation to trade through ITS or any other application of the System or pursuant to Rule 39 or Rule 40, there shall be placed upon the order slip or other record the name or designation of the account for which such order is to be executed. No change in such account name or designation shall be made unless the change has been authorized by the Participant [member] or by a partner or officer of the Participant Firm [member firm or by an officer of the member corporation, as the case may be], who shall, prior to giving his approval of such change, be personally informed of the essential facts relative thereto and shall indicate his approval of such change in writing on the order.

Exceptions

Under exceptional circumstances the Exchange may upon written request waive the requirements contained in (1)(a) above.

••• *Interpretations and Policies:*

.01 Every order covered by (1)(a) above to be executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder shall bear an identifying notation that will enable the executing Participant [member] to disclose to other Participants [members] that the order is subject to those provisions.

Prohibitions to Offer Publicly on Floor

RULE 25. No Participant [member or member organization] shall offer publicly on the Floor:

* * * * *

Limitation to One Broker

RULE 26. No Participant [member or member organization] shall maintain with more than one broker, for execution on the Exchange, market orders or orders at the same price, for the purchase or sale of the same security with knowledge that such orders are for the account of the same principal, unless specific permission has been obtained from the Committee on Exchange [Floor] Procedure.

Transmitting Names from Floor Prohibited

RULE 27. The name of a bidder, offeror, buyer or seller on the Floor of the Exchange shall not be transmitted from the Floor except pursuant to Rule 39 or Rule 40 and except that:

Direct or Indirect Interest

(a) No change to text.

Purpose and Process

(b) a Participant [member or member organization] may send to his or its office a written report containing the name of the opposite party to the transaction, solely for the purpose of processing the transaction; and

* * * * *

Liability for “Stopped” Orders

RULE 28. An agreement by a Participant [member or member organization] to have an order “stopped” at a specified price shall constitute a guarantee of the purchase or sale by him or it of the security at the stopped price or its equivalent in the amount specified; but in no event shall the guarantee be greater than the greater of (i) the size disseminated in the primary market at the time the order was stopped, or (ii) the size disseminated by the Exchange at the time the order was stopped. If an order is executed at a price less favorable than the stopped price, the

Participant [member or member organization] which agreed to stop the securities shall be liable for an adjustment of the difference between the two prices.

Prearranged Trades

RULE 29. No change to text.

Acting for or on Behalf of Another

RULE 30. No Participant [member] on the Floor shall make any bid, offer or transaction for, or on behalf of, another Participant [member or member organization] except pursuant to a written order. If a Participant [member] to whom an order has been entrusted leaves the post without actually transferring the order to another Participant [member], the order shall not be represented in the market during his absence.

* * * * *

RULE 31. No Participant [member or member organization], whether acting as a specialist or otherwise, who has accepted an order for the purchase of securities shall fill such order by selling such securities for any account in which he or it or a partner or officer or director thereof has a direct or indirect interest, or having so accepted an order for the sale of securities shall fill such order by buying such securities for such an account, except as follows:

Failure to Execute Order

(a) A Participant [member or member organization] who neglects to execute an order may be compelled to take or supply for his or its own account the securities named in the order;

Taking of Securities

(b) A Participant [member or member organization] who may take the securities named in the order provided: (1) he or it shall have offered the same in the open market at a price which is higher than his or its bid by the minimum variation permitted in such securities, and (2) the price is justified by the condition of the market, and (3) the Participant [member or member organization] who gave the order shall, directly or through a broker authorized to act for him or it, after prompt notification, accept the trade;

Supplying of Securities

(c) A Participant [member or member organization] may supply the securities named in the order provided: (1) he or it shall have bid for the same in the open market at a price which is lower than his or its offer by the minimum variation permitted in such securities, and (2) the price is justified by the condition of the market, and (3) the Participant [member or member organization] who has the order shall directly or through a broker authorized to act for him or it, after prompt notification, accept the trade;

Reporting “On Order”

(d) A Participant [member or member organization] acting as a broker is permitted to report to his or its principal a transaction made with himself or itself when he or it has orders from two principals to buy and to sell the same security. He or it shall in such instance publicly offer such security at a price which is higher than his or its bid by the minimum variation permitted in such security before making a transaction with himself or itself and must add to his or its name on the report the words “on order”.

Transactions for Personal Interest Accounts

RULE 32. No Participant or partner, officer or director of a Participant Firm [member, partner of a member firm, or officer or director of a member corporation], while on the Floor, shall, without the prior approval of a [member] of the Committee on Exchange [Floor] Procedure, initiate the purchase or sale on the Exchange of any stock for any account in which he or his Participant Firm, or any partner, officer or director thereof [member firm or any partner of such firm, or his member corporation or any officer or director of such corporation] is directly or indirectly interested with any person other than such [member] firm or a partner thereof or such [member] corporation or an officer or director thereof. This Rule shall not apply to any purchase or sale (1) for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions; or (2) by an odd-lot dealer or a specialist for any joint account in which he is expressly permitted to have an interest or participation by the Rules.

Dealing in Stocks on Put, Call, Straddle or Option

RULE 33. No Participant or partner, officer or director of a Participant Firm [member, partner in a member firm, or officer or director of a member corporation], while on the Floor, shall initiate the purchase or sale on the Exchange for his own account, or for any account in which he, his Participant Firm or any partner, officer or director thereof [member firm or any partner thereof, or his member corporation or any officer or director thereof] is directly or indirectly interested, of any stock in which he holds or has granted any put, call, straddle or option, or in which he has knowledge that his Participant Firm or any partner, officer or director thereof [member firm or any partner thereof or his member corporation or any officer or director thereof], holds or has granted any put, call, straddle or option; provided, however, that the preceding prohibition shall not be applicable in respect of any option issued by the Options Clearing Corporation that was acquired or granted in a publicly reported transaction. Each person able to initiate the purchase or sale of any stock while on the Floor shall report to the Exchange, in such form and at such times as the Exchange requires, all options that he holds or has granted, or that his Participant Firm or any partner, officer or director thereof [member firm or any partner thereof, or his member corporation or any officer or director thereof], holds or has granted.

Floor Trading for Own Account

RULE 34. (a) No Participant or partner, officer or director of a Participant Firm [member, partner in a member firm or officer or director of member corporation], while on the Floor, shall

effect a transaction for his own account, or an account in which he has an interest, in a security solely listed on the Exchange, unless he acts as the specialist, co-specialist, relief specialist or odd-lot dealer, or he has been duly registered as a “Floor Trader,” for the privilege of effecting transactions as principal, and had at the time of application for the privilege a liquid net worth of not less than \$10,000 and is in compliance with Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder.

Provisions for Floor Trading

(b) All trading by a Floor Trader under this privilege shall conform to the following provisions:

(1) bids or offers shall yield priority, parity and precedence to orders originating off the Floor other than off Floor orders to be executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder.

(2) bids or offers in the same issue shall not be made subsequent to his execution of an agency order during the remainder of the same trading session.

(3) any agency order or orders in the same issue received during a single trading session following a purchase or sale for the Floor Trader’s own account shall be relinquished to another Floor Participant [member].

(4) 75% of such transactions executed by a Floor Trader in any one month, shall be a stabilizing nature, i.e., purchases shall be at prices lower than the last different-price transaction on the Exchange and sales shall be at prices higher than the last different-price transaction except where the sale involves a loss.

(5) monthly reports shall be filed with the Exchange as to transactions effected under this Rule in such form as the Exchange may prescribe.

(c) Participants [members], while acting as Registered Floor Traders on the Floor of the Exchange, shall not congregate in a particular stock and dominate the market in that stock; and shall effect purchases and sales in an orderly manner. They shall not be conspicuous in the market. The Chairman of the Committee on Exchange [Floor] Procedure, and in his absence, any Committeeman shall approve or disapprove the presence of registered Floor Traders as to their numbers and trading activities.

Security Quoted “Ex-dividend,” “Ex-distribution,” “Ex-rights” or “Ex-interest”

RULE 35. No change to text.

••• *Interpretations and Policies:*

.01-.02 No change to text.

.03 Responsibility for reducing price and increasing shares in orders.—Open orders held by a specialist prior to the day a stock sells ex-dividend, ex-distribution or ex-rights shall be reduced in price and, if .02 above is applicable, increased in shares by the specialist by the value of the dividend, distribution or rights, unless he is otherwise instructed by the Participant [members or member organizations] from whom the orders were received. In this regard, a [member or member organization] may enter a Do Not Reduce or “DNR” order if he or it does not want the price of an order reduced for cash dividends, or a Do Not Increase or “DNI” order if he or it does not want an order increased in shares for stock dividends or stock distributions.

* * * * *

Authority of Committee on Exchange [Floor] Procedure

RULE 36. The Committee on Exchange [Floor] Procedure shall have power to supervise and regulate active openings and unusual business situations that may arise in connection with the making of bids, offers or transactions on the Floor. The Committee on Exchange [Floor] Procedure shall have power also to supervise and regulate the operation of (1) ITS or any application of the System during active openings and unusual situations, (2) any linkage described in Rule 39 of this Article (“Linkage Rule”), and (3) trading as described in Rule 40 of this Article, including the authority to resolve market disputes involving the Rules of the Exchange arising between Exchange Participants [members] and (1) members of another national securities exchange or securities association concerning ITS commitments received on the Exchange Floor, (2) members of a participating exchange (as defined in the Linkage Rules) concerning orders sent to the Floor through a linkage from such participating exchange, and (3) NASDAQ System market makers concerning orders sent to the Floor pursuant to Rule 40 of this Article.

Guaranteed Execution System and Midwest Automated Execution System

RULE 37. (a) Guaranteed Executions. The Exchange’s Guaranteed Execution System (the BEST System) shall be available, during the Primary Trading Session and the Post Primary Trading Session, to Exchange Participants [member firms] and, where applicable, to members of a participating exchange who send orders to the Floor through a linkage pursuant to Rule 39 of this Article, in all issues in the specialist system which are traded in the Dual Trading System and Nasdaq/NM Securities. System orders shall be executed pursuant to the following requirements:

* * * * *

6[7]. Unusual Trading Situations. In unusual trading situations, a Specialist or Floor Broker may seek relief from the requirements of 1 through 6 above from two (2) Committee on Exchange [Floor] Procedure members or a designated member of the Exchange staff who would

have authority to set execution prices.

(b) Automated Executions. The Exchange's Midwest Automated Execution System (the MAX System) may be used to provide an automated delivery and execution facility for orders that are eligible for execution under the Exchange's BEST Rule (Article XX, Rule 37(a)) and certain other orders. In the event that an order that is subject to the BEST Rule is sent through MAX, it shall be executed in accordance with the parameters of the BEST Rule and the following.

* * * * *

(8) All orders sent through MAX shall include the appropriate account type designator.

The following are acceptable account types:

"P" - Principal/Professional Order

"U" - Program Trade, non-index arbitrage for Individual Customer

"A" - Agency

"K" - Program Trade, index arbitrage for other agency

"I" - Individual Investor

"D" - Program Trade, index arbitrage for Participant [Member/Member Organization]

"Y" - Program Trade, non-index arbitrage for other agency

"C" - Program Trade, non-index arbitrage for Participant [Member/Member Organization]

"Z" - Professional Order—Automatic Execution

"J" - Program Trade, index arbitrage for Individual Customer

(9)-(10) No change to text.

(c) No change to text.

(d) SuperMAX 2000

SuperMAX 2000 shall be a voluntary automatic execution program within the MAX System. Subject to section (b)(11) of this Rule 37, SuperMAX 2000 shall be available for any security trading on the Exchange in decimal price increments. A specialist may choose to enable this voluntary program within the MAX System on an issue-by-issue basis.

* * * * *

••• *Interpretations and Policies:*

.01 Notwithstanding the foregoing, the Exchange specialist in a Nasdaq/NM Security shall only be obligated to guarantee execution on the first agency market order manually placed with him by a Floor broker or other Floor Participant [member], at any given best bid or offer. Subsequent to any such execution, the specialist may, but shall not be obligated to, guarantee the execution at such price of other manual orders placed with him.

* * * * *

Intermarket Trading System

RULE 39. (a) *Definitions*. No change to text.

(b) *Provisions of the Plan*. By subscribing to and submitting the ITS Plan for filing with the SEC, the Exchange has agreed to comply to the best of its ability, and, absent reasonable justification or excuse, to enforce compliance by its Participants [members], with the provisions of the ITS Plan. For purposes of the ITS Plan, a Participant (as referenced in Rules 39-42 of this Article XX) shall be deemed to be a “member” of the Exchange. In this connection, the following shall apply:

Intermarket Trading System (ITS)

(1) All transactions effected through ITS shall be on a “regular way” basis. Each transaction effected through ITS shall be cleared and settled through a clearing agency registered with the [Securities and Exchange] Commission which maintains facilities through which ITS transactions may be compared and settled and which agrees to supply each participating market center with data reasonably requested in order to permit such market center to enforce compliance by its Participants [members] with the provisions of the Act, the rules and regulations thereunder, and the rules of such market center.

(2) Any “commitment to trade”, which is transmitted by a Participant [member] to another participating market center through ITS, shall be firm and irrevocable for the period of time following transmission as is chosen by the sender of the commitment. All commitments to trade shall, at a minimum:

- (A) identify one or more clearing Participants [members],
- (B) – (H) No change to text.

(3) No change to text.

(4) The Participant [member] or Participants [member]s on the Floor who made the bid or offer which is sought by a commitment to trade received on the Floor through ITS shall accept such commitment to trade up to the amount of the bid or offer if the bid or offer is still available on the Floor when the commitment to trade is received by such Participant [member] or Participants [members], unless acceptance is precluded by the rules of the Exchange. In the event that the bid or offer which is sought by a commitment to trade is no longer available on the Floor when the commitment is received, but a new bid or offer is available on the Floor which would enable the commitment to trade to be executed at a price which is as or more favorable than the price specified in such commitment, then the Participant [member] or Participants [members] who has made such new bid or offer shall accept such commitment at the price, and up to the amount of, his bid or offer, unless acceptance is precluded by the rules of the Exchange.

(5) Any Participant [member] to whom a commitment to trade received through ITS is communicated and who intends to reject that commitment shall notify the market center from which the commitment was sent of such rejection as promptly as possible.

