

LOEVY & LOEVY

ATTORNEYS AT LAW

Arthur Loevy
Jon Loevy
Michael Kanovitz
Jon Rosenblatt
Amanda Antholt

312 N. May Street
Suite 100
Chicago, Illinois 60607

Danielle Loevy
Kurt Feuer
Russell Ainsworth
Mark Loevy-Reyes
Samantha Liskow

Telephone 312.243.5900
Facsimile 312.243.5902

Website: www.loevy.com
Email loevylaw@loevy.com

February 2, 2006

Nancy Morris
Secretary
U.S. Securities & Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

*Re: File No. SR-NYSE-2005-77, NYSE merger with
Archipelago*

Dear Secretary Morris:

I am one of the attorneys for Lewis J. Borsellino. Mr. Borsellino is a former business partner of Jerry Putnam and Marrgwen Townsend in a day trading company that preceded Archipelago. He is currently in litigation with Putnam and Townsend arising out their breaches of fiduciary duty and their theft of business opportunities and assets in the formation of the Archipelago ECN.

In his capacity as a former business partner, Mr. Borsellino has first hand knowledge of numerous instances of misconduct by Mr. Putnam, including infractions that he believes flouted your agency rules and regulations. He has prepared a statement on six such topics which I am attaching with this letter. Also enclosed are documents which he is able to provide which substantiate his Statement.

LOEVY & LOEVY
ATTORNEYS AT LAW

Nancy Morris
February 2, 2006
Page Two

Mr. Borsellino is somewhat limited in terms of the documentary evidence he can provide with this letter due to the entry of a protective order in his civil case. Nevertheless, all of the relevant documents are within your agency's subpoena power. Moreover, because Mr. Putnam should have an interest in furthering the accuracy of your investigation, I would think that he would be willing to voluntarily provide these documents to your agency himself.

Mr. Borsellino is willing and ready to provide testimony to your agency for its investigation. I urge your agency to give serious attention to the concerns Mr. Borsellino is raising before it decides to hand over the reigns of the New York Stock Exchange to a person with Mr. Putnam's track record.

Thank you for your time in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Kanovitz', with a long horizontal flourish extending to the right.

Michael Kanovitz

Enclosures:

STATEMENT OF LEWIS J. BORSELLINO

My name is Lewis J. Borsellino. I have 20 years experience as a commodities trader at the Chicago Mercantile Exchange and have authored two books on trading. I am also former business partners with Jerry Putnam, Marggwen Townsend and Stuart Townsend in the company which eventually became Archipelago. I am in litigation with them arising out of their misconduct in this business dating back to January of 1996.

I am writing this letter to address Archipelago's merger with the New York Stock Exchange and Mr. Putnam's anticipated role in the exchange post-merger. Because of my unique position as a former business partner, I can provide an accurate record of misconduct by Jerry Putnam and the Townsends which I believe amounted to SEC violations and which also bears on the considerations before this body regarding the merger and Mr. Putnam's fitness to lead the NYSE.

In this letter, I will provide evidence that I acquired first hand of Mr. Putnam's misconduct and fraudulent dealings involving CTA and Archipelago. These same facts can be substantiated by your agency through documents and depositions which I cannot provide to you directly due to the existence of a protective order. I urge you to invoke your subpoena power to review these documents before you approve this merger.

Commission splitting with non-brokers

The first issue involves Mr. Putnam's formation of a day trading room (which eventually became Archipelago) based on an agreement to split commissions with partners who Mr. Putnam knew were not licensed broker dealers. In January 1996, I formed a company called Chicago Trading & Arbitrage (CTA) with Jerry Putnam, and Marggwen and Stuart Townsend. The purpose of this

company according to Putnam was to build a state of the art SOES day trading room. We purchased a NASDAQ Level 2 Work Station and the phone lines for connectivity to the NASDAQ. The company earned its revenues from stock commission generated by the traders' use of the room.

Jerry Putnam asked me to partner with him in this business because he needed me to help finance it and because my notoriety at the MERC would allow me to easily recruit traders for the day trading room. Because Jerry Putnam was the only licensed broker/dealer in the partnership, he proposed that he receive all of the revenues and then split them three-ways with the partners. He called the commission "management fee income" (*See* Bates No. LB0596 Paragraph 3, describing this process). I now know that Putnam's commission-splitting scheme violated SEC rules.

These facts are substantiated in the corporate minutes for the general business purpose of CTA, as well as deposition testimony of the parties, financial records, in court hearings, discovery documents, and pleadings in my Archipelago litigation. I am enclosing some supporting documents which are not under protective order (*See* attached CTA incorporation documents, records stamped LB 00596-0062, and the Third Amended Complaint) and urge you to subpoena the rest.

Material omissions in Statements to the SEC about the rules for operating the Archipelago ECN

Second, I believe that Putnam and Marrgwen Townsend provided the SEC an intentionally misleading statement for its rulemaking regarding the Archipelago ECN. In this letter they represented to the SEC that in order to preserve the integrity of the quotes on an ECN, the operator of an ECN should not own a proprietary trading

room. However, they omitted the material fact that the two of them in actuality did own a proprietary trading room -- CTA. They were both owners of CTA while they simultaneously operated the Archipelago ECN. I am enclosing a copy of this letter to the SEC. (*See* Bates Nos. LB00980-983).

Breaches of fiduciary duty

In addition to misleading the SEC by omissions, Putnam and Townsends also misled me by overt misstatements and omissions. Archipelago was a business opportunity of CTA that used CTA's assets, funds and even its NASDAQ Level II workstation. Putnam and Townsend concealed this from me while they pursued Archipelago. Enclosed with this letter are pleadings which further describe this fraud. (*See* Third Amended Complaint)

Misleading marketing statements about CTA

I believe Putnam also violated SEC requirements in the marketing of CTA. Putnam marketed CTA as an SOES room when in fact CTA was not a broker-dealer. Rather, he ran the CTA transactions through his own separate broker-dealer, Terra Nova Trading. Nevertheless, Putnam knowingly allowed the distribution of ads in trade magazines, local news papers, phone book listings, brochures, and radio advertising stating that CTA was the SOES when, in fact, he was using Terra Nova. This was a fraud on the public, the SEC, and his partners. These facts can be substantiated by the documents outlined above. Additionally, I am enclosing several documents which are not under protective order (copies of the ads, brochures and CTA's telephone number 1888 USELL HI)

Improper trading on the SOES

Yet another example involved Putnam permitting traders Curtis Dahl, Larry Hill, Anglia Scully, and Brad Sullivan to use CTA's SOES system to trade multiple accounts for their own customers. Putnam would then split the commissions with these traders. The SOES system was established in 1987 to enable retail traders who had no license to enter orders directly on the SOES system for up to 1000 shares. The retail trader could only trade for his own account. Nevertheless, Putnam permitted professional licensed brokers to obtain power of attorney over several accounts and trade those accounts through the SOES system. Putnam then would calculate the gross commissions generated by the trader and split the commissions 50/50. Putnam also permitted double dipping for the broker; the broker would receive a portion of the trading profits in the accounts and commissions generated. To the best of my knowledge the customers did not make any profits from trading. These facts can be substantiated by the documents outlined above (*See e.g.* Bates Nos. LB00607-612) as well as in other documents subject to your subpoena power.

Other improper trading practices

Yet another violation involved Putnam knowingly allowing traders to carry both a long and short position in the same stock, using a fictitious account owner. This allowed the trader to circumvent the up tic rule. If a stock price fell sharply the trader would sell his long position out, thus creating a short position and the trader did not have to wait for the up tic to sell the falling stock. These facts can be substantiated by the documents outlined above.

