



NYSE Group, Inc.

Allocation Policy and Procedures

I. PURPOSE

The current allocation process was established in 1976. The Quality of Markets Committee of the NYSE Board of Directors has periodically appointed special Allocation System Review Committees (ARCs) to conduct comprehensive reviews of the allocation process. The objective of each review was to preserve the integrity of the original system and build upon its strengths, in order to ensure that the allocation process:

- (1) is based on fairness and consistency;
- (2) maximizes the professionalism, expertise and objectivity of committee members;
- (3) minimizes potential conflicts of interest;
- (4) rewards performance and provides an incentive for performance improvement;
- (5) spreads reward and risk throughout the specialist system, in order to contribute to its strength and continued viability;
- (6) provides the best possible match between specialist unit and stock, and provides an opportunity for input from the listing company for that purpose;
- (7) provides for education of all participants in the allocation process; and
- (8) ensures the strength and autonomy of the Allocation Committee in applying the policy.

Because specialists can expand their business only by increasing the number of their specialty stocks, allocation criteria and procedures and the performance evaluations on which they rely focus critical attention on customer service and ongoing improvement in the level of specialists' performance. The result is higher quality markets, benefiting the investing public, listed companies and member organizations.

This document presents the policy of the Exchange with respect to the allocation of equity securities: (1) when a common stock is to be initially listed on the Exchange; (2) when a security is to be reallocated as a result of disciplinary or other proceedings under Exchange Rules 103A, 475 and 476; or (3) when a specialist unit voluntarily surrenders its registration in a security as a result of possible disciplinary or performance improvement action, *and the allocation of Exchange Traded Funds admitted to trading on the Exchange on an unlisted trading privilege basis (see Section VIII, page 18 of this document)*. The purpose of the allocation system is: (1) to ensure that securities are allocated in an equitable and fair manner and that all specialist units have a fair opportunity for allocations based on established criteria and procedures; (2) to provide an incentive for ongoing enhancement of performance by specialist units; (3) to provide the best possible match between specialist unit and security and (4) to contribute to the strength of the specialist system.

II. ALLOCATION COMMITTEE

Responsibility

The Allocation Committee has sole responsibility for the allocation of securities to specialist units under this policy pursuant to authority delegated by the Board of Directors, and is overseen by the Quality of Markets Committee of the Board ("QOMC"). The Allocation Committee renders decisions based on the allocation criteria specified in this policy (see Section IV). Allocation decisions are published for Exchange Floor members and are communicated to listing companies by Exchange staff. The Allocation Committee gives periodic reports to the QOMC.

Composition

The composition of the Allocation Committee is intended to maximize expertise and objectivity in the allocation process.

To this end, the committee is comprised of 6 Floor brokers, including 3 broker Governors (1 of whom may be an independent/two dollar broker), 3 other Floor brokers from the Allocation Panel (1 of whom must be an independent/two dollar broker); 2 allied members from the Market Performance Committee or the panel; and 1 representative of an institutional investor organization from the Market Performance Committee or the panel. Commission brokers contribute their experience in conducting business with specialists, as well as broad-based knowledge of units on the Floor.

Therefore, they have the largest representation on the committee. Allied members and representatives of institutional investor organizations often provide a perspective on the trading characteristics of new listings and experience as an off-Floor customer of the specialists. Including Governors on the committee adds comprehensive knowledge of specialist performance as well as a broad perspective and expertise relating to the Exchange.

The 9-member committee is chosen from an Allocation Panel (See Section III), which includes Floor brokers, allied members, representatives of institutional investor organizations, Governors, and Senior Floor Officials. Selection of committee members within the appropriate member categories is random as to individuals, but an effort is made to appoint individuals who have not yet served on the committee before reappointing past committee members. The Exchange also tries to provide a balanced Floor geographical mix. Efforts are also made to include no more than one broker or allied member whose firm is affiliated with a specialist unit.

Term of service

Committee members serve 4-month terms, and every two months four or five members are rotated, thereby fostering continuity and objectivity in the decision-making process.

A committee member whose term has expired is ineligible for consecutive reappointment, but after two months is eligible for further service if again randomly selected.