(6) Any commitment to trade received on the Floor through ITS and any execution thereof and any commitment to trade issued by a Participant [member] through ITS shall be subject to rules as the Exchange may from time to time determine.

* * * * *

(d) *Openings in Other Participating Markets*

(1) –(4) No change to text.

(5) *Use of System Before Opening or Reopening*—No Exchange Participant [member], whether acting as principal or agent, shall send an obligation to trade, commitment to trade or order in any security from the Exchange through the System to any other Participant market prior to the opening of trading in the security in the Participant market (or prior to the resumption of trading in the security in the Participant market following the initiation of a halt or suspension in trading in the security) until a pre-opening notification in the security has been issued from the other Participant market or, if no pre-opening notification is required, until the market in the security has opened in such other Participant market.

(6) No change to text.

(7) *Request for Participation Reports*—The ITS Plan anticipates that an Exchange Participant [member] who has sent one or more obligations to trade in response to a pre-opening notification will request a report through the System as to his participation if he does not receive a report as required promptly following the opening.

* * * * *

••• *Interpretations and Policies:*

.01 No Participant [member] shall buy against a commitment or obligation to sell designated as “short” which is received on the Floor through ITS or any other Application of the System if the resulting transaction would violate the short selling rules as in effect on the Exchange.

.02 - .03 No change to text.

ITS “Trade-Throughs” and “Locked Markets”

RULE 40. (a) Definitions.

(1) An “Exchange trade-through,” as that term is used in this Rule, occurs whenever a Participant [member] on the Exchange initiates the purchase on the Exchange of a security traded through ITS (an “ITS Security”) at a price which is higher than the price at which the security is being offered (or initiates the sale on the Exchange of such a security at a price which is lower

than the price at which the security is being bid for) at the time of the purchase (or sale) in another ITS participating market center as reflected by the offer (bid) then being displayed on the Exchange from such other market center. The Participant [member] described in the foregoing sentence is referred to in this Rule as the “Participant [member] who initiated an Exchange trade-through.”

(2) A “third participating market center trade-through,” as that term is used in this Rule, occurs whenever a Participant [member] on the Exchange initiates the purchase of an ITS Security by sending a commitment to trade through the System and such commitment results in an execution at a price which is higher than the price at which the security is being offered (or initiates the sale of such a security by sending a commitment to trade through the System and such commitment results in an execution at a price which is lower than the price at which the security is being bid for) at the time of the purchase (or sale) in another ITS participating market center as reflected by the offer (bid) then being displayed on the Exchange from such other market center. The Participant [member] described in the foregoing sentence is referred to in this Rule as the “Participant [member] who initiated a third participating market center trade-through.”

(3)–(6) No change to text.

(b) Trade-Throughs.

(1) When purchasing or selling, either as principal or agent, any ITS Security on the Exchange or by issuing a commitment to trade through the System, Participants [members] on the Exchange should avoid initiating a trade-through unless one or more of the provisions of paragraph (b)(3) below are applicable.

(2) (A) Except as provided in paragraph (b)(3) below, if a trade through occurs and a complaint thereof is received by the Exchange through the System from the party whose bid or offer was traded-through (the “aggrieved party”), then:

(i) except as provided in paragraph (b)(2)(A)(ii) below, (a) the Participant [member] who initiated the trade-through shall satisfy, or cause to be satisfied, through the System the bid or offer traded-through in its entirety either at the price of such bid or offer or at the price that caused the trade-through (as determined in accordance with paragraph (b)(2)(B) below) or (b) if he elects not to do so (and, in the case of a third participating market center trade-through, he obtains the agreement of the *contra* party within the ITS participating market center that received the commitment that caused the trade-through), then the price of the transaction that constituted the trade-through shall be corrected to a price at which a trade-through would not have occurred and the price correction shall be reported through the consolidated last sale reporting system; or

(ii) in the case of an Exchange trade-through only, if the Participant [member] who initiated the trade-through and the Participant [member] on the *contra* side of the transaction had each originated his side of the transaction while on the Exchange for his own account or for any account in which he has an interest, the transaction shall be deemed void and a cancellation thereof shall be reported through the consolidated last sale reporting system.

(B) The Price at which the bid or offer traded-through shall be satisfied pursuant to clause (a) of paragraph (b)(2)(A)(i) shall be the price of such bid or offer except if (i) the transaction that constituted the trade-through was of “block size” but did not constitute a “block trade” (as those terms are defined in the Exchange’s ITS Block Trade Policy) and (ii) the Participant [member] who initiated the trade-through did not make every reasonable effort to satisfy, or cause to be satisfied, through the System the bid or offer traded through at its price and in its entirety within two (2) minutes from the time the report of the transaction that constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system. In the case of such exception, the price at which the bid or offer traded-through shall be satisfied shall be the price that caused the trade-through.

(C) Whenever paragraph (b)(2)(A)(i) applies, if the Participant [member] who initiated the trade-through, or the Participant [member] (or the broker-dealer within another ITS participating market center) on the *contra* side of the transaction, was, or if both such parties were, executing (in whole or in part) orders that originated from off their respective floors (or, in the case of a *contra* party who is a User or an ITS/CAES Market Maker, as to which he acts as agent for another person), each such order or portion thereof that was executed in the transaction that constituted the trade-through (whether such order or portion thereof was executed by the Participant[member] who initiated the trade-through or by the Participant[member] (or the broker-dealer within another ITS participating market center) on the *contra* side of the transaction) shall receive the price that caused the trade-through, or the price at which the bid or offer traded-through was satisfied, if it was satisfied, pursuant to clause (a) of paragraph (b)(2)(A)(i), or the adjusted price, if there was an adjustment, pursuant to clause (b) of paragraph (b)(2)(A)(i), whichever price is most beneficial to the order or portion. Resulting money differences shall be the liability of the Participant[member] who initiated the trade-through.

(3) Paragraph (b)(2) above shall not apply under the following conditions:

(A) the size of the bid or offer traded-through was for 100 shares;

(B) the Participant [member] who initiated the trade-through made every reasonable effort to avoid the trade-through, but was unable to because of a systems/equipment failure or malfunction;

(C) the transaction which constituted the trade-through was not a “regular way” contract;

(D) the trade-through was an Exchange trade-through and occurred during a period when, with respect to the ITS Security which was the subject of the trade-through, [member]s on the Exchange were relieved of their obligations under paragraph (c)(2) of Rule 11Acl-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Acl-1; provided, however, that, unless one of the conditions of paragraph (b)(3) of this Rule (other than that of this subparagraph (D)) applies, during any such period Participants [members] shall make every reasonable effort to avoid trading-through any bid or offer displayed on the Exchange from another ITS participating market center whose members are not so relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Acl-1;

(E) the bid or offer traded-through was being displayed from another ITS participating market center whose members were relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Acl-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Acl-1;

(F) the bid or offer traded-through had caused a locked market in the ITS Security

which was the subject of such bid or offer;

(G) in the case of an Exchange trade-through, a complaint with respect to the trade-through was not received by the Exchange through the system from the aggrieved party promptly following the trade-through and, in any event, within five (5) minutes from the time the report of the transaction that constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system; or

(H) in the case of a third participating market-center trade-through, either:

(i) the Participant [member] who initiated the trade-through (a) had sent a commitment to trade promptly following the trade-through that satisfies the bid or offer traded through and (b) preceded the commitment with an administrative message stating that the commitment was in satisfaction of a third participating market center trade through, or

(ii) a complaint with respect to the trade-through was not received by the Exchange through the system from the aggrieved party promptly following the trade-through, and, in any event, within ten (10) minutes from the time the aggrieved party sent a complaint through the system to the ITS participating market center that received the commitment to trade that caused the trade-through, which first complaint must have been received within five (5) minutes from the time the report of the transaction that constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system.

(c) Responsibilities and Rights following Trade-Through Complaints.

(1) When a trade-through complaint is received by the Exchange, the Participant [member] who initiated the trade-through shall respond as promptly as practicable to the aggrieved party. Such a response shall notify the aggrieved party either

(A) that one of the conditions specified in paragraph (b)(3) of this Rule is applicable (specifying the particular condition), or

(B) that the complaint is valid and appropriate corrective action is being taken pursuant to paragraph (b)(2) of this Rule.

(2) If it is ultimately determined that there was a trade-through, that the corrective action required by either paragraph (b)(2)(A)(i) or (b)(2)(A)(ii) above was not taken, and that none of the conditions of paragraph (b)(3) above was applicable, the Participant [member] who initiated the trade-through shall be liable to the aggrieved party for the lesser of:

(A) the amount of the actual loss proximately caused by the trade-through and suffered by the aggrieved party, and

(B) the loss proximately caused by the trade-through that would have been suffered by the aggrieved party had he purchased or sold the security subject to the trade-through so as to mitigate his loss and had such purchase or sale been effected at the “loss basis price.”

For purposes of this paragraph (c)(2), the “loss basis price” shall be the price of the next transaction, as reported by the high speed line of the consolidated last sale reporting system, in the security in question after one hour has elapsed from the time the complaint is received by the

Exchange (or, if the complaint is so received within the last hour of trading on the Exchange on any day, then the price of the opening transaction in that security on the Exchange on the next day on which the Exchange trades that security).

(3) Any Participant [member] who is an aggrieved party under the trade-through rule of another ITS participating market center may at any time at his discretion take steps to establish and mitigate any loss he might incur as a result of the trade-through of his bid or offer. If so, he shall give prompt notice to such other market center of any such action.

(4) If a complaint of a purported trade-through is received by the Exchange and the complained-of transaction resulted from a Participant's [member's] execution on the Exchange of a commitment to trade received from another ITS participating market center, the Participant [member] should, if circumstances permit, make reasonable efforts to notify the complaining party, as promptly as practicable following receipt of the complaint, (A) that the transaction was not initiated on the Exchange and (B) of the identity of the ITS participating market center that originated the commitment. Neither compliance nor non-compliance with the preceding sentence shall be the basis for any liability of the Participant [member] for any loss associated with the complained-of transaction.

(5) If a transaction that resulted from a Participant's [member's] execution on the Exchange of a commitment to trade constitutes a trade-through under the rules of the originating ITS participating market center, then:

(A) if the broker-dealer on such market center who initiated the transaction requests that the Exchange Participant [member] correct the price of such transaction in accordance with the counterpart in such market center's trade-through rule to paragraph (b)(2)(A)(i)(b) of this Rule, the Exchange Participant [member] may, but need not, acquiesce and so correct the price; and

(B) paragraph (b)(2)(C) of this Rule shall apply as if the Exchange Participant [member] were a *contra* party within the meaning of that paragraph.

(d) Locked Markets.

(1) (A) Except as provided in paragraphs (d)(1)(B) and (d)(2) below, if a locked market occurs and the Exchange receives a complaint through the System from the party whose bid (offer) was locked (the "aggrieved party"), the Participant [member] responsible for the locking offer (bid) (the "locking Participant [member]") shall, as specified in the complaint, either promptly "ship" (i.e., satisfy through the System the locked bid (offer) up to the size of his locking offer (bid)) or "unlock" (i.e., adjust his locking offer (bid) so as not to cause a locked market). If the complaint specifies "unlock," he may nevertheless ship instead.

(B) If there is an error in a locking bid or offer that relieves the locking Participant [member] from his obligations under paragraph (c)(2) of Rule 11Acl-1 and if the Exchange receives a "ship" complaint through the System from the aggrieved party, the locking Participant [member] shall promptly cause the quotation to be corrected and, except as provided in paragraph (d)(2) below, he shall notify the aggrieved party through the System of the error within two minutes of receipt of the complaint on the Floor. If the locking Participant [member] fails to so notify the aggrieved party, he shall promptly ship.

(2) Paragraph (d)(1) above shall not apply under the following conditions:

- (A) the locked bid or offer was for 100 shares;
- (B) the locking bid or offer no longer prevails on the Floor at the time the complaint is received on the Floor;
- (C) the rules of the Exchange would prohibit the issuance of a commitment to trade to satisfy the locked bid or offer;
- (D) the locking Participant [member] makes every reasonable effort to comply with paragraph (d)(1) above, but is unable to comply because of a systems/ equipment failure or malfunction;
- (E) the locking bid or offer was not for a “regular way” contract; or
- (F) the locked market occurred at a time when, with respect to the affected ITS Security, Participants [members either] on the Exchange or members in the ITS participating market center in which the aggrieved [member] is located were relieved of their obligations under paragraph (c)(2) of Rule 11Acl-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Acl-1.

(e) Opening and Block Trades.

This Rule shall not apply to (1) purchases and sales effected by Participants[members] participating in an opening (or reopening) transaction on the Exchange in an ITS Security or (2) any “block trade” as defined in the Exchange’s ITS Block Trade Policy.

••• *Interpretations and Policies:*

.01 Nothing in paragraph (d)(2)(B) above is intended to discourage a locking Participant [member] from electing to ship if the complaint requests him to do so.

.02 The fact that a transaction may be cancelled or the price thereof may be adjusted pursuant to the provisions of paragraph (b)(2) of this Rule shall not have any retroactive effect, under the rules, on other transactions or the execution of orders not involved in the original transaction.

.03 Specialists are prohibited from utilizing the Auto Quote mode in an ITS Security to disseminate a bid and/or offer size which is greater than 100 shares.

.04 The provisions of this Rule shall supersede the provisions of any other rule which might be construed as being inconsistent with such provisions.

.05 (a) Definitions.

- (1) A “block trade,” as that term is used in this Rule, means a trade on the Exchange that
 - (A) involves 10,000 or more shares of a common stock traded through ITS (an “ITS Security”) or a quantity of any such security having a market value of \$200,000 or more (“block size”);
 - (B) is effected at a price outside the bid or offer displayed from another ITS participating market center; and
 - (C) involves either
 - (i) a cross of block size (where the Participant [member] represents all of one side of the transaction and all or a portion of the other side), or

(ii) any other transaction of block size (i.e., in which the Participant [member] represents an order of block size on one side of the transaction only) that is not the result of an execution at the current bid or offer on the Exchange.