There are numerous other details of misconduct I can share with you if you would like to contact me. As previously mentioned, I

have enclosed a copy of the pleadings in my breach of fiduciary duty case against Putnam and expect to proceed to a trial date soon. I hope that this helps bring out the truth and protects one of our nation's treasures, the NYSE, from people who are not deserving of the public's trust.

In conclusion I would like to thank you for your time and I will make myself available if you need my statements or testimony in any SEC procedures.

Thank You,

Lewis J. Borsellino

CTA

TERRA NOVA TRADING, LLC

COMMISSION SUMMARY: Chicago Trading & Arbitrage

DATE: May-97

	Reference	Trades/ Shares	Gross Commissions	% Payout
SOUTHWEST SECURITIES	Dahl Ref	917,180	22,752.07	75%
	Stulley Ref	132,600	3,316.88	75%
	Dahl	595,550	21,742.50	50%
	Sullivan	56,900	1,441.07	50%
	Welsh	236,075	12,778.13	50%
	CTA	4,470,892	83,024.11	100%
	Total	6,409,197	145,054.74	

EXPENSES

Terra Nova Clearing		28,841.38
Instinet	2,087,230	17,741.46
Selectnet	225	561.88
Island	432	432.00
ARCA	901	1,847.05
PC Quote		1,602.30
SOES	5,856	4,391.63
Total		55,417.69

Subtotal for month 89,637.05

Less: CTA Broker Payout 29,201.58

ADJUSTED GROSS FOR MONTH 60,435.47

Less: Expenses Paid by TNT (18,577.40)

A/P on CTA's Books (34,825.78)

NET CTA 7,032.29

LB 00912

Expense Breakdown--May 1997

Expense	Paid	TNT	CTA	ARCA	Total	Balance
Accounting	2,700.00	300.00	800.00	1,600.00	2,700.00	0.00
ACT The NASDAQ					0.00	0.00
Advertisitng & Promotion					0.00	0.00
Advisory Fees	33.00	33.00			33.00	0.00
AMEX Exchange Fees	271.80	0.00	0.00	271.80	271.80	0.00
Bank Charges				0.00	0.00	0.00
Bonus	0.00			0.00	0.00	0.00
Bloomberg Expense	598.50			598.50	598.50	0.00
Commissions Paid					0.00	0.00
Communications	39,232.41			39,232.41	39,232.41	0.00
Commodity Trading Loss		0.00			0.00	0.00
Dues & Subscriptions	593.11	329.97		263.14	593.11	0.00
Dues & Subscriptions- NASD					0.00	0.00
Dues & Subscriptions- NFA					0.00	0.00
Entertainment	229.00		229.00		229.00	0.00
FICA Tax					0.00	0.00
FUTA Tax					0.00	0.00
Hardware Expense	213.23		213.23		213.23	0.00
Health Insurance	1,666.42	333.70	152.78	1,179.94	1,666.42	0.00
Insurance	274.87	91.62	91.62	91.62	274.87	0.00
Interest					0.00	0.00
Instinet Expense	35,996.45			35,996.45	35,996.45	0.00
Island Expense	3,457.33			3,457.33	3,457.33	0.00
ISDN Telephone	0.00	0.00	0.00	0.00	0.00	0.00
Legal	7,214.09	3,085.25	98.00	4,030.84	7,214.09	0.00
Licenses					0.00	0.00
Licenses-NASD	2,000.00			2,000.00	2,000.00	0.00
Licenses-NFA					0.00	0.00
Maintenance & Repairs	240.09	80.03	80.03	80.03	240.09	0.00
Management Fee					0.00	0.00
Messenger Expense	38.00			38.00	38.00	0.00
NASDAQ Exch Fees	37,338.30		0.00	37,338.30	37,338.30	0.00
Network Consultant					0.00	0.00
News Expense	955.00	60.00	895.00		955.00	0.00
NYSE Fees	357.75	89.44	268.31		357.75	0.00
Office Cleaning	800.00	200.00	400.00	200.00	800.00	0.00
Office Consultant	1,200.00		1,200.00		1,200.00	0.00
Office Supplies	2,988.06	166.71	530.25	2,291.10	2,988.06	0.00
OPRA Expense	171.00	171.00			171.00	0.00
Office Expense	1700		1,700.00		1,700.00	0.00
Payroll Expense					0.00	0.00
Postage	1,738.09	289.68	289.68	1,158.73	1,738.09	0.00
Quote Expense- PC Quote	1,535.00		1,535.00		1,535.00	0.00
Quote Expense-Comstock	1,773.00		1,773.00		1,773.00	0.00
Quote Expense-CQG					0.00	0.00
Quotes-Track					0.00	0.00
Rent-Office	3,022.74	1,000.00		2,022.74	3,022.74	0.00
Regulatory Testing	509.38			509.38	509.38	0.00
Research	1,754.00	1,754.00			1,754.00	0.00
SPIC					0.00	0.00
SUTA Tax					0.00	0.00
Telephone	4,449.44	900.00	568.63	2,980.81	4,449.44	0.00
Television	4.95		4.95		4.95	0.00
Travel	785.00			785.00	785.00	0.00
Utilities	1,708.65	569.55		1,139.10	1,708.65	0.00
Wages Expense	27,420.78		7,669.63	19,751.15	27,420.78	0.00
Water	234.84	78.28	78.28	78.28	234.84	0.00
Totals	185,204.28	9,532.24	18,577.40	157,094.65	185,204.28	0.00
			execution	(116,024.49)		
			total	<u>41,070.16</u>		

LB 00913

TERRA NOVA TRADING, LLC

COMMISSION SUMMARY: Chicago Trading & Arbitrage

DATE: February-97

	Reference	Trades/ Shares	Gross Commissions	% Payout
<i>Southwest Securities</i>	Aromando	130200	3,078.75	75%
	Kline	279300	6,691.88	75%
	Reiter	72000	1,884.75	75%
	Spike	111067	2,268.80	67%
	Laver	43867	1,095.67	67%
	Dahl	897,550	22,944	50%
1898.925	Sullivan	361,700	8,629	50%
6,730	Welsh	184,700	4,636	50%
	Moses	173600	4,105.00	100%
	Toriani	262200	6,575.09	100%
	Treichler	4600	123.50	100%
	CTA	1682500	38,530.37	100%
	<i>Total</i>	4,203,283	100,562.89	

EXPENSES

<i>Terra Nova Clearing</i>		24,168.88	
<i>Instinet</i>	952,017	12,281.02	2,528.55
<i>Selectnet</i>	81	201.88	
<i>Island</i>	276	275.50	
<i>Total</i>		36,927.27	
	<i>Subtotal</i>	63,635.62	
<i>Less: CTA Payout</i>		(26,162.98)	
<i>Loss on Errors</i>		(10,865.25)	
	<i>Subtotal</i>	(37,028.23)	
<i>ADJUSTED NET FOR MONTH</i>		26,607.40	