Quorum requirement

A full Allocation Committee affords optimal participation, and every effort is made to have 9 members for each allocation decision. Whenever standing committee members are unable to serve for a particular meeting or must abstain from deliberations regarding particular stocks, randomly selected panel members may substitute to complete a 9-member committee. A quorum requirement is established so that allocation decisions can otherwise be made, provided there are 7 members including 6 Floor brokers, at least two of whom are Governors, and 1 allied member. The presence of the representative of the institutional investor organization is not required for a quorum. In the event that any of the broker Governors on the standing committee are not able to attend an Allocation Committee meeting, or are unable to participate in the allocation of a particular stock, the Exchange first seeks to substitute for such Governor(s) with another broker Governor on the panel. If no such Governor is available, a Senior Floor Official or Executive Floor Official broker on the panel who is not currently a standing member of the Allocation Committee may serve as a substitute for a Governor for the purpose of meeting the Governor quorum requirement. If no Senior Floor Official or Executive Floor Official broker on the panel is available, any Senior Floor Official or Executive Floor Official broker on the standing committee may substitute for the absent Governor(s) for the purpose of meeting the Governor quorum requirement. The Exchange seeks as a substitute a Senior Floor Official or Executive Floor Official who is not currently a standing member of the Allocation Committee in order to maximize the level of seniority of the standing committee. In the event no current Floor broker, or allied panel member is available, a former Allocation Committee chairman may substitute, but may not substitute for a Governor for the purpose of meeting the Governor quorum requirement, unless such former Allocation Committee chairman is a Senior Floor Official or Executive Floor Official on the panel. A former chairman brings unique experience and expertise to the process.

Chairman

The Allocation Committee chairman is selected from among the Floor brokers on the standing committee whose firms conduct business with the public, as well as Governors. (Governors and brokers whose firms are affiliated with a specialist unit are ineligible to serve as chairman.) All candidates for chairman must have experience on the Allocation Committee to qualify. The chairman is elected by current Allocation Committee members, including outgoing members, and members of the committee who will be serving at the time of the chairman's appointment.

While allocation decisions are made by the committee as a whole, the chairman's role calls for leadership in conducting meetings in accordance with policy and procedure, emphasizing the importance of preserving the integrity of the allocation process, the committee's responsibility to serve the best interests of the public and the Exchange, and the need to suspend individual interest and avoid possible conflicts of interest.

In order to foster a complete understanding of and ensure consistency of the allocation process, each new chairman is elected two months prior to the commencement of his or her term as chairman. The eligible members will thus include the brokers with 4 months remaining in their committee terms, plus the brokers selected for rotation onto the committee two months hence. The chairman will serve until the end of his or her committee term (i.e., two to six months).

If elected prior to the commencement of his or her committee term the chairman-elect will attend meetings as an observer and discuss the allocations with the current chairman. If already serving on the committee, the chairman-elect will likewise discuss the meetings with the current chairman. Orientation of each new chairman will also be provided by former chairmen of the Allocation Committee and by the Quality of Markets Committee. A standardized agenda for education of new chairmen will be made available.

Committee member abstentions

In making allocation decisions pursuant to this policy, it is the responsibility of each Allocation Committee member to adhere strictly to the approved allocation criteria. A committee member who feels he or she cannot abide by the criteria due to potential conflict of interest (e.g., allocation involving a relative, a financial interest, relief specialists, etc.) should disqualify himself or herself from the deliberations.

If an Allocation Committee member has an investment banking relationship (defined as manager or co-manager of an underwriting group) or is in an advisory fee relationship with an about-to-be listed company, that committee member must abstain from allocation deliberations with respect to that particular stock. A broker or allied member whose firm is affiliated with a specialist unit must abstain from deliberations regarding allocation of a stock for which that unit has applied.

Committee disclosure

The names of the standing committee members will be kept confidential. Allocation Committee books will not be delivered to committee members on the trading Floor. Committee members will pick up their books at the Committee Support Services area.

Committee information

Allocation policy provides the application form and related written correspondence as the means by which interested parties transmit to the Allocation Committee information pertinent to allocations. Exchange members and investment bankers may not initiate contact with Allocation Committee members pertaining to an upcoming allocation. Allocation Committee members will enforce this prohibition. Allocation decisions are made by the committee as a whole, based on the published allocation criteria. Under all circumstances the confidentiality of the Allocation Committee's deliberations is paramount.

Observation of Committee Meetings

All incoming committee members are expected to observe as many committee meetings as possible prior to the commencement of their committee terms.