Contemporaneous transactions at the same price filling an order or orders then or theretofore represented on the Exchange by a Participant [member] (including transactions resulting from commitments to trade sent by the Participant [member] pursuant to paragraph (b) below) shall be deemed to constitute a single transaction for the purpose of this definition.

(2) A “current bid or offer on the Exchange,” as that term is used in paragraph (a)(1)(C)(ii) above, means the price of the current quotation on the floor of the Exchange established independently of the order to buy or sell that is represented by the Participant [member].

(3) No change to text.

(b) Obligation to Send Commitments. Unless one or more of the conditions described in paragraph (c) below exist, the Participant [member] representing the block-size order(s) shall at the time of execution of a block trade send, or cause to be sent, through ITS to each other ITS participating market center displaying a bid (offer) superior to the execution price a commitment to trade at the execution price and for the number of shares displayed with that market center’s better-priced bid (offer).

(c) Inapplicability. Paragraph (b) above shall not apply under the following conditions:

(1) the size of the better-priced bid or offer displayed by another ITS participating market center was for 100 shares;

(2) the Participant [member] representing the block-size order(s) made every reasonable effort to satisfy through ITS a better-priced bid or offer displayed by another ITS participating market center but was unable to because of a systems/equipment failure or malfunction;

(3) the block trade was not a “regular way” contract;

(4) the block trade was executed during a period when, with respect to the ITS Security that was the subject of the block trade, Participants [members] on the Exchange were relieved of their obligations under paragraph (c)(2) of Rule 11Acl-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Acl-1; provided however, that, unless one of the conditions of this paragraph (c) (other than that of this subparagraph (4)) applies, Participants [members] shall nevertheless make every reasonable effort during any such period to satisfy through ITS any better-priced bid or offer displayed on the Exchange from another ITS participating market center whose members are not so relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Acl-1;

(5) the better-priced bid or offer was being displayed from an ITS participating market center whose members were relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Acl-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Acl-1; or

(6) No change to text.

(7) A transaction not subject to this Policy may be subject to the trade through provision of Exchange Article XX, Rule 37. A Participant [member] who makes a bid or offer on the Exchange otherwise than in connection with a block trade may be subject to the locked markets provisions of Exchange Article XX, Rule 37.

.06 Contemporaneous Commitments

The terms “Exchange trade-through” and “third market participating market center trade-through” do not include the situation where a Participant [member] who initiates the purchase (sale) of an ITS security at a price which is higher (lower) than the price at which the security is being offered (bid) is another ITS participating market, sends contemporaneously through ITS to such ITS participating market a commitment to trade at such offer (bid) price or better and for at least the number of shares displayed with that market center’s better-priced offer (bid). A trade-through complaint sent in these circumstances is not valid, even if the commitment sent in satisfaction cancels or expires, and even if there is more stock behind the quote in the other market.

Liability of Exchange Relating to Operation of ITS

RULE 41. (a) As used in this Rule the term “System Transaction” shall mean any purchase or sale of a security which results from the acceptance of a commitment or obligation to trade received on the Floor through ITS or the Pre-Opening Application or from the acceptance in another market of a commitment or obligation to trade sent from the Floor through ITS or the Pre-Opening Application. Each System Transaction shall be reported on the clearing tape generated by the System at the end of each trading day and such tape shall also identify one or more clearing Participants [members] who will clear and settle each System Transaction. A Participant [member] on the Floor who instructs an Exchange employee (referred to in paragraph (b) hereof) to issue or accept a commitment or obligation to trade which results in a System Transaction reported on the clearing tape (the “instructing Participant [member]”) shall also be identified in Exchange records.

(b) For the convenience of Participants [members] on the Floor, Exchange employees at the ITS Service Center operated by the Exchange will, when requested by such Participants [members], if the Participant’s [member’s] equipment is not operational or other good reason exists, (in the event the requesting Participant [member] is the specialist in such security) send and receive through the System commitments to trade, preopening notifications and responses thereto (hereinafter referred to in this Rule 37 as a “System Transmission”). Requests for transmissions of preopening notifications and responses thereto will only be accepted from the specialist or specialist unit in such security. It shall be the responsibility of each Participant [member] who instructs an Exchange employee regarding a System Transmission or proposed System Transmission to verify the accuracy of such transmissions sent and received and responses thereto, and to keep abreast of the status of such instructions.

(c) The Exchange shall not be liable for any loss resulting from or claimed to have resulted from any System Transmission or purported System Transmission, failure to compare a trade resulting therefrom or other act, error or omission of an Exchange employee sending or receiving a System Transmission for a [member] pursuant to paragraph(b) of this Rule 37.

(d) Participants [members] and their Participant Firms [member firms] shall be fully responsible for all System Transmissions sent from equipment assigned to them, or sent by their officers, employees or agents, or sent by MSE employees on their behalf and pursuant to their request in accordance with paragraph (b) of this Rule. No Participant [member or member firm] shall refuse to treat as a compared trade any trade resulting from such a System Transmission, whether or not the Participant’s [member’s] System Transmission was in error, and any Participant [member or member firm] which purports to reject responsibility for such a trade shall reimburse the Exchange for all costs and expenses occasioned by the Exchange being required to accept responsibility for clearance and settlement of any such trades.

(e) Whenever a clearing agency to which a System Transaction has been reported excludes such System Transaction from the clearance procedures conducted by such agency, either because such agency ceases to act (either with respect to transactions generally or as to a particular transaction) for a Participant [member or member organization], or because of the insolvency of such Participant [member or member organization], the Exchange shall not be

obligated to assume and honor any one or more or all of such excluded System Transactions for the account of and on behalf of the Participant [member or member organization] for which the clearing agency ceased to act or which is insolvent and such trade shall be returned to such Participant [member or member organization].

Foreign Exchange Linkage Plan

RULE 42. (a) Definitions.

(i) A “Linkage Plan” is any plan or agreement, including any amendments thereto, between the Exchange and a foreign securities exchange implementing an electronic link intended to allow a direct flow of orders between the Participants [members] of the Exchange and the members of such foreign securities exchange; provided, however, that the Intermarket Trading System Plan shall not be included within the term Linkage Plan.

(ii) The term “participating exchange” means a foreign securities exchange with which the Exchange is linked pursuant to a Linkage Plan.

(b) – (c) No change to text.

(d) Compliance with Linkage Plans.

With respect to each transaction effected through a linkage, each Participant [member] of the Exchange shall be subject to and bound by the provisions of the relevant Linkage Plan as if the same were set forth in these rules.

(e) No change to text.

••• *Interpretations and Policies:*

.01 - .02 No change to text.

.03 Exchange rules concerning Participants’ [members’] responsibility in the execution of orders require that where an order is to be executed on the Floor, it must be represented in the Trading Crowd and executed at the post at which the security is traded. These rules apply to Participants [members] seeking to send orders from the floor of the Exchange through a linkage to a participating exchange, and Participants [members] are thereby required to make the existence of a bid or offer generally known and represent an order in the Trading Crowd, prior to directing that such order be sent to a participating exchange through a linkage.

Trading in Nasdaq/NM Securities

RULE 43. No change to text.

Market-at-the-Close Orders in Dual Trading System Issues

RULE 44. Market-at-the-Close (“MOC”) Orders in Dual Trading System Issues.

No change to text.

••• *Interpretation and Policy*

.01 “G” Orders. Proprietary orders represented pursuant to Section 11(a)(1)(G) of the [Securities] Exchange Act [of 1934] (i.e., “G” orders) must be announced as such and yield priority, parity and precedence to any order which is for the account of a person who is not a Participant [member, member organization or associated person thereof].

ARTICLE XXA

[Reserved for future use.]
[Decimal Pricing Rules]

ARTICLE XXB

[Reserved for future use.]

ARTICLE XXI
Exchange of Contracts, Tickets and Comparisons

Reporting of Transactions

RULE 1. The Exchange shall report all transactions executed on the Floor during the Primary Trading Session, Post Primary Trading Session, or, when it is in operation, through the Portfolio Trading System. It shall be the duty of every Participant [member] to advise the Exchange of each of his transactions as promptly as possible.

Comparison of Transactions

RULE 2. Every Participant [member or member organization] shall keep his or its office open to a sufficiently late hour to enable other Participants [members and member organizations] reasonably to complete comparisons each day. Participants [members or member organizations] who make transactions on the Floor but clear through other Participants [members or member organizations] shall be responsible for the maintenance of adequate facilities for the comparison of their transactions.

Delivery of Tickets to Be Compared

RULE 3. As soon as possible after the execution of a transaction on the Floor of the Exchange, the executing Participant [member] shall either (a) submit the trade ticket to the assigned Exchange employee or (b) input the transaction information using an automated functionality approved by the Exchange, to report such transaction to the Exchange for dissemination. Transactions initiated via the Midwest Automatic Execution System (MAX) automatically report trades for dissemination. When the report of such transactions, including transactions through MAX, is reported back to the Floor, it shall be the obligation of the parties to review promptly such report and to report any exceptions and make such corrections as shall be necessary in accordance with these Rules. Responsibility for any loss incurred through failure to comply with this rule shall rest solely on the parties failing to conform.

••• *Interpretations and Policies:*

.01 Participants [Members] shall only submit to the Exchange trade data for transactions executed on the Floor of the Exchange pursuant to this Rule for dissemination or for forwarding to a Qualified Clearing Agency.

Procedure for Trade Recording with a Qualified Clearing Agency

RULE 4. (a) Every Participant [member or member organization] which clears transactions executed on the Floor of the Exchange shall maintain an account, upon such terms and conditions as the Exchange may prescribe, with a Qualified Clearing Agency for the recording of such transactions.

(b) Every Participant [member or member organization] registered as a specialist or market maker shall maintain a special, designated account at a Qualified Clearing Agency or shall maintain such an account through a Participant Firm [member organization] or other entity approved by the Exchange which is a participant of a Qualified Clearing Agency, upon such terms and conditions as the Exchange may prescribe, in which all transactions in securities relating to such Participant's [member or member organization's] activities as a specialist or market maker are recorded.

(c) No change to text.

(d) Transactions which are not submitted to a Fully-Interfaced Clearing Agency for clearance and settlement pursuant to the rules of such Clearing Agency shall be settled in accordance with the Rules of the Exchange.

••• *Interpretations and Policies:*

.01 Definition of Registered Clearing Agency

The term “Registered Clearing Agency” shall mean a clearing agency as defined in Section 3(a)(23) of the [Securities] Exchange Act [of 1934] which is registered with the [Securities and Exchange] Commission pursuant to the provisions of the Section 19(a) of the [Securities] Exchange Act [of 1934].

.02 Definition of Fully-Interfaced Clearing Agency

No change to text.

.03 Definition of a Qualified Clearing Agency

For purposes of this Rule, the term “Qualified Clearing Agency” shall mean a Fully Interfaced Clearing Agency which has entered into an agreement with the Exchange pursuant to which it will (i) provide such services to the Exchange and its Participants [members] as the Exchange, and such Qualified Clearing Agency shall from time to time agree, (ii) maintain facilities through which Exchange Contracts may be recorded, cleared and settled, and (iii) supply the Exchange with data reasonably necessary and requested in order to permit the Exchange to enforce compliance by its Participants [members and member organizations] with the provisions of the [Securities] Exchange Act [of 1934], the rules and regulations thereunder and the Rules of the Exchange.

Unidentified Comparison Ticket

RULE 5. When a report of transactions is received by a Participant [member or member organization] which contains a transaction of which the recipient has no knowledge, it shall be the obligation of the parties affected to reconcile the transaction on the floor of the Exchange.

Duty of Buyer of Bonds

RULE 6. No change to text.

Give Up by Specialists and Floor Brokers

RULE 7. When specialists and other Floor brokers give up other names, Participants [members or member organizations] receiving such give-ups shall immediately record such names on their records.

Failure to Effect Comparison

RULE 8. The neglect or failure of a Participant [member or member organization] to effect comparison shall constitute a default and such defaulted contract may be closed “under the rule.”

“Fail to Deliver” Ticket

RULE 9. If a delivery on a contract has not been made on the due date, either the buyer or the seller may, while such contract remains open, send to the other party, in duplicate, a “fail to deliver” confirmation.

When a “fail to deliver” confirmation is sent to a Participant [member or member organization], the party to whom the confirmation is presented shall retain the original, if it be correct, and promptly return the duplicate stamped and initialed. If such party has no knowledge thereof, the confirmation shall be stamped “don’t know.”

Comparison Does Not Create Contract

RULE 10. No change to text.

Long Sales

RULE 11. For the purpose of effecting delivery within the time period required under regular settlement procedures, any sale of a security for a customer which is designated as a “long” sale may be effected only if:

(a) The customer is “long,” in good deliverable form, the security to be sold on the books of the selling Participant Firm [member organization], or

(b) The selling Participant Firm [member organization] notes on the order ticket that

1. It has received from the customer assurance that the security to be sold is placed or deposited, in good deliverable form, in such a manner as to be obtainable only by the customer by physical means other than the giving of instructions, and that the customer may be bought in with respect to the security within a time period which is reasonable in view of the circumstances, or

2. Such security is on deposition, in good deliverable form, with a member of a registered securities exchange, a member of the NASD, any broker-dealer registered with the [Securities and Exchange] Commission or any organization subject to state or federal banking regulations and that instructions have been or are being forwarded to such depository to deliver such security against payment, or

(c) The selling firm has available such security to lend to or has arranged to borrow such security for the customer; or

(d) The customer presents to the selling Participant Firm [member organization], with proper instructions, a security convertible into or exchangeable for, or an option, warrant or right which entitles him to purchase, together with the necessary funds, prior to settlement date, the security to be sold.

Mandatory Stock Borrowing

RULE 12. No change to text.

Acting as Agent for Participants [Members or Member Organizations]

RULE 13. Upon written application and acceptance, the Exchange may enter into an agreement with a Participant [member or member organization]. Such Agreement may authorize the Exchange to perform various functions on behalf of and as agent of such Participant [member or member organization], including but not limited to, drawing upon and depositing to such Participant's [member or member organization's] bank account, borrowing of securities, providing and keeping reports and records, performance of special cashiering functions, and performance of such other functions as are deemed appropriate or desirable.