Expense Breakdown--February 1997

<i>Expense</i>	<i>Paid</i>	<i>TNT</i>	<i>CTA</i>	<i>ARCA</i>	<i>Other</i>	<i>Total</i>
Insurance						
Health Insurance	1,130.40	333.70	152.78	477.87	166.05	1,130.40
Legal	575.00			575.00		575.00
Accounting	3,600.00	1,200.00	1,200.00	1,200.00		3,600.00
Commissions Paid						0.00
Advisory Fees	87.50	87.50				87.50
Maintenance & Repairs	360.33	120.11	120.11	120.11		360.33
Office Cleaning	300.00	150.00	150.00			300.00
Office Supplies	602.04	200.68	401.36			602.04
Advertisitng & Promotion						0.00
Bank Charges						0.00
Interest						0.00
Licenses	3,200.00		1,500.00	1,700.00		3,200.00
News Expense						0.00
Licenses-NFA						0.00
SPIC						0.00
Licenses-NASD						0.00
Postage	141.96	47.32		94.64		141.96
Rent-Equipment						0.00
Rent-Office	2,450.00	1,450.00		1,000.00		2,450.00
Telephone	3,160.79	900.00		2,260.79		3,160.79
ISDN Telephone						0.00
Communications	2,140.71			2,140.71		2,140.71
Utilities	182.79	132.79		50.00		182.79
Dues & Subscriptions						0.00
Dues & Subscriptions- NFA						0.00
Dues & Subscriptions- NASD						0.00
Travel	1,250.93			1,250.93		1,250.93
Quote Expense-Comstock						0.00
Quotes-Track						0.00
OPRA Expense	171.00	171.00				171.00
NYSE Fees	89.44	89.44				89.44
AMEX Exchange Fees	67.95	67.95				67.95
NASDAQ Exch Fees	2,979.57		1,489.79	1,489.79		2,979.57
ACT The NASDAQ						0.00
Quote Expense- PC Quote						0.00
Quote Expense-CQG						0.00
Regulatory Testing						0.00
Entertainment						0.00
Other Expense						0.00
Research						0.00
Payroll Expense						0.00
Wages Expense		14,480.99				14,480.99
FICA Tax						0.00
FUTA Tax						0.00
SUTA Tax						0.00
Water	66.60	33.30		33.30		66.60
Office Consultant						0.00
Management Fee						0.00
Network Consultant						0.00
Totals	22,557.01	19,464.78	5,014.04	12,393.14	166.05	37,038.00

From: MarrGwen Townsend
Sent: Friday, October 03, 1997 10:33 PM
To: 'rule-comment@sec.gov'
Subject: S7-16-97

To: Jonathan G. Katz
Regarding : SEC File No. S7-16-97
Reply from Gerald Putnam, MarrGwen Townsend of Archipelago, LLC

The SEC Concept Release 34-38672 is a carefully considered study of the regulatory issues raised by the new technological advances in trading. The Commission has addressed the tradeoffs that exist between in choices of regulatory environment and expressed its well-founded desire not to stifle innovation. There is probably no absolutely right answer to the question and the path chosen will have positive and negative impacts on the current and future participants including ourselves. The Commission has covered the questions thoroughly and has asked for comments and suggestions. We are neither qualified nor knowledgeable enough to address all the issues but are responding in the area with which we are familiar: alternative trading systems in the form of Electronic Communication Networks (ECN) as further defined by the SEC Rules of 1997. We operate, under a no action letter from the SEC, an ECN, called Archipelago(tm).

The ECN Display Alternative was defined in the SEC Order Handling Rules of January 1997. The rules stated that a market maker would be exempt from the limit order display rules if he posted the order in a qualified ECN. The first rule, the Limit Order Display Rule, requires a market maker which receives a customer limit order that is priced at or better than its current quote, and is not immediately executed, to display it to the entire marketplace. This means that customer orders may no longer be hidden from the market. As an alternative, a market maker may place the order into an eligible ECN, one that displays the order to the entire market in a consolidated quote and enables all market participants to access it (the ECN Display Alternative). The second rule requires a market maker entering a proprietary order into an ECN that is priced better than its published quote to display that order's price in its public quote. This means that market makers cannot have one price on NASDAQ and another better price on an ECN unless that ECN provides the ECN Display Alternative.

Whereas most ECN's rely on their own liquidity to fill an order, and reject an order if it locks or crosses the national market, Archipelago chooses to attempt to cross the order with other ECNs and market makers, through Select Net or post the order to the NQDS. This means that through Archipelago, all market participants can post markets in the NQDS and through connections between Archipelago and other ECNs (via Select Net or via direct connections), have access to the liquidity of all ECNs. This kind of access and price transparency was not available to anyone, even to large institutions, before January. It is an example of how fair rules, combined with technological innovation by participants, acting in their own business interest, combine to provide a better result for market participants. These results could probably not have been totally anticipated by the rule makers.

The primary question we are addressing here is whether alternative trading systems should be regulated, as they are currently, through the broker dealer regulations or under the rules governing exchanges. Either choice would involve certain regulatory changes to accommodate the different needs of alternative trading systems. A secondary question is what rules should be changed.

Since an alternative trading system has elements of both a broker dealer and an exchange as defined in the Exchange Act, either choice would be logically correct. We argue that alternative trading systems such as ECNs are an evolution of the agency side of traditional brokerage activities, and regulation of these entities should be an

LB 00980

evolution of brokerage rules.

A broker, acting in his self-interest, brings buyers and sellers together in a trade. The better job he does for his customers in terms of price, speed of execution, risk management, and cost of service, the better will be his business relative to other brokerage firms. Given a fair set of rules and regulations and the absence of any natural monopolies whether electronic or otherwise, competition among brokerage firms will result in the best execution for consumers.

For instance, an ECN provides the same function as a traditional broker, serving as an agent between a buyer and a seller, but does this electronically, without human discretion. An ECN uses modern means of telecommunication to bring buyers and sellers together. It has advantages above a traditional broker in the speed of display of an order, order entry and display of order execution. Many of the regulations that govern the agency functions of brokerage firms would be relevant to ECNs. Due to the lack of human intervention and discretion in electronic systems, some of the rules would actually be easier to administer and monitor. Other rules should be designed to handle the different behavior of electronic systems.

An ECN does not naturally, and probably should not be allowed to, conduct any of the principal business or dealing functions of a brokerage firm such as proprietary trading. Such business belongs in the traditional broker dealer area. Rules should be designed to ensure that such activity does not occur.

An ECN resembles an exchange in that it provides consolidating, display and matching of orders. It also provides rules for agreeing to the terms of the trade. However, it is unlike an exchange in several important ways. It does not necessarily have both sides of the market. While an exchange is required by law to have a board of governors made up of its participants, the participants in an ECN are its customers and would not in general be involved in its management. More importantly, rules of fairness and the essential public right to access govern the operation of exchanges.

The essential and most important difference between the two is that broker dealers are assumed to be profit maximizing businesses, whereas exchanges are organized as nonprofit organizations operating under guidelines for the public good. The First Alternative of the SEC proposal is that an alternative trading system would begin as one tier of exchange definition and regulation, and if volume growth is substantial, ultimately become a traditional exchange. It would evolve from a profit maximizing business to an organization required to operate for the public good. A normal business would resist this change in definition and pursue policies to avoid such an evolution.

A natural question is whether a large alternative trading system, by virtue of its size and effect on the market, should be regulated as an exchange for the public good. We believe that as long as there is a set of rules, fairly applied and the antitrust rules that govern normal businesses, competitive forces will protect market participants.

We propose that the rules recognize the evolutionary aspect of the alternative trading systems. A new association of such firms should be established, for instance, the National Association of Alternative Trading Systems, under the regulatory control of the NASD. Such firms are a legitimate part of the Securities Dealer Association but different from market makers and traditional broker dealers. As such they need different regulation, and separate and adequate representation on the NASD. The Association would develop its own rules and guidelines to surveil trading activities of these systems, subject to the normal oversight of the NASD and the SEC. People knowledgeable about and experienced in these issues would regulate the participants. It would

LB 00981

not be subject to inapplicable regulations that govern traditional brokerage operation. Competition among existing firms and their voice in the regulation process would help assure the fairness of the process.

The Association would develop guidelines for minimum levels of performance and system capacity. The people who created the systems are best able to decide how to judge performance. Members of the Association would be allowed to conduct agency business electronically but not provide other traditional brokerage function such as trade proprietary systems or block trading activities. Regulations should assure that nothing be done to slow down orders. No activity would be authorized that would benefit from slowing down the discovery and execution process. An oversight system should be put in to place to ensure that those with access to customer order flow do not use the information for their own benefit. Institutions and broker dealers would be allowed to participate directly on an ECN, as they would be considered sophisticated investors. Retail accounts would be allowed access to the ECN's through traditional broker dealers who are trained in advising customers on suitable investments and supervised in the traditional manner. Members of the association would not be allowed to prohibit participants from trading with accredited members of the Association or the NASD.