III. ALLOCATION PANEL

Composition

The composition of the Allocation Panel reflects the committee structure and includes 28 Floor brokers, 13 allied members (including the 5 allied members serving on the Market Performance Committee), 9 representatives of institutional investor organizations (including the 5 representatives of institutional investor organizations serving on the Market Performance Committee,) the 10 Floor broker Governors who are part of the panel by virtue of their appointment as Governors, and a minimum of 5 Senior Floor Official or Executive Floor Official brokers that have been appointed to the panel.

Selection

Panel members are nominated by the membership. A selection committee, appointed by the Floor Directors, reviews the nominations and recommends panel appointments to the Floor Directors, who finalize recommendations for presentation to the QOMC. The selection committee operates in accordance with such guidelines as are established and made known to the membership from time to time. The selection committee and, in turn, the Floor Directors seek to develop a representative panel that maximizes professional expertise and broad exposure on the Floor by including members from various types of firms and from diverse locations on the Floor. To the maximum extent possible, the Floor members on the panel are expected to be a core group of experienced, senior professionals, such as former Allocation Committee chairmen, Senior Floor Officials, Executive Floor Officials, and current and former Floor Governors.

In the case of allied members and representatives of institutional investor organizations, the allied member organization and the institutional investor organization are appointed to the panel. The individual representative is then selected by the organization. A Floor Director gives guidance to the organization in selecting an appropriate representative.

Eligibility

Professional expertise and experience are essential to the excellence of the allocation system. Therefore, a Floor member must have a minimum of 5 years experience as a member on the Floor in order to be eligible for appointment to the Allocation Panel. In the case of allied members and representatives of institutional investor organizations, the organization shall select a representative with at least 5 years of trading experience in listed equities and a senior position on the trading desk, and each may designate one alternate who meets the Panel qualifications, subject to approval by the Floor Directors.

Term of service

Panel members are appointed to serve a one-year term. They may serve a maximum of 6 consecutive one year terms. Once a panel member has served a total of two 4-month committee terms, the member is rotated off the panel at the next annual meeting of the Exchange. The panel members serve staggered terms so that every 2 months 4 or 5 members rotate from the committee. Once rotated off, the member is ineligible for appointment to the panel for one year. Governors are not subject to the two committee term restriction, but remain on the panel for as long as they are Governors. Senior Floor Officials and Executive Floor Officials are subject to annual reappointment, but are not subject to the two committee term restriction and are not limited to a maximum of six consecutive one year terms.

IV. ALLOCATION CRITERIA

Allocation decisions under this policy are based on the professional judgment of the Allocation Committee in applying specified criteria.

In order to ensure that a single criterion is not afforded too great a weight in any allocation decision, and in order to ensure consistency in the allocation process, the Allocation Committee will base its decisions on the following:

- (i) results of the Specialist Performance Evaluation Questionnaire ("SPEQ") (to be given 25% weight);
- (ii) objective performance measures; and
- (iii) the committee's expert professional judgment in considering the SPEQ, objective measures of performance, and other criteria as enumerated below.

Set forth below are the criteria, followed by an explanation of each:

- SPEQ
- Objective performance measures
- Professional judgment
- Listing company input
- Allocations received
- Capital deficiency, disciplinary actions, justifiable complaints
- Foreign listing considerations

Specialist Performance Evaluation Questionnaire

The SPEQ includes several facets. Professional judgment determines the relative weight of the various aspects listed below:

- (a) ratings in the current quarter, particularly relative to other applicants;
- (b) improved ratings;
- (c) ratings over time (e.g., 4 quarters), to consider possible aberrations in ratings;
- (d) the strengths of the individual specialist designated by the unit to handle the stock, relative to the strengths of the specialists designated by other applicants, as indicated by SPEQ comments that frequently refer to performance of individuals;
- (e) ratings and written comments on specific specialist functions in relation to particular characteristics of the new listing; and
- (f) written SPEQ comments as to the performance of the entire unit.

Objective measures of performance

The objective performance measures include TTV, stabilization, capital utilization, near neighbor analysis and such other measures as may be adopted. Objective measures in Rule 103A include:

- (a) timeliness of regular openings;
- (b) promptness in seeking Floor official approval of a non-regulatory delayed opening;
- (c) timeliness of DOT turnaround; and
- (d) response to administrative messages.

The objective measures are reported to the Allocation Committee as a "pass" or "fail" as specified in Rule 103A.