Guaranty

RULE 14. The Exchange may, from time to time, provide a guaranty to a Qualified Clearing Agency and the Depository Trust Company ("DTC"), as the case may be, to guarantee the obligations of the Midwest Clearing Corporation and Midwest Securities Trust Company, if applicable, to such Qualified Clearing Agency and DTC, respectively. In the event that the Exchange incurs any loss, liability, cost, damage or expense (including attorneys' fees) arising out of or in any manner related to such guaranty, all Participants [members and member organizations] that maintain a Sponsored Account or Temporary Sponsored Account (as those terms are defined in MCC's and MSTC's Rules) with MCC or MSTC, as the case may be, shall jointly and severally indemnify and hold the Exchange harmless against such loss, liability, cost, damage or expense (including attorneys' fees); provided, however, Participants [member and member organizations] shall not be liable for any loss, liability, cost, damage or expense that may have arisen solely by reason of the grossly negligent, fraudulent or criminal acts of MCC, MSTC or the Exchange.

ARTICLE XXII
Settlement of Exchange Contracts

RULES 1-18. No change to text.

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Power of Substitution by Individual, Firm or Corporation Participant [Member]

RULE 19. No change to text.

* * * * *

Participant [Member] Shall Be Able to Mechanically Reproduce Facsimile Signature to Assign Securities and Execute Powers of Substitution

RULE 22. A Participant [member or member firm] may assign securities registered in the name of such Participant [member or member firm], and may execute powers of substitution, by means of a mechanically reproduced facsimile signature, provided the Participant [member or member firm] shall have executed and filed with the Exchange, in the form prescribed by it, an agreement with respect to the use of such facsimile signature and shall have complied with such other requirements as may be prescribed by the Exchange in connection with the use of facsimile signatures.

When Participant [Member] Corporation May Assign Securities and Execute Substitution by Facsimile Signature

RULE 23. A Participant [member] corporation may assign securities registered in the name of such Participant [member] corporation and may execute powers of substitution, by means of a mechanically reproduced facsimile signature of an officer of such [member] corporation, provided the Participant [member] corporation shall have (1) executed and filed with the Exchange, in the form prescribed by it, an agreement with respect to the use of such facsimile signature, (2) filed with the Exchange, in the form prescribed by it, a certified copy of resolutions of the Board of Directors of such [member] corporation authorizing the execution and filing with the Exchange of such agreement, and (3) complied with such other requirements as may be prescribed by the Exchange in connection with the use of facsimile signatures.

* * * * *

Assigning of Registered Securities in Name of Participant [Member or Member Organization]

RULE 27. A Participant [member or member organization] may authorize one or more persons who are either his or its employees or who are officers or employees of a registered clearing agency, to assign registered securities in the name of such Participant [member or

member organization] and to guarantee assignments with the same effect as if the name of such Participant[member or member organization] had been signed under like circumstances by such Participant [member] or by one of the partners or officers of the Participant Firm [member firm or by one of the authorized officers of the member corporation] by executing and filing with the Exchange, in a form prescribed by it, a separate Power of Attorney for each person so authorized.

* * * * *

Signature Not in Name of Participant [Member]

RULE 34. Except with respect to securities to be delivered pursuant to the rules of a registered clearing agency the signature to an assignment of a certificate not in the name of a Participant [member or member organization] or a nominee of a registered clearing agency whose signatures are on file with and acceptable to the transfer agent shall be guaranteed by a Participant[member or member organization] of the Exchange, or a member of the New York Stock Exchange or by a commercial bank or trust company in the locality of the Exchange or a correspondent thereof. Each signature to a power of substitution executed by other than a Participant [member or member organization] or nominee of a registered clearing agency whose signatures are on file with and acceptable to the transfer agent shall be guaranteed in like manner.

* * * * *

Book-Entry Settlement Requirements

RULE 37. (a) A Participant [member or member organization] shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another Participant [member] or a member of a national securities exchange or a registered securities association.

(b) A Participant [member] shall not effect a delivery-versus-payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.

(c) For purposes of this rule, the term “securities depository” shall mean a securities depository registered as a clearing agency under Section 17A of the Exchange Act.

(d) The term “depository eligible securities” shall mean securities that (i) are part of an issue if securities that is eligible for deposit at a securities depository and (ii) with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

(e) This rule shall not apply to transactions that are settled outside of the United States.

(f) The requirements of this rule shall supersede any inconsistent requirements under other Exchange rules.

(g) This rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and:

(i) if the transaction is for same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cut-off time established

by the depository for same-day crediting of deposited securities, or

(ii) the deliverer cannot by reasonable efforts deposit the securities in a depository prior to a cut-off date established by the depository for that issue of securities.

ARTICLE XXIII
Reclamations

No change to text.

ARTICLE XXIV
Lending Securities

No change to text.

ARTICLE XXV Closing of Contracts

Disagreement

RULE 1. When a disagreement between Participants [members or member organizations] arising from a transaction in securities is discovered, the money difference shall forthwith be established by purchase or sale or by mutual agreement.

Insolvency

RULE 2. When an announcement is made of the suspension or expulsion of a Participant [member or member organization], other Participants [members or member organizations] having Exchange contracts with the suspended or expelled Participant [member or member organization] for the purchase, sale or loan of securities, shall without unnecessary delay proceed to close such contracts on the Exchange or in the best available market, unless such contract has been accepted for clearance and settlement by a registered clearing agency in which case such close out should be made in accordance with the rules of such agency. If such a contract be not closed as above provided, the price of settlement shall be fixed by the fair market value at the time when such contract should have been closed under this Rule.

Closing of Contract by Original Party

RULE 3. When a contract in securities has not been compared, or tickets or written contracts have not been exchanged, as required by these Rules, an original party to such contract may close the same at or after 10:00 A.M. of the business day following the day of such default provided that notice, either written or oral, shall have been given to the other original party at least 30 minutes before such closing. If a Participant [member or member organization] given up by an original party shall, after he or it has complied with these Rules, be unsuccessful in effecting the comparison required thereby, he or it shall promptly notify the original party who acted for him or it, who may then close the contract as herein provided for original parties.

Default

RULE 4. A contract in securities admitted to dealings on the Exchange other than a contract the close-out of which is governed by the rules of a registered clearing agency, which has not been fulfilled according to the terms thereof may be officially closed by any officer of the Exchange. The order to close such contract shall be delivered to the Exchange and the Participant[member or member organization] giving such order shall deliver at the office of the Participant [member or member organization] in default notice of intention to make such closing. Every such order and every such notice shall be in writing, and shall state the name of the Participant [member or member organization] giving the order, the date of the original contract to be closed, the maturity date of such contract, and the name of the other party thereto. On full business days such notice shall be delivered before 11:45 A.M. and such orders shall be delivered before 1:30 P.M., but such contracts shall not be closed before 1:35 P.M.; and if the time within which securities may be delivered shall have been extended, the time limits herein

referred to shall thereby be similarly extended, and if the time within which securities may be delivered shall have been advanced, the time limit for delivery of such notice of intention to make such closing shall be similarly advanced. When a contract made for “cash” after 1:00 P.M. on a full business day, is to be closed on the same day, the time of the transaction shall be stated on the order and notice, which shall be delivered within 30 minutes after the transaction, and the contract shall not be closed until 35 minutes after the time of the transaction. The closing of a contract may be deferred by order of a member of the Committee on Exchange [Floor] Procedure whenever, in his opinion, a fair market in which to close the contract is not available, and the Committee on Exchange [Floor] Procedure may defer the closing of a contract if it determines that the default is due to the existence of a general emergency situation, but no such deferment shall relieve the party in default of any resulting damages.

Retransmission of Notice

RULE 5. Every Participant [member or member organization] receiving notice that a contract is to be closed for his or its account because of non-delivery including a notice pursuant to the rules of a registered clearing agency that any obligation of the Participant [member or member organization] to deliver securities to the clearing agency or under its rules is to be closed out for his or its own account shall immediately retransmit notice thereof to any other Participant [member or member organization] from whom the securities in question are due. Every such retransmitted notice shall be in writing, and shall be delivered at the office of the Participant [member or member organization] to whom it is addressed. It shall state the date of the contract upon which the securities are due from such Participant [member or member organization], and the name of the Participant [member or member organization] who has given the original order to close.

Notice on Less than Full Amount

RULE 6. No change to text.

Liability Where Contract Closed

RULE 7. The closing of a contract pursuant to these Rules or pursuant to the rules of a registered clearing agency shall be for the account and liability of each succeeding party in interest in such contract and, in case notice that such contract will be closed has been retransmitted as hereinabove provided, such closing shall also automatically close all contracts with respect to which retransmitted notice shall have been delivered prior to the closing. If such retransmitted notice is sent by a Participant [member or member organization] before the contract has been closed, but is not received until after such closing, the Participant [member or member organization] who sent the same may, unless otherwise agreed, promptly reestablish, by a new sale, the contract with respect to which such notice has been sent. Any money difference resulting from the closing of a contract, or from the reestablishment of a contract as hereinabove provided, shall be paid not later than 2:00 P.M. on the following full business day to the Participant [member or member organization] entitled to receive the same.

Immediate Notification Where Contract Closed

RULE 8. When a contract other than a contract the closeout of which is governed by the rules of a registered clearing agency has been closed the Participant[member or member organization] who closed the same, or who gave the order to close the same, shall immediately notify the Participant[member or member organization] for whose account the contract was closed. Immediate notification shall be given to succeeding parties in interest and to other Participants [members or member organizations] to whom retransmitted notice as hereinabove provided has been sent. Statements of resulting money differences, if any, shall be rendered immediately.

Duty of Participant [Member] Giving Notice to Close

RULE 9. When a Participant [member or member organization] has given notice of intention to close a contract for non-delivery, or has retransmitted notice thereof as hereinabove provided, he or it must receive and pay for securities due upon such contract if tendered at his or its office prior to the closing of such contract.

If the person who has in hand the order to close is notified prior to the closing by a Participant [member or member organization] that some or all of the securities (but not less than one trading unit) are in his or its physical possession and will be promptly delivered, then the order to close shall not be executed with respect to such securities, and the Participant [member or member organization] who has given the original order to close shall accept and pay for such securities, if tendered promptly.

If such securities be not promptly tendered, the Participant [member or member organization] who has stated that they would be promptly delivered shall be liable for any resulting damages.

Delivery of Securities

RULE 10. A Participant [member or member organization] who has received notice of intention to close a contract, or retransmitted notice thereof, may deliver the securities at the office of the Participant [member or member organization] issuing such notice up to 1:30 P.M. He or it may deliver such securities after 1:30 P.M. if notice is given to the Exchange before the execution of the order that he or it has physical possession of the securities.

Liability Where Bid Accepted and Failure to Comply

RULE 11. When a contract is closed, any Participant [member or member organization] accepting the bid or offer, and not complying promptly therewith, shall be liable for any damages resulting therefrom.

Method of Closing

RULE 12. No Participant [member or member organization] who for his or its own

account has given the order to close a contract because of nondelivery, shall fill the order by selling for his or its own account, either directly or through a broker, the securities named therein; and no Participant [member or member organization] shall knowingly enable or permit any other person on whose behalf the order to close because of non-delivery has been issued to fill such order by selling for his or its own account the securities named therein. If a Participant [member or member organization] has issued an order to close because of non-delivery and, acting for another principal, supplies the securities named therein, he or it must make delivery in accordance with the terms of the contract thus created, and may not by consent or otherwise fail to make such delivery. The Participant [member or member organization] for whose account a contract is being closed, or any succeeding Participant [member or member organization] in interest, or any Participant [member or member organization] to whom retransmitted notice has been sent, shall not accept the bid or offer, unless such Participant [member or member organization] is acting for a principal other than the one for whose account the contract is being closed.

Over-the-Counter Securities

RULE 13. No change to text.

ARTICLE XXVI
Marking to the Market

No change to text.

ARTICLE XXVII
Dividends, Interest, Rights and Due-Bills

RULES 1-5. No change to text.

Excess Amount of Rights

RULE 6. In cases where Participants [members or member organizations] on the last day for subscription have more rights to subscribe than they or their customers appear to be entitled to by the records of the Participants [members or member organizations], the excess amount of rights shall be sold in the best available market and the proceeds of such sales shall be held subject to the claims of the persons entitled to such rights to subscribe.

* * * * *

Form

RULE 8. Due-bills shall be rendered on a form approved by the Exchange and shall be signed by or in behalf of a Participant [member] by an authorized agent.

Securities Sold Before Ex-dividend or Ex-rights

RULE 9. Unless otherwise directed by the Exchange, or unless the rules of a registered clearing agency apply, when a security is sold before it is ex-dividend or ex-rights and delivery is made after a date fixed by the Exchange, the seller's delivery to the buyer shall be made as follows:

(a) In the case of stock dividends or rights to subscribe, either the dividend or rights, or a due-bill for such dividends or rights, shall accompany the security delivered;

(b) In the case of cash dividends, due-bills or due-bill checks will not be used. Such dividends accruing on a security deliverable on a contract will be computed, reported, collected and/or paid by a registered clearing agency to the Participant [member or member organization].

(c) In the case of cash dividends, where delivery of the security is not made through a registered clearing agency, the security delivered shall be accompanied by a due-bill or a due-bill check for the amount of the dividend.

Redemption of Due-Bills—Exceptional Cases

RULE 10. No change to text.

Redemption of Due-Bills—Normal

RULE 11. A due-bill for stock, rights and warrants shall be redeemable upon presentation to the issuer. If the issuer fails to settle a due-bill for stock, rights or warrants, the Participant [member or member organization] presenting such due-bill shall have all the rights and privileges for the closing of contracts provided by Article XXV of the Rules.

ARTICLE XXVIII
Listed Securities

RULES 1-11. No change to text.

Tier I Listing Requirements for Contingent Value Rights (“CVRs”)

RULE 12. In the case of CVRs, the Tier I listing requirements are:

(1)-(6) No change to text.

(7) Prior to the commencement of trading of CVR securities admitted to listing, the Exchange will distribute a circular to its Participants [membership] explaining the specific risks associated with CVRs and providing guidance regarding Participant Firm [member firm] compliance responsibilities when handling transactions in such securities.