There are advantages of using the NASD as the SRO for the alternative trading systems. NASD is familiar with the broker dealer structure and with NASDAQ, which is an integral part of the system. The NASD worked with the ECNs and the SEC in implementing and releasing the ECN Display Rules. The NASD has experience regulating a market. There are economies in working with an existing institution as long as participants are fairly represented. The Association would provide an evolutionary structure which would allow it become its own SRO should its size demand it or should conflicts not be resolvable.

The Concept Release anticipates problems if the NASD is responsible for regulating alternative trading systems because the NASD operates the NASDAQ market, which in some ways competes with activities of the ECNs. In the introduction and testing of the SEC display rules and during ongoing development and support of the ECNs the individuals at both the NASD and NASDAQ have worked very well with the ECNs. The report, however, anticipates that problems would arise as an inevitable result of competition for scarce resources at NASD and NASDAQ.

The NASD has already separated its market functions (NASDAQ) from its regulatory function (NASD-R). We propose further separation of the regulatory function into the regulation of traditional broker dealers and market makers, and the regulation of alternative trading systems.

In this proposal, the NASDAQ market would be one -- probably always the largest -- but still only one of the markets regulated by the NASD. NASDAQ would continue to provide access to its Select Net market to ECNs.

Integration of alternative trading systems into the National Market System should be a goal of the rule changes. Alternative trading systems should be encouraged to integrate their systems to the extent that it makes business sense for them to do so. Integration should not be required. Rules should be revised to allow the association or groups within the associations or its individual members to create linkages to NMS. Rules should be revised to allow the association or groups within the associations or its individual members to create linkages to the National Quotation System (NQS) and to the Intermarket Trading System (ITS). The suggested link to the system requires dependency on the NASDAQ link, which may not evolve as needed by the alternative systems, either because of requirements to support legacy systems at NASDAQ or the different needs of the alternative systems.

LB 00982

One question concerns the numbers of alternative trading system. It is easier to regulate fewer entities but the basic consumer protection comes from competition among ECNs, not from regulations. ECN's not providing the best prices and access will be outcompeted by those providing better prices and access. The economics of ECN's are somewhat like the economics of phone companies. In the absence of regulation, there will naturally be more than one, but the economies of scale available with today's technology and the exponential cost of interconnects means there will not be a multitude. Regulations regarding system performance and monitoring established by the association can provide adequate protection against system failure. Integration between the ECN's will further protect participants from a failure or slowdown of one of the ECNs.

In fact, one of the most intriguing possibilities raised by the changes is of a logically centralized national market with a single set of prices but with decentralized order accumulation and execution processes. Such a system could prove to be more resilient than today's fully centralized systems.

LB 00983

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION**

LEWIS J. BORSELLINO, an individual,)	
and I.M. ACQUISITIONS, L.L.C., an)	
Illinois Limited Liability Company,)	
)	No. 00 CH 13958
Plaintiffs,)	
)	Judge Bartkowicz
v.)	
GERALD D. PUTNAM, an individual, and)	(Transferred to Law Division)
MARRGWEN TOWNSEND, an individual,)	
and CHICAGO TRADING & ARBITRAGE,)	
L.L.C., an Illinois Limited Liability Company,)	
)	
Defendants.)	

THIRD AMENDED COMPLAINT

Plaintiffs, Lewis J. Borsellino and I.M. Acquisitions, L.L.C., by their undersigned attorneys, complain against defendants, Gerald D. Putnam, Marrgwen Townsend and Chicago Trading & Arbitrage, L.L.C., as follows:

Parties

1. Plaintiff Lewis J. Borsellino ("Borsellino") is an individual and member of the Chicago Mercantile Exchange ("CME"), and a trader of the Standard & Poors ("S&P") 500 stock futures, all located in Chicago, Illinois. Borsellino has traded as a member of the CME for the past eighteen years and over that period of time has successfully recruited and trained individuals as traders at the CME.

2. Plaintiff I.M. Acquisitions, L.L.C. is an Illinois limited liability company owned entirely by Borsellino. At all relevant times, I.M. Acquisitions was an organizer and a member in the Illinois limited liability company named Chicago Trading & Arbitrage, L.L.C.

3. Defendant Gerald D. Putnam ("Putnam") is an individual holding various S.E.C. licenses as a broker/dealer. Plaintiffs are informed and believe that Putnam is the majority

shareholder of GDP, Inc., which, at all relevant times, was an organizer and member in the Illinois limited liability company named Chicago Trading & Arbitrage, L.L.C.

4. Defendant Marrgwen Townsend ("Townsend") is an individual with expertise in the technology and software used in conjunction with electronic trading. Plaintiffs are informed and believe that Townsend is the majority shareholder of Virago Enterprises, L.L.C., which, at all relevant times, was an organizer and member in the Illinois limited liability company named Chicago Trading & Arbitrage, L.L.C.

5. Defendant Chicago Trading & Arbitrage, L.L.C. is an Illinois limited liability company formed and operated by Borsellino, Putnam and Townsend.

Background

Borsellino, Putnam and Townsend Become Business Partners

6. The concept of Small Order Execution System ("SOES") trading was still in its infancy in October, 1995, when Borsellino and Putnam discussed the idea of creating and developing a state-of-the-art SOES trading room in Chicago for individual traders. Putnam, at that time, was a struggling broker-dealer who did not have the funding nor the capability of providing on-line trading services. Putnam did not have, for example, a NASDAQ hook-up or a T-1 access line. Putnam suggested that he and Borsellino speak with Townsend for the purpose of determining and developing the technical software necessary to establish a SOES trading room.

7. Shortly thereafter, Borsellino, Putnam, and Townsend agreed to become equal partners in an effort to establish a SOES trading room in Chicago. They specifically agreed to invest the same amount of money, equally share in any profits, and equally bear any losses relating to their business venture.

8. They further specifically agreed to call their business venture Chicago Trading and Arbitrage (“Chicago Trading”), and set the business up as a general partnership. In December 1996, the parties switched from a general partnership to a limited liability company. Borsellino, Putnam and Townsend all signed articles of incorporation for Chicago Trading in the names of their respective entities (I.M. Acquisitions, GDP, and Virago) as organizers and management of the limited liability company. As the only partner with a broker-dealer’s license, Putnam was informally designated as Chicago Trading’s record-keeper and, essentially, managing partner.

9. Borsellino, Putnam and Townsend all acknowledged that they each had specialized skills, talents and knowledge that would be uniquely combined in this business venture. Townsend, for example, had expertise in developing software for the trading industry and possessed the capabilities to provide the technology framework to establish Chicago Trading’s SOES room. Borsellino, on the other hand, as a successful and experienced trader, would, and did, provide expertise in recruiting and training individual traders to use, test and refine the software and electronic trading system and would oversee the marketing and promotion of Chicago Trading’s SOES room. And Putnam, as a SEC licensed broker/dealer, would provide his expertise and allow the traders in the SOES room to clear trades with Southwest Securities, Inc., a member of the New York Stock Exchange, via the electronic trade system to be established. Borsellino, Putnam and Townsend specifically agreed that their unique respective contributions, as set forth above, would be used solely for the benefit of Chicago Trading.

The Filing of a Derivative Action

10. Unfortunately, despite being Borsellino's business partners and fiduciaries, Putnam and Townsend were keeping Borsellino in the dark regarding Chicago Trading's activities.