Specialist dealer performance is measured in terms of participation (TTV); stabilization; capital utilization, which is the degree to which the specialist unit uses its own capital in relation to the total dollar value of trading in the unit's stocks; and near neighbor analysis, which is a measure of specialist performance and market quality comparing performance in a stock to performance of stocks that have similar market characteristics. The Allocation Committee receives the most recent data available and historical data with respect to each applicant's performance in relation to other units evaluated during the same time period.

The Allocation Committee is informed if an applicant has been subject to a performance improvement action in the most recent four quarters.

Although stocks are allocated to units, as noted above, the committee may give consideration to the person who will serve as the specialist. Therefore, it is important that the application accurately represent the unit's plans as to the individual who will handle the stock.

Professional judgment

The expert, professional judgment of the members of the Allocation Committee is crucial to the allocation decision-making process. Decisions are based on professional judgment, rather than mathematical calculation. Each committee member evaluates the data and determines how the specified criteria should be applied in each allocation, based on his or her expertise and experience from the viewpoint of his or her role in the Exchange community. In addition to the SPEQ and the objective performance measures described above, the committee also considers listing company input, allocations received, capital and disciplinary and cautionary data, as detailed below.

Listing Company Input

Listing on the New York Stock Exchange is a significant development for a company, and the assignment of a specialist through the allocation process is an important step. The Exchange's Allocation Policy is intended to provide listing companies with a choice of alternatives as to how their specialist unit may be selected. The listing company may choose to have its specialist unit selected by the Allocation Committee, in accordance with the criteria specified in the Allocation Policy, and the exercise of the Committee's expert professional judgment. Alternatively, the listing company may choose to become more directly involved in the selection process. In that case, the company may request that the Allocation Committee select specialist units that would be appropriate to trade the company's stock, with the company then making the final selection from among the group of units as chosen by the Allocation Committee. Such a group shall consist of three, four, or five units, selected by the Committee as demonstrably deemed to be the most qualified to receive such allocation from among the units that apply, based upon the criteria set forth in this policy, and shall include or exclude units as set forth in this policy. If three units are selected, the Allocation Committee may select an alternate to be among the group of units that a company may interview in the event a unit is eliminated. A unit chosen as an alternate will be informed of its status as such. These procedures shall apply to the allocation of a newly-listing company, as well as the reallocation of an already listed company.

Specialist Unit Selected by Allocation Committee. If the listing company so chooses, the Allocation Committee shall select the specialist unit to be allocated the company's stock based on the Committee's expert assessment of the type of specialist unit that would be most appropriate for the company, and the Committee's professional evaluation of performance data and other relevant information as specified in the Allocation Policy. The listing company may submit a letter to the Allocation Committee which focuses on describing the characteristics of the listing company (e.g., history of and background about the company and its industry; how the company historically has funded its operations; characteristics of its shareholder base and any unusual trading patterns that may result therefrom; and any public information regarding the company's plans for the future) which it believes would be appropriate for the Allocation Committee and the unit that would be selected to trade its stock to know. The letter may also include the company's views on being traded by units which are experienced in trading companies in its industry or country. The listing company may not, however, identify any particular specialist unit in its letter, or specify characteristics of a specialist unit so unique as to be applicable only to a readily identifiable specialist unit.

Specialist Unit Selected by Listing Company. If the listing company so chooses, it may request that the Allocation Committee select specialist units that would be appropriate to trade the company's stock, with the company then making the final selection. If the listing company chooses this alternative, the company may either make no communication to the Allocation Committee, or it may submit a letter to the Committee which focuses on describing the characteristics of the listing company (e.g., history of and background about the company and its industry; how the company historically has funded its operations; characteristics of its shareholder base and any unusual trading patterns that may result therefrom; and any public information regarding the company's plans for the future) which the company believes would be appropriate for the Committee and the units to be selected by the Committee to know. The letter may also include the company's views on being traded by units which are experienced in trading companies in its industry or country. The listing company may not, however, identify any particular specialist unit in its letter, or specify characteristics of a specialist unit so unique as to be applicable only to a readily identifiable specialist unit.

In any case where a listing company believes that a particular specialist unit has been instrumental in helping it reach a decision to list on the Exchange, the listing company may communicate this fact in a separate letter to the Allocation Committee. Such separate letter may mention only one specialist unit. Such separate letter shall not be made available to specialist unit applicants for the listing company's stock. The Allocation Committee shall include the specialist unit named in such separate letter in the group of units selected to meet with the listing company, unless such specialist unit is precluded under this policy from applying to be allocated a stock.