Tier I Listing Requirements for Other Securities

RULE 13. In the case of other securities, the Exchange will consider listing any security not otherwise covered by the criteria set forth in this Article, provided the issue is otherwise suited for auction market trading. Such issues must meet the following requirements:

(1)-(5) No change to text.

(6) Prior to the commencement of trading of other securities admitted to listing, the Exchange will evaluate the nature and complexity of the issue and, if appropriate, distribute a circular to the Participants [membership] providing guidance regarding Participant [member] E[f]irm compliance responsibilities when handling transactions in such securities.

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Tier I Corporate Governance and Disclosure Standards

Corporate Governance

RULE 19. No change to text.

● ● ● *Interpretations and Policies:*

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.06 Shareholder approval of equity compensation plans.

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(9) The Exchange precludes its Participant Firms [member organizations] from giving a proxy to vote on equity compensation plans unless the beneficial owner of the shares has given voting instructions. This prohibition is codified in Article XXXIII, Rule 3 and will become effective for any meeting of shareholders that occurs on or after the 90th day following Commission approval of the change.

Tier I Voting Rights

RULE 20. The following Rule 20 applies only to Tier I issuers:

(a)-(c) No change to text.

(d) Preferred Voting Rights. To be eligible for listing, a preferred stock shall give the holders the right to elect no later than two years after a default in the payment of fixed dividends at least two [member]s of the issuer's Board of Directors and shall not provide for:

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Public Disclosure Requirements for Tier I and Tier II Issues

RULE 23. No change to text.

••• *Interpretations and Policies:*

.01 Informing the Public

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Relationship Between Company Officials and Personnel of Exchange Participant Firms [Member Organizations] Serving as Directors or Advisors to the Corporation

Every director has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Not until there is full public disclosure of such data, particularly when the information might have a bearing on the market price of the securities, is a director released from the necessity of keeping information of this character to himself. Any director of a corporation who is a partner, officer, or employee of a Participant Firm [member organization] should recognize that his first responsibility in this area is to the corporation on whose Board he serves. Thus, a Participant Firm [member firm] director must meticulously avoid any disclosures of inside information to his partners, employees of the firm, his customers or his research or trading departments. Where a representative of a Participant Firm [member organization] is not a director but is acting in an advisory capacity to a company and discussing confidential matters, the ground rules should be substantially the same as those that apply to a director. Should the matter require consultation with other personnel of the organization, adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside of the Participant Firm [member organization].

Investment Company Units

RULE 24. No change to text.

● ● ● *Interpretations and Policies:*

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.05 This Interpretation and Policy .05 applies only to series of Investment Company Units that are the subject of an order by the [Securities and Exchange] Commission exempting those series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940. The Exchange will inform Participants [members and member organizations] regarding application of this Interpretation and Policy to a particular series of Investment Company Units by means of an information circular prior to the beginning of trading in that series.

The Exchange requires that Participants [members and member organizations] provide to all purchasers of a services of Investment Company Units a written description of the terms and characteristics of those securities, in a form approved by the Exchange, not later than the time a confirmation of the first transaction in that series is delivered to that purchaser. In addition, Participants [members and member organizations] shall include such a written description with any sales material relating to a series of Investment Company Units that is provided to customers or the public. Any other written materials provided by a Participant [member or member organization] to customers or the public making specific reference to a series of Investment Company Units as an investment vehicle must include a statement in substantially the following form: “A circular describing the terms and conditions of {the series of Investment Company Units} is available from your broker. It is recommended that you obtain and review such circular before purchasing {the series of Investment Company Units}. In addition, upon request, you may obtain from your broker a prospectus for {the series of Investment Company Units}”.

A Participant [member or member organization] carrying an omnibus account for a non-Participant [member] broker-dealer is required to inform such non-Participant [member] that execution of an order to purchase a series of Investment Company Units for such omnibus account will be deemed to constitute agreement by the non-Participant [member] to make such written description available to its customers on the same terms as are directly applicable to Participants [members and member organizations] under this rule.

Upon request of a customer, a Participant [member or member organization] shall also provide a prospectus for the particular series of Investment Company Units.

Portfolio Depositary Receipts

RULE 25. (a)-(b) No change to text.

(c) Participants [members and member organizations] shall provide to all purchasers of a series of Portfolio Depositary Receipts a written description of the terms and characteristics of such securities, in a form approved by the Exchange, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, Participants [members and member organizations] shall include such a written description with any sales material relating to a series of Portfolio Depositary Receipts that is provided to customers or the public. Any other written materials provided by a Participant [member or member organization] to customers or the public making specific reference to a series of Portfolio Depositary Receipts as an investment vehicle must include a statement in substantially the following form: “A circular describing the terms and characteristics of (the series of Portfolio Depositary Receipts) is available from your broker. It is recommended that you obtain and review such circular before purchasing (the series of Portfolio Depositary Receipts). In addition, upon request you may obtain from your broker a prospectus for (the series of Portfolio Depositary Receipts).”

A Participant [member or member organization] carrying an omnibus account for a non-Participant [member] broker-dealer is required to inform such non-Participant [member] that execution of an order to purchase a series of Portfolio Depositary Receipts for such omnibus account will be deemed to constitute agreement by the non-Participant [member] to make such written description available to its customers on the same terms as are directly applicable to Participants [members and member organizations] under this rule.

Upon request of a customer, a Participant [member or member organization] shall also provide a prospectus for the particular series of Portfolio Depositary Receipts.

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Equity-Linked Debt Securities

RULE 26. No change to text.

••• *Interpretation and Policy*

.01 Form of Circular to Participants [Membership]

Prior to the commencement of trading of any new ELDS on the Exchange, the Exchange will issue a circular, substantially in the form set forth below:

Equity-Based Debt Security Participant [Membership] Circular

Date:

Circular to Participants [Membership]

Equity-linked debt securities (“ELDS”) of Corporation have been approved for Exchange {listing or trading pursuant to unlisted trading privileges} and will commence trading on {date}. The ELDS are debt securities where the amount payable at maturity is based on the then-current price of {the linked security}.

* * * * *

Before a Participant [member, member organization,] or person associated with such Participant [member organization] undertakes to recommend a transaction in the ELDS, such Participant [member or member organization] should make a determination that such ELDS are suitable for such customer and the person making the recommendation should have a reasonable basis for believing, at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks and the special characteristics of the recommended transaction and is financially able to bear the risks of the recommended transaction.

* * * * *

Trust Issued Receipts

RULE 27. The Exchange will consider for trading, whether by listing or pursuant to unlisted trading privileges, Trust Issued Receipts that meet the criteria of this Rule.

(a) – (c) No change to text.

(d) **Participant [Member] obligations.** Participants [Members and member organizations] shall provide to all purchasers of newly issued Trust Issued Receipts a prospectus for the series of Trust Issued Receipts.

* * * * *

ARTICLE XXIX
Special Offerings

Criteria for Determination of “Special Offering”

RULE 1. No change to text.

“Special Offering” Defined

RULE 2. A Special Offering is defined as an offering (designated as a fixed-price offering) by one or more Participants [members or member organizations] acting for his or their own account or for the account of one or more other persons, for the sale of a block of a listed security through the facilities of the Exchange at a price not in excess of the last sale of such security or the current offer of such security in the regular market on the Floor of the Exchange, whichever is the lower, but not lower than the current bid for such security in such market, whereby the offeror agrees to pay a commission to such Participants [members or member organizations] as may accept all or any part of such offering for the account of his or their customers.

RULE 3. No Special Offering, as provided in Rule 1 and 2 of this Article, shall be made unless each of the following conditions is complied with, viz.,
Owner of Entire Block of Security

(a) The person for whose account such Special Offering is to be made shall at the time of such Offering be the owner of the entire block of the security so to be offered, except that, for the purpose of stabilizing, there also may be sold for such person’s account, or for the account of any Participant [member or member organization] offering the block of securities on his behalf, as part of the Special Offering, an amount not to exceed 10% of the shares or bonds owned and originally offered in the Special Offering by such person.

(b)-(d) No change in text.

Participant [Member] Prohibited from Receiving Any Part of Commission

(e) No Participant [member or member organization] shall, directly or indirectly, receive any part of the commission referred to in Rule 2 above in connection with any purchase for his or its own account or the account of a [partner in such member firm or an] partner, officer or director of a Participant Firm [member corporation] or for the account of any other Participant [member or member organization] or partner, officer or director thereof, made pursuant to a Special Offering, except that a Participant Firm [member organization] may accept and retain such commission for its own account in respect of securities purchased as principal for the bona fide purpose of distribution, even though such Participant Firm [member organization] has been unable to distribute the securities.

(f)-(g) No change in text.

Firm Basis Allotment

(h) The offeror may, at the time of the announcement of a Special Offering, allot on a firm basis, to Participant Firms [member organizations] engaged in the distributing business, not more than 50% of the securities involved in the offering. When buying orders in a Special Offering exceed the amount of the Offering, the remainder of the offered securities will be allocated in reasonably proportionate amounts.

* * * * *

Approval Conditions

RULE 7. Authorization

(a) No change to text.

Confirmation

(b) A Participant [member or member organization] effecting for the account of a customer a purchase pursuant to a Special Offering shall confirm such transaction to such customer at the offering price and shall not charge to or collect from such customer any commission on account of such transaction.

The confirmation by a Participant [member or member organization] to a buyer or seller in a Special Offering shall state in full the terms and conditions of the Special Offering. The confirmation to a buyer shall state at least:

(1)-(2) No change to text.

(3) That the seller is to pay a commission to the Participant [member or member organization], if such be the fact;

(4)-(5) No change to text.

(6) The nature of the Participant's [member's or member organization's] interest in the Special Offering, if any, other than its interest as a recipient of the commission.

Solicitation of Purchase Orders

(c) A Participant [member or member organization] soliciting purchase orders for execution pursuant to a Special Offering shall advise the person so solicited of the terms and conditions of such Offering before effecting any transaction for such person pursuant thereto. Such disclosure shall include at least the items described in sub-paragraphs (1) to (6) of the preceding paragraph.

“Regular Way”

(d) A Participant [member or member organization] with an order for the purchase of a security which is the subject of a Special Offering shall effect such purchase in the regular market whenever a “regular way” offering is available which would permit such purchase at a lower net cost than in the Special Offering. Every order for purchase in a Special Offering shall be accepted pursuant to the above condition.

ARTICLE XXX
Specialists

Registration and Appointment

RULE 1. No Participant [member or member organization] shall act as a specialist or co-specialist on the Exchange in any security unless registered as such in the particular security. Registration shall be subject to the approval of the Exchange.

Upon receipt of an application by a Participant [member or member organization] to act as a specialist, co-specialist or relief specialist in a particular security, the Chairman of the Committee on Specialist Assignment and Evaluation shall make such examination of the applicant's qualifications as he shall deem necessary and shall confer with the Committee to determine the merit of the application.

* * * * *

••• *Interpretations and Policies:*

.01 Committee on Specialist Assignment & Evaluation.

ASSIGNMENT FUNCTION

I. EVENTS LEADING TO ASSIGNMENT PROCEEDINGS

Pursuant to Article XXX, Rules 1 and 8, the Committee may, when circumstances require, assign or reassign a security. Eight circumstances may lead to the need for assignment or reassignment of a security. They are:

1. New listing or obtaining unlisted trading privilege;
2. Specialist request;
3. Corporation request;
4. Split-up and/or merger of specialist units;
5. Fundamental change of specialist unit;
6. Consolidations;
7. Unsatisfactory performance action; or
8. Disciplinary action.

The following guidelines have been adopted by the Exchange for use in the assignment or reassignment of stocks among specialists and co-specialists. These guidelines set forth the general policy concerning the posting and allocation of stocks.

* * * * *

6. Consolidations

(a) Whenever a specialist unit acquires, merges, creates a joint trading account or other profit-sharing arrangement with one or more other specialist units or otherwise comes under common control with one or more other specialist units (a “Consolidation”) the assignments of the affected stocks shall be subject to Committee review and approval.

(b) When a Consolidation creates or increases a specialist unit’s financial interest in trades constituting 10% or more of the total Exchange trade volume in the three preceding calendar months (“Concentration”), the Committee will consider:

(i) the effect of the consolidation on the specialist units’

- A. Capital supporting specialist activities;
- B. Experience and quality of management;
- C. Experience and performance of co-specialists;
- D. Risk controls and procedures;
- E. Operational efficiencies; and

(ii) the effect of the consolidation on the Exchange’s ability to:

- A. Enhance its position as a market center by promoting competition among Participants [members];
- B. Minimize risk to the financial integrity of the marketplace; and
- C. Continue operating in the public interest by, among other things, enhancing market quality and public awareness of the products and services offered through the Exchange.

* * * * *

II. ASSIGNMENT PROCEDURES

* * * * *

2. Decision Making. The Committee will hold assignment meetings as appropriate, consistent with the schedules of the Committee members. In advance of each meeting, members of the Committee will be provided by the Exchange with data on the securities to be assigned, copies of the applications, and the most recent performance evaluation ratings and other data on the applicants and the relevant co-specialist. Applicants will receive, a reasonable time prior to the meeting, copies of the data relating to their own performance that is shared with the Committee and may make personal appearances at the assignment meetings in support of their applications. These appearances will begin at 3:30, if the applicants request this meeting time to accommodate floor Participants’ [members’] schedules. Before all personal appearances, a closed meeting of the Committee will be held to review all data provided to the Committee by the Exchange. In the absence of applications which the Committee considers acceptable, the Committee may assign a new security to any unit which it believes to be qualified. If there are no acceptable applications for a security that is up for reassignment, the Committee may leave the stock with the incumbent specialist unit or reassign it to a new unit, which it believes to be qualified.

* * * * *

.02 CO-SPECIALIST JOB DESCRIPTION.

I. GENERAL

A[n Exchange] Participant [member] who is registered as a co-specialist is accountable to the Exchange and the investing public for the quality of the Exchange markets in the securities in which he is registered and is responsible for fostering and acting to maintain liquid and continuous two-sided auction markets on the Exchange Floor in those securities.

* * * * *

II. PRINCIPAL DUTIES

A. As Agent

1-2. No change to text.

3. To perform effectively the administrative duties with respect to orders entrusted to him as agent to include, but not be limited to, cooperating with other Participants [members] in the confirmation of open orders and issuing timely and accurate status reports and execution reports.