11. On February 2, 1998, Borsellino filed a derivative action against Chicago Trading. In that lawsuit, Borsellino alleged, among other things, that Putnam's and Townsend's efforts in collaborating with Borsellino were not solely used for the benefit or ownership of Chicago Trading. Rather, Putnam and Townsend were actively utilizing benefits and technological break-throughs for their own personal gain and for the creation of businesses competing with Chicago Trading. Borsellino further alleged that one of those competing businesses was Archipelago.

The Settlement of the Derivative Action

12. A day or two after the derivative action was filed, Borsellino received a telephone call from Townsend who was very emotional and wanted to have a meeting to discuss settlement of the derivative suit.

13. A few days later, a settlement meeting took place at the office of Scott Verhy, one of Borsellino's attorneys. This meeting was attended by Borsellino and his attorneys Joseph Cecala and Scott Verhy. The meeting was also attended by Putnam, Townsend and their attorney Stephen Senderowitz.

14. At this meeting, Putnam and Townsend's attorney, Senderowitz, made the following material representations to Borsellino:

- * Archipelago was not an asset of Chicago Trading.
- * Archipelago was not a business opportunity of Chicago Trading.

15. Also, during this meeting, Putnam and Townsend made the following material representations to Borsellino:

- * No Chicago Trading money was used to develop Archipelago.
- * Chicago Trading did not have any monetary value and was failing.
- * Archipelago was not a business opportunity of Chicago Trading.

16. Borsellino justifiably relied upon these misrepresentations.

17. In justifiable reliance on these material representations, and at that settlement meeting, Borsellino agreed to settle the derivative suit by selling his one-third ownership interest in Chicago Trading to Putnam and Townsend for the sum of \$250,000. He would not have done so had he known the true facts.

Putnam and Townsend Committed Fraud

18. Just a few months ago, Borsellino obtained evidence which shows that the material representations that Putnam and Townsend made to him at the settlement meeting were false and fraudulent.

19. Borsellino recently received documents from Spirian Technology (formerly Systems Progress Group, Inc.) and its president, Al Wasserberger regarding certain services they performed on behalf of Archipelago. A review of those documents demonstrates that, contrary to defendants' representations, Chicago Trading funds *were* used to develop Archipelago. And, therefore, Archipelago was an asset and business opportunity of Chicago Trading.

20. Specifically, Systems Progress Group, Inc.'s ("SPG") "Detailed Customer Activity Report," for the time period July 1996 through December 1997, notes receipt of Chicago Trading's check number 1046 in the amount of \$2484.09. More importantly, SPG's

“Detailed Customer Activity Report” shows that Chicago Trading’s check was used to pay for services that SPG rendered in conjunction with Archipelago.

21. SPG’s “Detailed Customer Activity Report” also notes receipt of Chicago Trading’s check number 1159 in the amount of \$2990.62. But, again, more importantly, SPG’s “Detailed Customer Activity Report” shows that this check was used to pay for services that SPG rendered in conjunction with a “Data Center Project” on behalf of “Archipelago.”

22. Another SPG invoice for the \$2990.62 amount states that it was sent to, and billed to, “Archipelago, LLC” to the attention of Putnam.

23. Borsellino is informed and believes that discovery will reveal further evidence that Putnam and Townsend used Chicago Trading funds and assets to develop Archipelago.

24. In sum, despite Putnam and Townsend’s intentional and material misrepresentations to Borsellino that no Chicago Trading funds were used to develop Archipelago, the documents that Borsellino recently received from Spirian and Wasserberger show that Chicago Trading funds *were* used to develop Archipelago. And, consequently, contrary to defendants’ misrepresentations, Archipelago was an asset and corporate opportunity of Chicago Trading.

25. Moreover, since Chicago Trading funds were used to develop Archipelago, Putnam’s and Townsend’s material representation that Chicago Trading had no monetary value and was failing was false. Rather, it now appears that Chicago Trading was worth a substantial sum directly as a result of its investment in Archipelago.

26. Borsellino has learned that after the settlement of the derivative suit, Putnam and Townsend sold equity stakes in Archipelago to several third-parties for a substantial sum of

money. It was reported in the press that Putnam and Townsend sold the following equity stakes in Archipelago:

- (a) Goldman Sachs purchased a 12.4% interest for \$25 million;
- (b) E*Trade purchased a 12.4% interest for \$25 million;
- (c) CNBC purchased a 12.4% interest for \$25-\$30 million; and
- (d) J.P. Morgan purchased a 12.4% -20% interest for \$30 million.

27. Borsellino is informed and believes that when Putnam and Townsend were negotiating with him to settle the derivative suit, not only did they know that Chicago Trading funds were used to develop Archipelago, but they also knew that Archipelago had, and has, significant value. Borsellino is further informed and believes that Putnam and Townsend, when negotiating the settlement of the derivative suit, had already begun preliminary negotiations with one or more third-parties regarding a sale of Archipelago for a substantial sum of money.

28. Indeed, Borsellino recently received documents from Goldman Sachs (a purchaser of a 12.4% interest in Archipelago, as set forth above) that show Goldman Sachs started meeting with defendants Putnam and Townsend in the summer of 1997, long before the derivative suit was even filed (February 2, 1998) and settled. Putnam and Townsend never disclosed to Borsellino that they were conducting any such meetings with Goldman Sachs.

29. Moreover, the Goldman Sachs documents also appear to reveal that the \$250,000 settlement payment (by Putnam and Townsend to Borsellino to settle the derivative suit) appears on the books and records of Archipelago. There would be no reason for such an entry on Archipelago's books and records if Archipelago had nothing to do with Chicago Trading, as defendants claim.

30. Again, Borsellino is informed and believes that discovery will continue to reveal further evidence that Putnam and Townsend used Chicago Trading funds and assets to develop Archipelago.

31. Borsellino would not have settled the derivative suit but for these intentional misrepresentations.

Additional Fraudulent Misrepresentations

32. At the parties' settlement meeting, held at the offices of attorney Scott Verhey in February 1998, after the lawyers had left the conference room, Putnam and Townsend made the following material representations to Borsellino:

- * no Chicago Trading assets were used to develop "point & click" trading software known as "Real Tick;"
- * no Chicago Trading assets were used to develop day-trading rooms in other cities ("remote offices");
- * no Chicago Trading assets were used to develop the Archipelago electronic communications network ("Archipelago");
- * "Real Tick," the remote offices, and Archipelago were not business opportunities of Chicago Trading.

33. Putnam and Townsend knew, or should have known, that the representations they made to Borsellino at the settlement meeting were not true because Putnam and Townsend used, unbeknownst to Borsellino, among other things, Chicago Trading's money, office space, computer network, telephone lines and traders to develop the "point & click" trading software, the remote offices and Archipelago.

Count I

(Fraud)

34. Plaintiffs realleges paragraphs 1 through 32 as though fully set forth herein.

35. Borsellino, Putnam and Townsend were all equal members in Chicago Trading. As such, Borsellino, Putnam and Townsend were fiduciaries to each other in all matters pertaining to, or affecting, Chicago Trading.

36. As fiduciaries, Putnam and Townsend had duties of good faith, loyalty, and honesty and, consequently, were not entitled to enhance their own personal interests at the expense of Borsellino.

37. When a fiduciary relationship exists between contracting parties, a duty to disclose material information exists, and a party's breach of this duty is considered the same as a false statement.

38. This duty to disclose applies to the parties when making a settlement or obtaining a release. Parties in a fiduciary relationship owe one another a duty of full disclosure of material facts when making a settlement and obtaining a release. Thus, when negotiating to settle the derivative suit, Putnam and Townsend had a duty of full disclosure to Borsellino of all material facts.