Meetings Between Listing Company and Specialist Units. By the close of business on the last Exchange business day of the week in which the selection of a group of specialist units as described above takes place (unless the Exchange has determined to permit a longer time period in a particular case), the listing company shall meet with representatives of each of the specialist units. Meetings shall normally be held at the Exchange, unless the Exchange has agreed that they may be held elsewhere. At least one representative of the listing company must be a senior official of the rank of Corporate Secretary or above of that company. In the case of the listing of a structured product, a senior officer of the issuer may be present in lieu of the Corporate Secretary. No more than three representatives of each specialist unit may participate in the meeting, each of whom must be employees of the specialist unit, and one of whom must be the individual who is proposed to trade the company's stock.

Teleconference meetings will be permitted at the request of non-U.S. listing companies, or for U.S. listing companies in compelling circumstances and with the approval of the Exchange.

Listing Company's Selection of Specialist Unit. As soon as practicable following its meeting with representatives of the specialist units, the listing company shall select its specialist unit in writing, signed by a senior official of the rank of Corporate Secretary or higher, or in the case of a structured product listing, a senior officer of the issuer, duly authorized to so act on behalf of the company. If a listing company meets with any of its specialist units on the last Exchange business day of the week, it shall make its decision on that day. The Allocation Committee shall then confirm the allocation of the stock to that unit, at which time the stock shall be deemed to have been so allocated.

Allocation Applications. In their applications for the allocation of a listing company's stock, specialist units must describe all pertinent factors as to why they believe they should be allocated the stock. At a minimum, such factors should include how the unit will allocate resources (staff and/or capital) to accommodate this new issue and what new resources, if any, will the unit need to acquire to service this stock; identity and experience of the individual proposed to trade the stock, with a description of other securities traded by that individual; and a discussion of why that individual is appropriate to trade the listing company's stock. If the listing company has submitted a letter to the Allocation Committee as permitted herein, a copy of such letter shall be made available to all specialist units. In their applications to be allocated the stock of such company, specialist units shall be expected to indicate how they meet any characteristics described in the company's letter. If, within six months of the date a newly-listed company begins trading on the Exchange (or a company which has been reallocated begins trading with its new unit), the specialist unit determines that the individual specialist who trades the company's stock should be an individual other than the one named in the allocation application, the specialist unit shall so inform the Allocation Committee, in writing, and disclose its reasons therefor. These letters shall be maintained in the permanent records of the Committee.

Contact between listing companies and specialist units.

Specialist units must describe in their applications to be allocated the stock of a listing company any contacts they, or any individual acting on their behalf, have had with any employee of that company, or any individual acting on behalf of that company with regard to its prospective listing on the Exchange, within six months prior to the earlier of the date that written notice is given that the listing company filed its listing application with the Exchange or the date that allocation applications are solicited with respect to that company.

Specialist units or any individual acting on their behalf may not have any contact with a listing company from the earlier of the time that written notice is given that the listing company filed its listing application with the Exchange; or the time that the allocation applications are solicited with reference to that company. (Information about the listing company is distributed to specialists on the stock data sheet by the Exchange.) Once a specialist unit is selected to be in the group of units chosen by the Allocation Committee, it may provide material to the Exchange which will be given to the listing company on the day of the scheduled interview. Such material shall be given to the Exchange no later than two hours before the scheduled interview with the listing company. Such material must be limited to information pertaining to the specialist unit, and may not contain information that refers to another specialist unit or units, except overall floorwide statistics. Any material pertaining to the specialist unit's performance as a specialist may not be provided on Exchange documents but may be supplied on the specialist unit's own letterhead.

At an interview with a listing company, a specialist unit may not supply information concerning another specialist unit or units either orally or in writing, except it may refer to overall floorwide statistics. Information concerning the specialist unit contained in Exchange documents may be provided either orally or in writing on the specialist's own letterhead.

Following its interview, a specialist unit may not have any contact with a listing company. If a listing company has a follow-up question regarding any specialist unit(s) it interviewed, it must be conveyed to the Exchange. The Exchange will contact the unit(s) to which the question pertains and will provide any available information received from the unit(s) to the listing company.