* * * * *

III. ELIGIBILITY REQUIREMENTS

A[n Exchange] Participant [member] who desires to be registered to act as an Exchange co-specialist must:

1. Be associated with an existing or newly created specialist unit approved by the Exchange.
2. Complete an adequate training period.
3. Pass the Exchange-administered floor Participant [member] examination.
4. Insure that the specialist unit with which he is to be associated meets the Exchange's specialist capital requirements.

.03 CODE OF ACCEPTABLE BUSINESS PRACTICES FOR CO-SPECIALISTS.—

The co-specialist occupies the central position in the Exchange's continuous trading process. Consequently, the manner in which he performs significantly affects the efficiency, competitiveness and overall quality of the Exchange's markets, and largely determines the Exchange's success as a national securities market.

* * * * *

This duty is formalized by the Exchange's Rule 7 of Article VIII which states that "No Participant [member or member organization] or partner, officer, director or registered employee

of a Participant Firm [member organization] shall engage in conduct or proceeding inconsistent with just and equitable principles of trade.”

This Code, of which the specific items set forth below are a part, has been adopted to minimize possible misconceptions as to what constitute good business practices for co-specialists and to guide the co-specialist in the performance of his duties. Certain specific areas of concern are enumerated below. This list may be modified from time to time as circumstances require.

* * * * *

2. Openings.

Due to the importance of the opening trade in a stock, a co-specialist should:

a. Provide accurate and complete current opening price indications and preopening information, such as the amount of stock paired off and the excess to buy or sell, to inquiring Participants [members].

* * * * *

3. Cooperation and Communication.

In view of his central position in the Exchange’s continuous trading process, a cospecialist should:

a. Reflect the depth of the current market, to the extent his agency responsibility allows, to any reasonable Participant [member] inquiry.

b. Provide market information to Participants [members] in a professional and courteous manner without discrimination.

* * * * *

5. Operating Practices.

In view of his central position in the Exchange’s marketplace, a co-specialist’s operating practices can have a significant impact on the competitiveness of the market. Therefore, a cospecialist should:

a-c. No change to text.

d. Cooperate with other Participants [members] in the resolution and adjustment of errors.

e-f. No change to text.

* * * * *

Precedence to Orders in Book

RULE 2. The specialist, co-specialist and relief specialist shall at all times give precedence to orders in the book for purchase or sale of securities over the orders which originate with him or it as a dealer, provided, his or its orders and those of his or its customer are market orders, or limited orders at the same price. Notwithstanding the foregoing, whenever a specialist, co-specialist or relief specialist elects to accept a professional order for the book which is not required to be accepted by such specialist, co-specialist or relief specialist pursuant to the rules and policies of the Exchange, such specialist, co-specialist or relief specialist is not required to relinquish precedence to such order over the orders which originate with him or it as a dealer, provided (a) his or its orders and those of his or its customer are limited orders at the same price, and (b) the specialist, co-specialist or relief specialist is displaying his or its order, including its size, through the quotation system. No specialist, co-specialist or relief specialist may charge a Participant [member or member organization] a commission in any transaction in which he or it is a principal.

* * * * *

The Specialist's Book

RULE 4. The specialist's book is the book, file or record in which all orders entrusted to the specialist, co-specialist or relief specialist in a particular stock must be kept. It shall be closed at all times and the information therein contained shall not be divulged or suffered to come to the knowledge of anyone except the specialist, co-specialist or relief specialist for that book, or to the Board of Directors, a committee of the Exchange, or the Chief Executive Officer or any other officer designated by him, except that a specialist may disclose information contained in his book:

- (i) for the purpose of demonstrating the methods of trading to visitors to the floor;
- or
- (ii) to other market centers in order to facilitate the operation of ITS or any other Application of the System provided, in either case, that at the same time he makes the information so disclosed available to all Participants [members].

••• *Interpretations and Policies:*

.01 A Participant [member] acting as a specialist shall supply information relating to limit orders held by such Participant [member] as provided for in the plan for ITS. The plan, as currently in effect, provides as follows:

With respect to limit orders held by any specialist on any participant in any stock traded through ITS, the rules of each participant shall provide that, so long as the off-board trading rules of such participant as in effect on the date the Plan is filed with the SEC remain in effect, such specialist will on request and to the extent practicable supply the specialist(s) registered in such stock on any other participant with information relating to such limit orders. The sharing of such information following any removal of the current off-board trading rules will be dependent upon implementation of necessary

equal regulation of all market makers in all markets coupled with adequate surveillance procedures.

* * * * *

Dealings in Self-Interest Securities

RULE 9. No specialist, co-specialist or relief specialist shall effect upon the Exchange, or through ITS or any other Application of the System, purchases or sales of any security in which he or it is registered for any account in which he or the Participant Firm [member firm] of which he is a partner, officer or director or any partner, officer or director of such Participant Firm [member firm or the member corporation of which he is an officer or director or any officer or director of such corporation] is, directly or indirectly, interested, unless such dealings are reasonably necessary to permit such specialist or co-specialist to maintain a fair and orderly market or to act as an odd-lot dealer in such security.

Participation in Joint Account

RULE 10. No specialist, co-specialist or relief specialist and no Participant Firm[member firm] of which he is a partner, and no partner of such Participant Firm[member firm], and no Participant[member] corporation of which he is an officer or director and no officer or director of such corporation, shall, directly or indirectly, acquire or hold any interest or participation in any joint account for buying or selling on the Exchange, or through ITS or any other Application of the System, any stock in which such specialist, co-specialist or relief specialist is registered, except a joint account with a partner of such specialist, co-specialist or relief specialist, a Participant[member] of the Exchange, or a firm of which such Participant[member] is a partner or a corporation of which such Participant[member] is an officer or director.

Record of Orders

RULE 11. No change to text.

Membership in Pools Prohibited

RULE 12. No Participant [member or member organization] acting as a specialist, co-specialist or relief specialist, and no partner, officer or director of such Participant Firm [member firm or member corporation] shall be, directly or indirectly, interested in a pool dealing or trading in the stock in which he or it is a specialist, co-specialist or relief specialist, nor shall he or it, directly or indirectly, acquire or grant any option to buy or sell or receive or deliver shares of stock in which such Participant [member or member organization] is a specialist, co-specialist or relief specialist, unless such option is issued by the Options Clearing Corporation and the transaction in which the option is acquired or granted is publicly reported. All option transactions effected pursuant to the preceding sentence must be reported to the Exchange in such form and at such times as the Exchange requires.

* * * * *

Unusual Activity

RULE 17(B). The Exchange, at any time it regards the activity in any issue that is listed solely on the Exchange to be unusual, may require Participants [members] to answer a questionnaire regarding such activity.

* * * * *

Specialist May Not Be Officer of Issuing Corporation

RULE 20. No Participant [member] on the Floor of the Exchange, who acts as a Specialist or Co-Specialist shall (a) be an officer or director of a corporation in whose issue he is so registered; or (b) accept any orders in an issue in which he is so registered directly from an officer, director or controlling stockholder of such corporation.

Specialist May Not Pay Listing Fees

RULE 20(A). No Participant [member or member organization] acting as a Specialist, Co-Specialist or Relief Specialist and no person associated with such Participant Firm [member organization] shall be permitted, directly or indirectly, to pay any listing fee, including, but not limited to, the initial listing fee and annual maintenance fees, for or on behalf of any issuing corporation for which it acts as a Specialist, Co-Specialist or Relief Specialist.

Reports on Business with the Public

RULE 21. Participants [Member organizations] which are registered as Specialists and do business with the public shall file such reports of transactions with customers in issues in which they are so registered as the Exchange shall require.

Stop Orders

RULE 22. No change to text.

Exclusive Issues

RULE 23. (a) *Business Transactions*

No Participant [member] registered as a specialist, any co-specialist or other associated person, officer, director, partner or employee of a specialist unit registered in an exclusive issue shall, directly or indirectly, engage in any business transactions with the issuer of such issue, provided, however, that a specialist registered in a security issued by an investment company may purchase and redeem the listed security, or securities that can be subdivided or converted into the listed security, from the issuer as appropriate to facilitate the maintenance of a fair and orderly market in the subject security.

* * * * *

ARTICLE XXXI
Odd Lots and Odd-Lot Dealers, Dual System

RULES 1-2. No change to text.

Odd-Lot Dealer

RULE 3. An odd-lot dealer is a Participant [member or member organization] who has been appointed by the Exchange to deal in less than full lots. An odd-lot dealer may, subject to the approval of the Exchange, select his or its odd-lot agents. The odd-lot dealer shall be responsible for the acts, errors or omissions of his or its odd-lot agents.

Odd-Lot Agent or Broker

RULE 4. An odd-lot agent is a Participant [member] representing an odd-lot dealer on the Floor of the Exchange. He may be also sometimes called an odd-lot broker.

Odd-Lot Dealer Registration

RULE 5. No Participant [member or member organization] shall act as an odd-lot dealer in any security unless such Participant [member or member organization] is registered as an odd-lot dealer in such security. Before a Participant [member or member organization] registered thereon shall be registered as an odd-lot dealer, application shall be made in writing to the Exchange, naming the stock or stocks in which it is proposed to act as such odd-lot dealer and containing an agreement to be bound by all the Rules now or hereafter adopted with respect to odd-lot dealers and odd-lot trading. Upon receipt of such application, the Chief Executive Officer shall make such examination of the applicant's qualifications as he shall deem necessary and shall render a report to the Committee on Specialist Assignment and Evaluation. The Committee on Specialist Assignment and Evaluation shall consider the applicant's financial responsibility, experience and demonstrated ability. The Board of Directors may, in its discretion, prescribe minimum capital requirements for odd-lot dealers. After consideration of the application on the basis of the foregoing standards, the Committee on Specialist Assignment and Evaluation shall either approve or disapprove the application.

••• *Interpretations and Policies:*

.01 Notwithstanding the foregoing, any Participant [member or member organization] registered as a specialist in any Nasdaq/NM Security shall automatically be registered as the Odd-Lot Dealer in such security.

Dealer Required to Purchase All Odd Lots Offered

RULE 6. In any security in which he or it is registered as such, an odd-lot dealer shall be required, during the Primary Trading Session and the Post Primary Trading Session, to purchase all odd lots offered to him or it by any Participant [member or member organization] of the Exchange and he or it shall be required to sell to any Participant [member or member

organization] of the Exchange any odd lots bid for by such Participant [member or member organization].

* * * * *

Short Sale of Stock on Odd-Lot Basis

RULE 7. No Participant[member or member organization] or partner, officer or director of a Participant Firm [thereof] shall effect on the Exchange any short sale of a stock on an odd-lot basis unless such sale is based upon a sale of a full lot, the price of which (1) is higher than the price of the last “regular way” sale of a full-lot on the Exchange of such stock, or (2) is the same as the price of such last sale and such price was higher than the last different price of a “regular way” sale of a full lot on the Exchange of such stock. The provisions of this Rule shall not apply to any sale by an odd-lot dealer in a stock in which he is registered as such.

Combining of Orders to Buy or Sell Lots of Same Stock

RULE 8. No Participant or partner, officer or director of a Participant Firm [member or member organization or partner, officer or director thereof] shall combine the orders given by several different customers to buy or sell odd lots of the same stock, into an order for one or more full-lot units without the prior approval of the customers interested.

When a person gives, either for his own account or for various accounts in which he has an actual monetary interest, buy or sell odd-lot orders which aggregate 100 shares or more, such orders shall, as far as possible, be consolidated into full-lot units, except that selling orders marked “long” need not be so consolidated with selling orders marked “short.”

* * * * *

Odd-Lot Dealer Joint Accounts

RULE 12. No odd-lot dealer shall, directly or indirectly, acquire or hold any interest or participation in any joint account for buying or selling on the Exchange, or through ITS or any other Application of the System, any security in which such odd-lot dealer is registered, except a joint account with a Participant or partner, officer or director of a Participant Firm [member, a general partner in a member firm or an officer or director of a member corporation], or with a Participant Firm [member firm or member corporation].

Odd-Lot Dealer Put, Call, Straddle or Option

RULE 13. No odd-lot dealer, and no firm or corporation of which such odd-lot dealer is a partner, officer or director of such corporation shall acquire, hold, or grant, directly or indirectly, any interest in any option in any stock in which such odd-lot dealer is registered; provided, however, that the preceding prohibition shall not be applicable in respect of any option issued by the Options Clearing Corporation that was acquired or granted in a publicly reported transaction. Each odd-lot dealer able to initiate the purchase or sale of any stock while on the Floor shall report to the Exchange, in such form and at such times as the Exchange requires, all options that he holds or has granted, or that his Participant Firm or any partner, officer or director of his Participant Firm [member firm or any partner thereof, or his member corporation or any officer or director thereof], holds or has granted.

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ARTICLE XXXII
Exchange Distribution Plan

Procedure to Effect Exchange Distribution

RULE 1. To effect an Exchange distribution of a block of a listed security, or security admitted to unlisted trading, a Participant [member or member organization], for his or its own account or the account of a customer, may

Making an Arrangement

(A) make an arrangement with one or more other Participants [members or member organizations] under which

(1) the Participants [members or member organizations], with whom the arrangement is made, solicit others to purchase such security; and

(2) the selling Participant [member or member organization] pays to the Participants [members or member organizations], with whom the arrangement is made, a commission which is mutually agreeable; and

(3) the Participants [members or member organizations], with whom the arrangement is made, may pay a special commission to their registered representatives; and/or

Paying Commissions

(B) pay a commission to his or its registered representatives for soliciting others to purchase such security.

Approval of Exchange

RULE 2. No change to text.

Conditions for Exchange Distributions

RULE 3. No Exchange Distribution shall be made unless each of the following conditions is complied with:

Owner of Entire Block

(1)-(3) No change to text.