39. Putnam and Townsend made statements of material facts when they misrepresented to Borsellino that:

- (a) Archipelago was not an asset of Chicago Trading;
- (b) Archipelago was not a business opportunity of Chicago Trading;
- (c) Chicago Trading did not have any monetary value and was failing; and
- (d) No Chicago Trading money was used to develop Archipelago.

- (e) No Chicago Trading assets were used to develop “point & click” trading software known as “RealTick;”
- (f) No Chicago Trading assets were used to develop day-trading rooms in other cities, i.e, the remote offices;
- (g) No Chicago Trading assets were used to develop Archipelago; and
- (h) “Real Tick,” the remote offices and Archipelago were not business opportunities of Chicago Trading.

40. Further, Putnam and Townsend failed to disclose to Borsellino the following material information which they were obligated to disclose to Borsellino by virtue of the parties’ fiduciary relationship:

- (a) that Chicago Trading money was used to develop Archipelago;
- (b) that Archipelago was, consequently, an asset of Chicago Trading;
- (c) that Archipelago had substantial value;
- (d) that Putnam and Townsend had already begun preliminary negotiations with one or more third-parties regarding a sale of Archipelago for a substantial sum of money; and
- (e) that Putnam and Townsend had used Chicago Trading’s assets to develop “RealTick,” the remote offices and Archipelago.

41. Putnam’s and Townsend’s breach of their duty to disclose material information to Borsellino, as set forth above, is considered the same as a false statement.

42. Putnam and Townsend knew or should have known, or believed, that their statements of material facts, as set forth above, were untrue.

43. Borsellino had a right to rely, and was justified in relying, upon those statements of material facts.

44. Putnam’s and Townsend’s statements of material facts were made for the purpose of inducing Borsellino to act or rely upon them.

45. Borsellino was damaged as a result of his reliance upon said statements of material facts.

46. Putnam and Townsend made their statements of material facts intentionally, maliciously, and in an effort to harm Borsellino, thereby entitling Borsellino to an award of punitive damages.

47. Due to the fraudulent conduct of Putnam and Townsend, as set forth herein, the parties' prior settlement agreement of the derivative action is void.

WHEREFORE, Plaintiffs, Lewis J. Borsellino and I.M. Acquisitions, L.L.C., pray that this Court grant them the following relief:

(a) compensatory damages in an amount to be determined at trial, but expected to exceed the sum of \$40 million;

(b) punitive damages in an amount sufficient to punish and deter defendants, which amount plaintiffs believe should exceed \$40 million;

(c) reimbursement for attorneys' fees and costs; and

(d) such other and further relief that this Court deems appropriate.

By: _____
One of Plaintiffs' Attorneys

Andrew M. Hale
Kevin W. Horan
John J. Rock
ROCK FUSCO, LLC
321 N. Clark Street, Suite 2200
Chicago, Illinois 60610
(312) 494-1000

Jon Loevy
Michael Kanovitz
Arthur Loevy
LOEVY & LOEVY
312 North May Street, Suite 100
Chicago, Illinois 60607
(312) 243-5900

Lewis Joe - Let me know

Jerry

TO: CHICAGO TRADING AND ARBITRAGE TRADERS

FROM: JERRY PUTNAM

LEWIS BORSELLINO

2/12/97

WITH THE ADVENT OF THE RECENT CHANGES IN THE NASDAQ RULES, SOUTHWEST SECURITIES HAS CHANGED THEIR CLEARING FEES TO REFLECT A PER SHARE CHARGE INSTEAD OF A TICKET CHARGE. THIS WAS DONE TO ACCOMMODATE THE DAY TRADER WHO RECEIVED A PARTIAL FILL DUE TO THE MARKET'S INABILITY TO ACCOMMODATE 1000 SHARES. IT WAS A CHANGE INITIATED OUT OF FAIRNESS AND CONCERN FOR THE TRADER, NOT A LOOPHOLE OF WHICH TO TAKE ADVANTAGE.

WE HAVE BEEN INFORMED BY SOUTHWEST THAT THERE HAS BEEN A DRASTIC INCREASE IN 100 LOT ORDERS ORIGINATING FROM THIS OFFICE AND THEY HAVE ALREADY TAKEN STEPS TO CORRECT THE PRICING ASSOCIATED WITH THIS ACTIVITY. WE CAN ONLY SURMISE THAT THESE 100 LOT ORDERS ARE BEING ENTERED TO LIMIT ONE'S RISK, CERTAINLY NOT TO MAXIMIZE ONE'S GAINS. IF LOWER RISK AND LOWER COMMISSIONS WILL FACILITATE MORE ACTIVE TRADING AND THEREFORE A GREATER CHANCE AT SUCCESS, WE ARE GOING TO IMPLEMENT A TEMPORARY TRADING INITIATIVE.

SHARES	COMMISSION	ROUND TURN
100	\$7.50	\$15.00
101-300	\$10.00	\$20.00
301-500	\$12.50	\$25.00
500 & UP	2.5 cents/share	
SELECTNET		\$2.50 PER ORDER
ISLAND		\$1.00 PER ORDER
ARCHIPELAGO		1/20 cent/share, 50cent minimum

BASED ON MEETINGS AND DISCUSSIONS WITH DOZENS OF OTHER TRADERS ACROSS THE COUNTRY TWO SIGNIFICANT ASPECTS OF STOCK DAY TRADING STAND OUT AS THE WINNERS' "RULE OF THUMB".

(1) THE TRADER WHO TRADES ACTIVELY i.e., 100 OR MORE TRADES PER DAY (A TRADE IS ONE BUY AND ONE SELL OR ONE SELL AND ONE BUY). THE REASON FOR THIS IS LOGICAL. THE REASON IS DISCIPLINE. THE REASON IS OPPORTUNITY. THE LOGICAL PART OF THE EQUATION IS THIS. THE MORE TRADES THAT A TRADER PUTS ON THE MORE CHANCE THE TRADER HAS TO MAKE MONEY. SURE, THERE IS ALSO THE CHANCE TO LOSE MORE MONEY AND THAT IS WHERE DISCIPLINE COMES INTO PLAY. THE CARDINAL RULE, THE PRIMARY RULE, THE MOST IMPORTANT RULE OF SURVIVAL AND PROFIT IN TRADING IS TO CUT YOUR LOSSES AND LET THE WINNERS RUN. BECAUSE THE TRADER IS NEVER REALLY POSITIVE ABOUT WHICH POSITION WILL RUN, BUT CUTS ALL LOSSES AT A SPECIFIC POINT, THE TRADER SHOULD NEVER GET CAUGHT IN A POSITION THAT RUNS AGAINST HIM. THE TRADER IS IN A POSITION, HOWEVER, TO LET THE WINNER RUN. IT MAY BE A "RUN" OF 3/8 OR 1/2 OR 3/4, BUT IT FAR OUTWEIGHS THE 1/8 OR 1/4 LOSS THAT THE CONFIDENT TRADER IS PREPARED TO TAKE. YOU CAN'T BE PERFECT, BUT YOU CAN GET IN THE GAME.

(2) THE SECOND COMMON THREAD RUNNING THROUGH WINNERS IS THAT THEY UTILIZE EITHER SELECTNET, THE ISLAND, INSTINET, OR TONTO FOR ABOUT 30% OF THEIR TRADES. THE REASON FOR THIS IS THAT IN USING THIS AVENUE THE ASTUTE TRADER HAS THE ABILITY TO BUY THE BID AND SELL THE OFFER. AS AN EXAMPLE, A TRADER PERCEIVES MOMENTUM AND BUYS 1000 SHARES ON SOES, GOING WITH THE FLOW. TO EXIT THE TRADE, HOWEVER, THE TRADER CAN OFFER HIS POSITION TO ANOTHER TRADER WHO WAS LATE IN PERCEIVING THIS SAME MOMENTUM. THE TRADER OFFERS HIS STOCK AS THE MARKET IS MOVING UP KNOWING HE WILL GET LIFTED. THE

LB 00892

TRADER SAVES THE BID / ASK SPREAD. WHEN ARMAND HAMMER, THE FAMOUS INDUSTRIALIST, WAS ASKED HOW HE MANAGED TO ACCUMULATE TWO BILLION DOLLARS, HIS ANSWER WAS INSIGHTFUL. "I ALWAYS TOOK MY PROFITS TOO EARLY."

CHICAGO TRADING AND ARBITRAGE CAN ONLY REMAIN IN BUSINESS IF YOU ARE PROFITABLE. WE ARE HERE TO SERVICE TRADERS, NOT TO PROVIDE SPACE, COMPUTERS, DATA FEEDS, AND BACK-OFFICE SUPPORT TO INVESTORS. IF YOUR STYLE IS THAT OF AN INVESTOR YOU DO NOT NEED THE TYPE OF SPEEDS THAT WE OFFER TO OUR DAY TRADERS. TRADING THROUGH THE INTERNET AT HOME CAN BE DONE FOR AS LITTLE AS \$9.50 PER TICKET VS. THE \$25 CHARGE THAT WE PASS ON TO YOU FOR A 1000 SHARE TRADE. IT IS UNFAIR, AS WELL, FOR A FEW ACTIVE TRADERS TO CARRY THE BURDEN FOR THOSE WHO DO NOT TRADE. SO, AFTER THE INTERIM TRADING PERIOD OF MARCH 3 TO MARCH 14, AND COMMENCING ON MARCH 17 WE WILL EXPECT EACH TRADER TO MAKE AN AVERAGE OF ONE TRADE PER HOUR. THAT IS ONE BUY AND ONE SELL. THE THREE BIGGEST MONEY MAKERS IN HOUSTON AVERAGE OVER 25 TRADES PER HOUR. IF A TRADER CANNOT FIND ONE OPPORTUNITY IN AN HOUR THIS TRADING BUSINESS IS PROBABLY NOT FOR HIM/HER. IF ONE TRADE PER HOUR DOES NOT FIT AN INVESTOR'S STYLE THIS ROOM IS PROBABLY NOT FOR HIM/HER. HOWEVER, FOR THOSE WHO CHOOSE NOT TO TRADE THE MINIMUM BUT WOULD LIKE TO SIT IN THE OFFICE, VIEW THE NASDAQ LEVEL II SCREENS, RECEIVE THE COMSTOCK QUOTES AND PC QUOTES, AND UTILIZE REALTICK AND THE CHICAGO PROJECT, AN EQUITABLE FEE WILL BE CHARGED. THIS FEE WILL EQUAL THE DIFFERENCE BETWEEN ACTUAL COMMISSIONS PAID ON TRADES MADE AND THE COMMISSIONS THAT WOULD HAVE ACCRUED AT THE MINIMUM TRADE LEVEL. WE ARE TRYING TO BE FAIR TO EVERYONE -- TO THE ACTIVE TRADERS, TO THE INACTIVE TRADER OR INVESTOR AND TO CHICAGO TRADING AND ARBITRAGE.

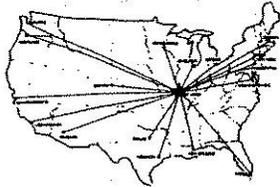
THE FOLLOWING COMMISSION SCHEDULE IS EFFECTIVE MARCH 17, 1997.

ON TRADES OF 500 SHARES OR LESS	\$12.50 PER TICKET
ON TRADES GREATER THAN 500 SHARES	2.5 cents/share
SELECTNET TRADES	\$2.50 PER TRADE
ISLAND TRADES	\$1.00 PER TRADE
ARCHIPELIGO TRADES	1/20 cents/share, 50 cent minimum

IN ANY EVENT THESE NEW RATES REFLECT A 50% DISCOUNT IN COMMISSIONS FOR THE TRADER WHO CHOOSES TO TRADE IN SMALLER SIZE. PLEASE NOTE ALSO THAT PARTIAL FILLS ON A 1000 SHARE ORDER WILL NOT BE CHARGED THE \$12.50 MINIMUM, BUT RATHER AT THE 2.5 cents/share RATE.

WE HOPE THAT YOU VIEW THESE CHANGES AS AN OPPORTUNITY. WE ARE IN THE PROCESS OF MAKING SIGNIFICANT CHANGES WITH THE HOPE TO SERVE YOU BETTER. MORE ON THIS TOPIC TO FOLLOW.

LB 00893



**CLEARING
SERVICES
OF AMERICA**

ACCOUNTS CLEARED BY PERSHING DIVISION OF DLJ

100%

PAYOUT

Contact Joe Miles

800-283-3351

RECEIVE LEGAL COUNSEL

from an experienced team of securities lawyers under the direction of Thomas D. Giachetti a lawyer, stockbroker and NASD/NYSE Arbitrator

Stark & Stark
A PROFESSIONAL CORPORATION
For All We Represent.

Mailing Address
CN 5315 • Princeton, NJ 08543-5315
Phone: 609-896-9060 • FAX: 609-896-0629

POINT, CLICK & TRADE!

Have you thought about becoming a DAY TRADER?

- State of the art executions including SOES
- Proprietary momentum & search algorithm software
- Extensive training program (NASDAQ & NYSE)

cTa...Chicago Trading & Arbitrage, LLC

318 W. Adams, 16th Floor
Chicago, IL 60606

Call us at: 1(888) U-SELL- HI
eMail us at: cta@atthemoney.com

**INVEST IN REAL ESTATE
WITHOUT ANY FINANCIAL RISK TO YOU!**

Split **BIG** Profits When You Locate Distressed or Foreclosed Property in Your Area!

- ✓ Use Our Money!
- ✓ No Experience Needed!
- ✓ No Financial Risk to You!
- ✓ Complete Training Provided!
- ✓ Unlimited Earnings Potential!

For **FREE** Info. Call: (908) 821-2219

SERIES **7** **EXAMCO**® SERIES **7**
EDGE™

"CUT CLASS AND PASS"

- 95% of EXAMCO's graduates pass the first time (National average is 70%)
- No Classes! No Travel! No time off work! No cramming!

EDGE IS MORE EFFECTIVE THAN GRAM COURSES

- Teaches you what you need to know to pass. Nothing more, nothing less.
- Continuously updated materials prepare you to pass
- Interactive software reduces your total study time
- Review right up to the exam - no "one shot" cram courses
- Self-paced approach complements your schedule
- Experts available for one-to-one advice and assistance

ABSOLUTELY NO-RISK

- Free 10-day trial - money back guarantee
- If you complete our course and don't pass, we pay your retest fee

Only \$199! Windows, DOS, Mac, Network versions

Call (800)955-7055 for assistance on any NASD, CLU/ChFC, L&H product

THE NATION'S LEADER
in computer-based exam-prep

EMPLOYMENT DISPUTES?
Any complaints against your employer for wrongful discharge, employment discrimination, sexual harassment, or defamation? You may recover money damages in securities arbitration. Please call:
Attorney Anthony J. Horn, Esquire
NY (212)274-1433 FAX (212)274-1223
PA (215)972-5112 FAX (215)972-5114

BROKER LEGAL DEFENSE

Customer V. Broker
Company V. Broker
Arbitration-Negotiation-Settlement
STEVEN L. MILLER
Attorney-Former Broker
(818)501-5900 or (800)350-2098

SECURITIES ATTORNEY

Customer, Regulatory, Employment
PROBLEMS?
1-800-846-3960
DAN A. DRUZ, Esq.