No Bid or Purchase by Participants [Members, Firms, or Corporations]

(4) The Participants [members and member organizations] who are parties to the arrangement for the Distribution shall not, during the period the Distribution is being made, bid for or purchase any of the security for an account in which they have a direct or indirect interest;

Granting of Approval to Effect an “Exchange Distribution”

(5) No Participant [member] shall be granted approval to effect an “Exchange

Distribution” of a block of a security for an account in which he has a direct or indirect interest, if he is registered as a Specialist in such security, unless the Exchange has determined that such Participant [member] has been unable, within a reasonable period of time, to dispose of the block of security in the ordinary course of his dealings as a Specialist. Such approval shall stipulate that the Specialist may not deal directly with the public but must make an arrangement with one or more other Participants [members or member organizations] to solicit others to purchase the security, and may pay a commission to such other Participants [members and member organizations] as provided for in this Article.

Soliciting Purchase Orders

(6) Each Participants [member or member organization] soliciting purchase orders for execution in the Distribution shall advise the person so solicited before effecting any transaction for such person pursuant thereto, that the securities being offered are part of a specified number of shares or bonds being offered in an Exchange Distribution, and that he or it

(a) is acting for the seller, and will receive a special commission from the seller or his broker, or is acting as a principal; and

(b) is charging a commission, or is making the sale at a net amount, whichever the case may be;

(c)

“Short” Sales

(7) No change to text.

Exceptions or Qualifications of (2), (3), and (4)

(8) The conditions set forth in (2), (3) and (4) above shall not apply to transactions effected on the Exchange, for the Purpose of maintaining a fair and orderly market, by a Participant [member] in a security in which he is registered as a specialist and which is the subject of an “Exchange Distribution” for an account in which he has an interest, except that, while such Distribution is in effect, he shall not bid for or purchase such stock on the Exchange for an account in which he has an interest:

* * * * *

Report of Distribution

RULE 5. The Participant [member or member organization] selling securities in an Exchange Distribution shall report to the Exchange all transactions in such securities effected by him or it for any account in which the seller had a direct or indirect interest, commencing with the time arrangements for the Distribution were made and ending with the time the Distribution was completed.

ARTICLE XXXIII
Proxies

Giving of Proxies Restricted

RULE 1. No Participant [member organization] shall give a proxy to vote stock registered in its name, except as required or permitted under the provisions of Rule 3 of this Article, unless the organization is the beneficial owner of such stock.

Transmission of Proxy Material to Customers

RULE 2. (a) Whenever a person soliciting proxies shall furnish a Participant Firm [member organization]:

(1) copies of all soliciting material which such person is sending to registered holders, and

(2) satisfactory assurance that he will reimburse such Participant Firm [member organization] for all out-of-pocket expenses, including reasonable clerical expenses, if any, incurred by such firm or corporation, in obtaining instructions from the beneficial owners of stock.

such organization shall transmit to each beneficial owner of stock which is in its possession or control, the material furnished; and

(b) Such organization shall transmit with such material either:

(1) a request for voting instructions and also a statement to the effect that, if such instructions are not received by the tenth day before the meeting, the proxy may be given at discretion by the owner of record of the stock. (However, when the proxy soliciting material is transmitted to the beneficial owner of the stock twenty-five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the stock.) or

(2) a signed proxy indicating the number of shares held for such beneficial owner and bearing a symbol identifying the proxy with proxy records of such firm or corporation, and also a letter informing the beneficial owner of the necessity for completing the proxy form and forwarding it to the person soliciting proxies in order that the shares may be represented at the meeting.

This rule shall not apply to beneficial owners outside the United States.

Instructions of Beneficial Owner

RULE 3. A Participant Firm [member organization] shall give a proxy for stock registered in its name, at the direction of the beneficial owner. If the stock is not in the control or possession of the Participant Firm [member organization], satisfactory proof of the beneficial ownership as of the record date may be required.

A Participant Firm [member organization] may give a proxy to vote any stock registered in its name if such organization holds such stock as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote.

A Participant Firm [member organization] which was transmitted proxy soliciting material to the beneficial owner of stock and solicited voting instructions in accordance with the provisions of Rule 2, and which has not received instructions from the beneficial owner by the date specified in the statement accompanying such material may give a proxy to vote such stock, except for voting on equity compensation plans as set forth below, provided the person signing the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action does not include authorization for a merger, consolidation or any other matter which may affect substantially the legal rights or privileges of such stock.

A Participant Firm [member organization] may not give a proxy to vote without instructions from beneficial owners when the matter to be voted upon authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not shareholder approval of such plan is required by Article XXVIII, Rules 19 or 21). The provision will become effective for any meeting of shareholders that occurs on or after the 90th day following Commission approval of the change.

A Participant Firm [member organization] which has in its possession or control stock registered in the name of another Participant Firm [member organization], and which has solicited voting instructions in accordance with the provisions of Rule 2(b)(1), shall

(1) forward to the second Participant Firm [member organization] any voting instructions received from the beneficial owner, or

(2) if the proxy-soliciting material has been transmitted to the beneficial owner of the stock in accordance with Rule 2 and no instructions have been received by the date specified in the statement accompanying such material, notify the second Participant Firm [member organization] of such fact in order that such organization may give the proxy as provided in the third paragraph of this rule.

A Participant Firm [member organization] which has in its possession or control stock registered in the name of another Participant Firm [member organization], and which desires to transmit signed proxies pursuant to the provisions of Rule 2(b)(2), shall obtain the requisite number of signed proxies from such holder of record.

Statement of Number of Shares

RULE 4. In all cases in which a proxy is given by a Participant Firm [member organization] the proxy shall state the actual number of shares for which the proxy is given.

Committee Instructions to Transfer Securities

RULE 5. A Participant Firm [member organization] when so requested by the Exchange, shall transfer certificates of stock held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, prior to the taking of the record of stockholders, to facilitate the convenient solicitation of proxies.

The Exchange shall make such request at the insistence of the issuer or of persons owning in the aggregate at least ten percent of such stock, provided, if the Exchange so requires, the issuer or persons making such request agree to indemnify Participant Firms [member organizations] against transfer taxes. The Exchange may make such a request whenever it deems it advisable.

Persons Subject to Proxy Rules

RULE 6. Rules 1 through 7 of this Article apply to Participant Firms [members and member organizations] and the nominees or employees of any of them.

Transmission of Interim Reports and Other Material

RULE 7. A Participant Firm [member organization], when so requested by a company, and upon being furnished with:

- (1) copies of interim reports of earnings or other material being sent to stockholders, and
- (2) satisfactory assurance that it will be reimbursed by such company for all out-of-pocket expenses, including reasonable clerical expenses, shall transmit such reports or material to each beneficial owner of stock of such company held by such [member] organization and registered in a name other than the name of the beneficial owner. This rule shall not apply to beneficial owners outside the United States.

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ARTICLE XXXIV
Registered Market Makers—Equity Floor

RULES 1-2. No change to text.

Assigned Securities

RULE 3. No change to text.

••• *Interpretations and Policies:*

.01 No change to text.

.02 The Committee on Exchange [Floor] Procedure has approved a program which provides for the dissemination of continuous two-sided quotations by Market Makers in those issues lacking a registered specialist (Cabinet Issues). In discussing the implementation of the program, the Committee recognized that definitive procedures must be set forth in order to avoid any misunderstanding concerning this program and current Cabinet System policy. The Committee wishes to make it clear that the program is open to all floor Participants [members] who are interested in seeing all Exchange issues quoted. The Committee retains the right to review the program on an ongoing basis.

* * * * *

Trading From Off the Floor

RULE 4. Except in unusual circumstances, no registered market maker shall initiate a transaction on the Exchange in his market maker account from off the floor. Such transactions must be approved by two members of the [Equity] Exchange [Floor] Procedures Committee and a written report thereof must be submitted to the Department of Participant [Member] Firms stating the nature of the unusual circumstances and containing the signatures of the approving members of the Exchange [Floor] Procedure Committee.

Relief From Responsibilities

RULE 5. A registered market maker may be relieved from his responsibilities under Rules 1 through 4 of Article XXXIV only in unusual conditions as determined by two members of the [Equity] Exchange [Floor] Procedures Committee. A written report thereof shall be submitted to the Department of Participant [Member] Firms describing the nature of the unusual circumstances and containing the signatures of the approving members of the Floor Procedure Committee.

RULES 6-12. No change to text.

Registration and Application

RULE 13. A Participant [member] may be registered, upon application and subject to such requirements of training, experience, and competence as the Exchange may impose, as a registered market maker.

* * * * *

Regulatory Status

RULE 16. Registered market makers are members registered as specialists for purposes of the [Securities] Exchange Act [of 1934] and as such may not effect on the Exchange as broker any transactions except upon a market or limited price order.

••• *Interpretations and Policies:*

.01 Utilization of Exempt Credit. Exchange Participants [members] registered as equity market makers are members registered as specialists for purposes of the [Securities] Exchange Act [of 1934] and as such are entitled to obtain exempt credit for financing their market maker transactions. Participants [members] and/or prospective Participants [members] who are anticipating becoming registered as equity market makers as well as those clearing firms who are or will be carrying the accounts of market makers should be aware of the following interpretation relative to the use of such credit:

1. No change to text.
2. Fifty per cent (50%) of the quarterly share volume in each issue in a market maker account must result from transactions which are either consummated on the Exchange or sent from the Exchange Floor for execution in another market via ITS in order for the market maker to be entitled to exempt credit for such issue. Participants [members] who do not meet this 50% volume threshold for a particular issue in a calendar quarter will not be entitled to exempt credit for such issue for the following calendar quarter.
3. Only those positions which have been established as a direct result of bonafide equity market maker activity qualify for exempt credit treatment. This restriction precludes exempt credit financing based on an equity market maker registration for positions resulting from options exercises and assignments. Participants [members] who are notified by the Exchange that they are not entitled to exempt credit for a particular issue (because they failed to meet the 50% threshold for that issue in the previous calendar quarter as outlined in paragraph 2 above) must notify their lender in writing, within three trading days of receiving such notification, that they are not entitled to market maker exempt credit for those specific issues (“nonqualifying issues”) both on existing positions and new transactions, for the remainder of the current calendar quarter. A copy of the notification letter sent to the lender must also be sent concurrently to the Exchange. If the lender is unable to distinguish between issues or verify that market maker exempt credit is not being granted in non-qualifying issues, then, within three trading days of the date the lender receives notification, such Participants [members] must transfer, to a non-market

maker account, all non-qualifying issues in their V-account and confirm with the Exchange that such action has been taken. If such Participants [members] are not utilizing exempt credit, they must send the Exchange a letter to that effect, within three trading days of receiving notification that they are not entitled to market maker exempt credit for a particular issue, and request their lender to verify the same with the Exchange.

.02 No change to text.

ARTICLE XXXV
Secondary Trading Session

Applicability of Other Rules

RULE 1. No change to text.

Definitions

RULE 2. (a) No change to text.

(b) The term “Non-Standardized Portfolio” shall mean any group of Eligible Securities consisting of at least 20 securities, where the value of any one security, as determined by the Participant [member] in accordance with Rule 9, does not exceed 20 percent of the contract price of the shares in the Portfolio as executed.

(c)-(e) No change to text.

* * * * *

Bids and Offers

RULE 6. (a) A Participant [member or member organization] may make a bid or offer to purchase or sell a Portfolio by entering into the System the total value of the Portfolio, the symbol and quantity of all Eligible Securities comprising a Non-Standardized Portfolio and the settlement terms of other than “regular way” transactions. Such bids and offers shall be deemed to be firm quotations to buy or sell the Portfolio at the stated price as if made available for an individual security in accordance with SEC Rule 11Ac1-1.

(b) Any Participant [member or member organization] that wishes to sell the Portfolio and each of its constituent securities at a price equal to or lower than a published bid or to buy the Portfolio and each of its constituent securities at a price equal to or higher than a published offer shall satisfy such pre-existing quotation prior to executing any order at that price.

(c) When a bid or offer is accepted by another Participant [member or member organization], the Portfolio transaction shall be executed in accordance with Rule 7 of this Article.

Execution of Portfolio Transactions

RULE 7. (a) At any time during the Secondary Trading Session, a Participant [member or member organization] may execute a transaction in a Portfolio on the Exchange in the manner specified by this Rule. To execute an order, a Participant [member or member organization] shall enter a matched bid and offer for a Portfolio, *i.e.*, a bid to purchase the Portfolio and each of its constituent securities and an offer to sell the Portfolio and the same number of shares of each constituent security at the same price. In entering a bid or offer, the Participant [member or

member organization] may act on its own behalf, as principal, or on behalf of one or more customers, or a combination thereof. In either event, at least one party to the transaction must make a bid or offer to purchase or sell a Portfolio. Portfolio transactions between Participants [members or member organizations] or their customers shall be entered into the System by only one Participant [member or member organization].

(b) A Participant [member or member organization] shall execute a Portfolio transaction by entering into the System the following information:

(1) The name of the executing Participant [member or member organization] and its Exchange symbol;

(2) The name of the clearing Participant(s) [member or members], if not the entering Participant [member];

(3) The symbol, quantity and price, in decimals, for each security in the Portfolio;

(4) The total value of the Portfolio; and

(5) The settlement terms, if other than “regular way.”

(c) Upon entry of the information required by paragraph (b) of this Rule, an Exchange Contract shall be made for each security comprising the Portfolio.

Filling Orders

RULE 8. No Participant [member or member organization] that has accepted for execution an order to purchase or sell a Portfolio of securities on behalf of a customer may fill such order through the Secondary Trading Session by selling or purchasing such Portfolio:

(a) for its own account or an account in which it or any partner, officer, or director of the Participant [member organization] has a direct or indirect interest, if the Participant [member or member organization] knows that it is holding an unexecuted order on behalf of another customer to sell or purchase a Portfolio at the same or better price; or

(b) for its own account or the account of a customer, if a Participant [member or member organization] has a quotation through the System to sell or purchase such Portfolio at the same or better price.

Price of Securities

RULE 9. The price at which a Portfolio transaction is executed, both in the aggregate and on a security-by-security basis, shall be fair, taking into consideration all relevant circumstances, including market conditions with respect to such security or securities at the time of the transaction, the expense involved and the fact that the Participant [member or member organization] is entitled to a profit; provided, however, that, except as may otherwise be permitted by an officer of the Exchange, the price at which the Portfolio transaction is executed shall not be less than 95 percent of the aggregate value of the securities comprising the Portfolio, calculated using the last price for each of the securities comprising the Portfolio as reported on the Consolidated Transaction Reporting System or the NASDAQ Transaction Reporting System on the day the transaction is executed (“Last Reported Price”), or greater than 105 percent of the Last Reported Price; and, provided further, that the price of each security in the Portfolio at

which the Portfolio transaction is executed shall not be less than 90 percent of the Last Reported Price for that security or greater than 110 percent of the Last Reported Price for such security.

Errors

RULE 10. Whenever a Participant [member or member organization] discovers an error in a Portfolio transaction, such error may be corrected in accordance with the rules of the registered clearing agency through which the transaction is settled.

Record of Orders

RULE 11. Every Participant [member or member organization] shall preserve for at least three years, a record of every Portfolio transaction executed by such Participant [member organization] through the System. Such record shall include the name and quantity of each security in the Portfolio, the date and time at which the transaction was entered for execution and the name or designation of the account for which the transaction was executed.

Disputes

RULE 12. No change to text.

Fees

RULE 13. (a) Participants [Members or member organizations] that elect to participate in the Portfolio Trading System shall pay a fee of \$2,500 per month, which shall be payable quarterly in advance on the first day of January, April, July and October. This fee shall be reduced by an amount equal to the amount of transaction fees such Participant [member or member organization] shall be required to pay in accordance with paragraph (b) of this Rule.

(b) Each Participant [member or member organization] shall pay a transaction fee equal to the greater of \$100 per Portfolio transaction or \$.025 per \$1000 valuation.

Liability of Exchange Relating to Operation of Portfolio Execution System

RULE 14. (a) The Exchange shall not be liable for any loss resulting from or claimed to have resulted from any Portfolio transaction, or any act, error or omission of a Participant [member or member organization] with respect thereto.

(b) Whenever a registered clearing agency excludes a Portfolio transaction from its clearance procedures, either because the registered clearing agency ceases to act (either with respect to transactions generally or as to a particular transaction) for a Participant [member or member organization], or because of the insolvency of such Participant [member or member organization], the Exchange shall not be obligated to assume and honor any one or more or all of such excluded Portfolio transactions for the account of and on behalf of the Participant [member or member organization] for which the registered clearing agency ceased to act or which is insolvent and such trade shall be returned to such Participant [member or member organization].

ARTICLE XXXVI
Baskets

* * * * *

Doing Business with the Public

RULE 9. (a) Account Opening. In approving a customer's account for basket transactions, a Participant [member organization] shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation. Based upon such information, the branch office manager or other principal of the Participant [member organization] shall approve in writing the customer's account. A general securities account that has previously been approved by the Participant [member organization] does not have to be separately approved for basket trading.

(b) Confirmations. A Participant [member organization] shall promptly furnish to each customer a written confirmation of each transaction in baskets. Pursuant to an exemption from Rule 10b-10, each such confirmation shall show the class of basket, the Exchange, basket price, number of baskets purchased or sold, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale and whether a principal or agency transaction. A Participant [member organization] that participates in the National Institutional Delivery System of the Depositories may use the confirmations generated by that System to satisfy the requirements of this Rule to the extent that such confirmations contain the information required to be furnished to customers, provided that the Participant [member firm] shall remain responsible for ensuring that all required information is furnished to its customers.

Each basket confirmation that contains less than complete information as to each component security purchased or sold will contain a statement that, upon request, the broker-dealer will furnish complete written information reflecting the identity, price, and number of shares of each of the component stocks included in the transaction. The additional information will be furnished as soon as practicable following the request, but in any event within 5 business days of the request, or if the transaction was more than 30 days prior to the request, within 15 business days.

(c) Communications to Customers. No Participant [member or member organization] or Associated [p]Person [associated with a member] shall utilize any advertisement, sales literature or other communication to any customer or member of the public concerning baskets which:

(i) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(ii) contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labelled as forecasts;

(iii) contains hedge clauses or disclaimers which are not legible, but which attempt to disclaim responsibility for the content of such literature or for opinions expressed therein, or which are otherwise inconsistent with such advertisement or sales literature; or

(iv) fails to meet general standards of good taste and truthfulness.

(d) Advertisements. All advertisements, sales literature (except completed work sheets), and educational material issued by a Participant [member or member organization] pertaining to baskets shall be approved in advance by a principal of the Participant [member organization] (including a branch office manager). Copies thereof, together with the names of the persons who prepared the material, the names of the persons who approved the material and, in the case of sales literature, the source of any recommendations contained therein, shall be retained by the Participant [member or [member organization] and be kept at an easily accessible place for examination by the Exchange for a period of three years. For purposes of this Rule, the terms advertisement,” “educational material,” and “sales literature” shall have the same meaning as in Article XIII, Rule 4.

Designated Primary Market Maker Financial Requirements

RULE 10. A Participant [member or member organization] registered as a basket Designated Primary Market Maker on the floor must maintain net capital as determined by the Exchange.

Market Maker Financial Requirements

RULE 11. A Participant [member or member organization] registered as a basket market maker on the Floor must maintain net capital as determined by the Exchange.

* * * * *

Interplay Between Stock Trading and Basket Trading

RULE 15. Each of the following provisions clarifies the impact of basket trading on certain Rules regulating the markets for component stocks or the impact of certain stock Rules on basket trading.

(a) Article IX, Rule 5 shall not preclude a Participant [member or member organization] from initiating basket transactions when the Participant[member] or an associated party holds or has knowledge of an unexecuted order for one or more of a basket’s component stocks.

(b) Article XXX, Rule 9 shall not preclude a specialist from initiating basket transactions solely because the basket contains his specialty stock.

(c) Article VIII, Rule 20 shall not preclude a Participant [member organization] from effecting transactions for the account of any customer in, or from making recommendations with respect to, a basket that contains a security issued by the Participant [member organization] or any corporation controlling, controlled by or under common control with the Participant [member organization].

(d) Article IX, Rule 15 shall not preclude a Participant [member or member organization] who holds or has granted a put, call, straddle or option on one or more of a basket’s component stocks from initiating basket purchases and sales on the Exchange for any account in which the Participant [member, member organization] or any of its Associated Persons parties has a direct or indirect interest.

(e) Article IX. Rule 3 shall not preclude a specialist from originating for a discretionary account orders for a basket that contains his specialty stock.

Basket Quotation Dissemination Requirements

RULE 16. No change to text.

Voluntary Withdrawal of Registration

RULE 17. Any Participant [member or member organization] may withdraw its Basket Market-Maker registration by giving the Exchange (Market Regulation) such advance written notice of the withdrawal as the Exchange may from time to time prescribe.

* * * * *

ARTICLE XXXVII
Chicago Match

Applicability of Other Rules

RULE 1. No change to text.

Definitions

RULE 2. (a) The term “Clearing Broker” shall mean a Participant [member of the Exchange] and a Participant in the Midwest Clearing Corporation who clears the Chicago Match Exchange Contracts for Users.

(b)-(w) No change to text.

(x) The term “Near Match Broker” shall mean all participating Participants [members of the Exchange] that have been entered in the Chicago Match by a User for the purpose of negotiating any of the User’s orders that result in a Near Match.

(y) No change to text.

(z) The term “Non-Participant[Member] User” shall mean a User that is not a Participant [member of the Exchange].

(aa)-(ab) No change to text.

(ac) The term “User” shall mean any person or organization authorized to use the Chicago Match facility, including Participants [members] and non-Participants [members].

(ad) No change to text.

* * * * *

Non-Participant [Member] Access

RULE 5. (a) Prior to a Non-Participant [Member] User using the Chicago Match facility, that User shall (i) enter into a give-up agreement with a Clearing Broker and file such agreement with the Exchange, and (ii) enter into an agreement with a Clearing Broker and the Exchange, whereby the Clearing Broker agrees to be jointly and severally liable for all actions of the User and whereby that User agrees to be bound by all applicable Rules of the Exchange to the same extent as if it were a Participant[member].

(b) Any Clearing Broker that establishes credit limits for Non-Participant [Member] Users shall include such credit limits in a schedule to the give-up agreement described in Rule 5(a) of this Article.

Entry of Orders

RULE 6. (a)-(e) No change to text.

(f) Any order entered by a Non-Participant [Member] User that exceeds such User's Credit Limit, as described in Rule 5(b) of this Article, shall not be accepted for execution in the Chicago Match.

(g) Any order designated as "sell short" shall not be executed if the order includes a liquidity fee.

Chicago Match Market Makers

RULE 7. (a) Any Participant [member or member organization] may be registered as a Chicago Match Market Maker in one or more securities by filing a notice with the Exchange. By filing such notice, the Participant[member] agrees to be bound by the terms of this Rule.

(b) No change to text.

(c) Any Participant [member or member organization] may withdraw its Chicago Match Market Maker registration by filing a notice with the Exchange. Such withdrawal shall be effective 2 days after receipt.

(d)-(f) No change to text.

••• *Interpretations and Policies:*

No change to text.

* * * * *

[ARTICLE XLVII]

[Reserved for future use.]

**[BY-LAWS, PART IV, RULES APPLICABLE TO OPTION BUSINESS]
[ARTICLE XLVIII through ARTICLE LI]**

[Reserved for future use.]

[MEMBERSHIP DUES] PARTICIPANT [AND] FEES AND CREDITS

A. Participant Fees

<u>Trading Permit Application Fee</u>	<u>\$200 per Trading Permit.</u>
<u>Trading Permit Annual Fee</u>	<u>\$6,000 per year per Trading Permit, payable monthly in equal installments.</u>
<u>Intrafirm Nominee Name Change</u>	<u>\$200 per Trading Permit.</u>
<u>Trading Permit Termination Fee</u>	<u>\$200 per Trading Permit.</u>

[Membership Dues and Transfer Fees]

[All members]	[Effective January 1, 2003, \$6,000 per year, payable monthly in equal installments.]
[Transfer of membership]	[\$200 plus 10% of seat price to maximum of \$1,000; \$200 intra-firm; \$100 XYZ agreement processing fee.]

B. Self-Regulatory Organization Fee

\$100 per Participant [member and member organization per month].

[This fee shall not be applicable to memberships to which a nominee has not been assigned and which are not otherwise being used.]

C. Registration Fees

Firm or Corporation	No change to text.
Off-Floor Traders	Effective August 1, 2000, \$500 initial registration fee and \$500 annual fee for each off-floor trader who is engaged in proprietary securities trading for a <u>Participant Firm</u> [member firm] for which the CHX is DEA.
Clerks	No change to text.
Registration Processing Fees	No change to text.

D. Specialist Assignment Fees

Specialist Application Fee

No change to text.

Assignment of Dual Trading System Securities

Once the Committee on Specialist Assignment and Evaluation approves a Participant [member organization] to act as specialist in a security, that Participant [member organization] must pay the following fee:

* * * * *

\$1,000 If the security was assigned in competition with at least one other Participant [member firm] and up to one-third of all Participants [member firms] that trade Dual Trading System Securities

\$4,000 If the security was assigned in competition with more than one-third of all Participants [member firms] that trade Dual Trading System Securities

Assignment of NASDAQ/NM Securities

Beginning on September 1, 2004, once the Committee on Specialist Assignment and Evaluation approves a Participant [member organization] to act as specialist in a security, that Participant [member organization] must pay the following fee:

* * * * *

\$1,000 If the security was assigned in competition with one other Participant [member firm] that trades Nasdaq/NM Securities

\$4,000

If the security was assigned in competition with two or more other member firms that trade Nasdaq/NM Securities

* * *

F. Transaction and Order Processing Fees

* * *

4. Transaction Fees

a-j. No change to text

k. An order-sending firm will not be eligible for any of the transaction fee caps or reductions set forth in Section F.4 if the number of orders cancelled during the subject month by the [member] order-sending firm exceeds 50% of the [member] order-sending firm's total CHX executions for the month.

* * *

G. Space Charges

Booth Space

The expense to the Exchange of leasing the space occupied by the booths shall be allocated pro rata based on usage among all floor Participants [members and member organizations] on a monthly basis. Each Participant's [member or member organization's] portion shall be determined based on the percentage of actual square footage of floor booth space occupied by each Participant [member].

Post Space

The expense to the Exchange of leasing the post space shall be allocated pro rata based on usage among all floor Participants [members and member organizations] on a monthly basis. Each Participant's [member or member organization's] portion shall be determined based on the percentage of

actual square footage of the post space occupied by each Participant [member].

* * *

H. Equipment, Information Services and Technology Charges

* * *

MAX Connection Charges

If the Exchange incurs direct costs relating to a Participant's [member firm's] connection to the MAX System, including costs associated with installation of equipment, telecommunication lines, telecommunication services and maintenance charges, such costs will be rebilled to the Participant [member firm] at cost, *provided, however*, that the Exchange will not seek reimbursement of those connection-related costs deemed reasonable and necessary by the Exchange if the Participant [member firm] to which the costs are allocable has routed an average of not less than 100,000 trades per month to the Exchange via the MAX System, during the 6 months preceding the billing date.

* * *

K. Market Regulation and Market Surveillance Fees

* * *

DEA Examination Fees³

No change to text.

* * *

³ This fee is applicable to Participants [member/member organizations] for which the CHX is the DEA. The following organizations are exempt: 1) inactive organizations; 2) organizations operating from the CHX trading floor; 3) organizations for any month where they incur transaction or clearing fees charged directly by the Exchange provided that the fees exceed the DEA examination fee for that month; and 4) organizations affiliated with an organization exempt from this fee under category two or three. Affiliation includes an organization that is a wholly owned subsidiary of, or controlled by or under common control with, an "exempt" Participant [member or participant organization]. An inactive organization is one which had no securities transaction revenue, as determined by annual FOCUS reports, as long as the organization continues to have no such revenue each month.

**MINOR RULE VIOLATION PLAN
RECOMMENDED FINE SCHEDULE**
(Pursuant to Article XII, Rule 9(e))

Rule Violation

* * *

Acquisition of Trading Permit [membership]
by general or limited partner (Article II, Rule 1)

* * *

Death or retirement of registrant Participant
[member] (Article III, Rule 11)

* * *

Failure by floor Participants [members and member organizations]
to comply with rules relating to short sales when selling short
for their own account (Article IX, Rule 17)

* * *