LEADS

1000 for \$89.00

Super High Quality OTC Investors
Heavyhitters, Millionaires, All Qualified!!
UNHAMMERED All Leads GUARANTEED
24hr. delivery - AceLeads - (561) 585-1499



SUNPOINT SECURITIES INCORPORATED

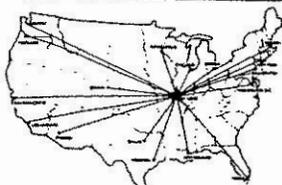
See us on the WEB
sunpoint.com

Tammy Jackson
800-759-3530

Offices across the United States offering a full range of investments for individual and corporate investors.
Home Office: 911 W. Loop 281, Longview, TX (903) 759-3530
Member of NASD, SIPC and MSRB



**MAKE INDEPENDENCE YOUR
NEW YEAR'S RESOLUTION!**



**CLEARING
SERVICES
OF AMERICA**

ACCOUNTS CLEARED BY PERSHING DIVISION OF DLJ

100% PAYOUT

Contact Joe Miles
800-283-3351

COMPUTER CLEARING SERVICES, INC.

Will provide clearing and execution services for:

- Listed • OTC • Options
- Debt Securities
- Mutual Funds

We can offer a real-time quotation service along with a back office software package.

A clearing arrangement can be tailored to meet YOUR needs.



To Learn more about our services, call
Stephen S. Worcester, President
801 N. Brand Boulevard, Suite 312
Glendale, California 91203
(818) 242-9333 / (800) 558-4848

Please visit us at:
<http://www.ccls.com>
NASD/SIPC

POINT, CLICK & TRADE!

*Have you thought about becoming a
DAY TRADER?*

- State of the art executions including SOES
- Proprietary momentum & search algorithm software
- Extensive training program (NASDAQ & NYSE)

cTa...Chicago Trading & Arbitrage, LLC

318 W. Adams, 16th Floor
Chicago, IL 60606

Call us at: **1(888) U-SELL-HI**
eMail us at: cta@atthemoney.com

97 1/4 Easco 5 1/4 ISSI 11 1/2 SpecCtl 4 Antec 15 1/4 FHP 37 1/2 Novell 11 1/2 TexStar 3/8 MedDsg 10 1/2 Zill
 ST 4 3 Galileo 26 3/4 NwstAirl 35 1/2 Pixar 15 3/4 3Com 64 5/8 Vicor 24 3/4 CRA

Day Trading Advantages

Through the use of the Small Order Execution System (SOES) and SelectNet, these advantages are brought to the day trader:

- Immediate access to the market place.
- Market quotes at the same time as the Market Makers.
- Identification of merging market trends in hundreds of NASDAQ stocks.
- Automatic Execution of trades.
- Low commissions.

Enjoy the same advantages as the Market Makers. See "real" current prices as they are in the process of changing. You can have access to the market and immediate entry into a fast moving situation. You are in control of the trading environment.

el 97 1/4 Easco 5 1/4 ISSI 11 1/2 SpecCtl 4 Antec 15 1/4 FHP 37 1/2 Novell 11 1/2 TexStar 3/8 MedDsg 10 1/2 Zill
 AST 4 3/4 Stokely 2 11/16 NorTrst 65 Galileo 26 3/4 NwstAirl 35 1/2 Pixar 15 3/4 3Com 64 5/8 Vicor 24 3/4 CRA



There are many SOES traders across the USA whose successes and achievements have been reported in *Time Magazine*, *Barrons*, *Forbes* and other prestigious publications.

Although SOES does not guarantee profitability, it does guarantee that you will be able to effectively interact in the market.

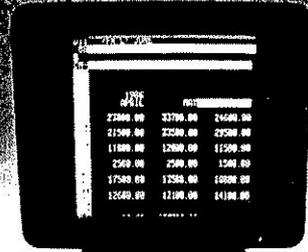
Immediate access to the market, as well as extensive cTa training creates a mindset that can prevent significant loss while providing the potential for tremendous trading profitability!

Call Chicago Trading & Arbitrage today to schedule your individual interview and tour of our facility!

cTa

Chicago Trading & Arbitrage
 318 West Adams, 16th Floor
 Chicago, IL 60606

1-888-U SELL HI
 (1-888-873-5544)



LB 00238

The 21st Century trader demands a trading environment where ideas become trades, trades become earnings, losses are cut quickly and profits are allowed to soar!

In today's trading environment one of the most important aspects of maximizing profits is the ability to act quickly to rapidly changing market conditions. The cTa system gives you the opportunity to do just that.

Chicago Trading & Arbitrage lets you go where the action is at the flick of a keystroke. Our intensive training system enables the average person to execute a stock order in less than a second.

Easco 5 1/4 ISSI 11 1/2 SpecCtl 4 Antec 15 1/4 FHP 37 1/2 Novell 11 1/2 TexStar 3/8 MedDsg 10 1/2 Zila
 ST 4 3/4 Stokely 2 11/16 NorTrst 65 Galileo 26 3/4 NwstAirl 35 1/2 Pixar 15 3/4 3Com 64 5/8 Vicor 24 3/4 CRA 5

What is NASDAQ?

NASDAQ is the world's first electronic stock market and the fastest growing stock market in the United States.

NASDAQ began operating in 1971, and by the end of 1995 listed 5,122 companies, as opposed to 2,675 for the NYSE and 791 for the AMEX.

Many of NASDAQ's 5,122 companies are industry leaders in such fields as computers, data processing, pharmaceuticals, telecommunications, biotechnology, and financial services. More than 85 percent of all newly public companies are listed on the NASDAQ Stock Market, outpacing all other U.S. markets.

Through a system of computers and telecommunications networks, NASDAQ, the only U.S. market without an exchange, enables securities firms throughout the nation to compete freely with one another in a screen-based, floorless trading environment.

NASDAQ serves millions of investors around the globe, has more listed companies than any other market, and is the world's second largest in terms of dollar trading volume.

LB 00237

el 97 1/4 Easco 5 1/4 ISSI 11 1/2 SpecCtl 4 Antec 15 1/4 FHP 37 1/2 Novell 11 1/2 TexStar 3/8 MedDsg 10 1/2 Zila
 AST 4 3/4 Stokely 2 11/16 NorTrst 65 Galileo 26 3/4 NwstAirl 35 1/2 Pixar 15 3/4 CRA



How the Small Order Execution System works:

The SOES trading system utilizes NASDAQ Level II quotes and SelectNet, making the average individual as well informed on prevailing market conditions as the Market Maker.

SOES allows you to turn your ideas into actions in less than a second. SelectNet permits you to maximize your pricing in between the spreads, thereby allowing you the opportunity to create better prices, make a little more, or lose a little less. Remember, in day trading, fractions really count.

Our methods and techniques put all the tools necessary for success in your hands. The trader is able to capitalize on quote changes almost instantaneously, giving the SOES trader hands-on control over securities positions.

el 97 1/4 Easco 5 1/4 ISSI 11 1/2 SpecCtl 4 Antec 15 1/4 FHP 37 1/2 Novell 11 1/2 TexStar 3/8 MedDsg 10 1/2 Zila
 AST 4 3/4 Stokely 2 11/16 NorTrst 65 Galileo 26 3/4 NwstAirl 35 1/2 Pixar 15 3/4 3Com 64 5/8 Vicor 24 3/4 CRA

21st Century Trader

SOES represents the most fertile environment for the 21st century trader.

Through the use of the Nasdaq Level II screen, current quotations are electronically published, giving the user the opportunity to follow the trends of the Market Makers.

As dealers adjust their quotations, the new prices are automatically displayed. The trader has access to current prices as they are in the process of changing, allowing more astute decision making.

Once trained on the cTa system, the trader, equipped with a personal computer displaying Level II quotation services, has the capability to automatically execute trades and identify merging market trends.

The use of this service can be provided at the offices of cTa, or established in an individual's home.