Allocations received

The committee is provided information on allocations received by each unit in the preceding year and the current year, the number of applicants for those stocks allocated in the past and the number of stocks lost through corporate mergers, delistings or other such events over which the specialist has no control. While a recent allocation does not preclude a unit from being awarded a subsequent new listing, the committee considers such factors in comparing similarly qualified applicants.

Capital deficiency information

The committee is informed of any applicant that is in capital violation, or is potentially in violation, based on a current check of estimated capital data (conducted between the application deadline and the date of the allocation meeting). A unit with a capital deficiency will be informed in advance of the meeting and may provide information for the committee explaining the circumstances of the unit's capital situation. The unit's capital history will also be provided (frequency of past violations and borderline situations).

Disciplinary and cautionary data

The committee is informed of disciplinary and cautionary actions, as described below.

Cautionary letters and summary fines regarding market maintenance are reported for 12 months beginning at the time of issuance.

All other cautionary letters and summary fines are reported for 6 months beginning at the time of issuance.

The preceding parameters apply equally to disciplinary or cautionary actions that result from a justifiable complaint (public or institutional complaint received via correspondence).

The committee is informed of significant pending enforcement matters. The investigations are included in an allocation file when the commencement of an enforcement action is authorized. If formal disciplinary action is ultimately taken, the item would remain in the file for 12 months after a Hearing Panel decision is final.

Foreign listing considerations

The special characteristics of foreign issues often require the specialist to commit extra resources in order to be a presence in the foreign market. Therefore, in allocating a foreign issue, the committee also considers a specialist applicant's commitment to establish and maintain relationships with arbitrage houses and foreign brokerage firms, and to gain familiarity with various aspects of trading securities of foreign issuers.

V. POLICY NOTES

Spin-offs and listing of related companies

If a listing company is a spin-off of or a company related to a listed company, the listing company may choose to stay with the specialist unit registered in the related listed company or be referred to the Allocation Committee. If the matter is referred to the Allocation Committee, all specialists are invited to apply. Information about the relationship to a listed company and the name of the specialist involved, is included on the stock data sheet inviting specialist applications. The same information is provided to the committee for consideration in its deliberations regarding the allocation of the new listing. If the listing company chooses to have its specialist unit selected by the Allocation Committee in accordance with the procedures set forth herein for a newly-listing company, the Allocation Committee shall honor the company's request not to be allocated to the specialist unit that traded the related listed company. Alternatively, if the listing company chooses to select its specialist unit from among a group of units selected by the Allocation Committee, the Allocation Committee shall honor the listing company's request to include or exclude from the group the specialist unit that traded the related listed company.

Relistings

Relistings are treated as new listings, with allocation open to all units. Information about the prior listing and the name of the specialist involved, is included on the stock data sheet inviting specialist applications. The same information is provided to the committee for consideration in their deliberations regarding the allocation of the new listing. While committee members use their own judgment to determine what consideration, if any, should be given to that information, a relisting company's request not to be allocated to its former specialist unit will be honored.

Common Stock listing after Preferred Stock

When a company applies to list an issue of common stock after having listed a preferred issue, the common stock is referred to the Allocation Committee, with allocation open to all units. Information about the preferred stock and the name of the specialist involved, is included on the stock data sheet inviting specialist applications. The same information is provided to the committee for consideration in its deliberations regarding the allocation of the common listing. The company may choose to have its specialist unit selected by the Allocation Committee, or it may choose to select its specialist unit from among a group of units selected by the Allocation Committee. The specialist unit that trades the preferred stock must be included in such group of units.

Listed Company Mergers

When two NYSE listed companies merge, the merged entity is assigned to the specialist in the company that is determined to be the survivor-in-fact (dominant company). Where no surviving/dominant entity can be identified, the merged company may select one of the units trading the merging companies without the stock being referred to the Allocation Committee, or it may request that the matter be referred to the Allocation Committee. If the merging company chooses to have its specialist unit selected by the Allocation Committee, the company may not request that the Allocation Committee not allocate the stock to one of the specialist units trading the merging company. If the merging company chooses to select its specialist unit from among a group of units selected by the Allocation Committee, such group must include the specialist units of the merging companies and must include additional unit(s). The number of additional units must be consistent with the requirement that each such group consist of three to five units. The merging company may not request that any of the units trading the merging companies be excluded. In situations involving the merger of a listed company and an unlisted company, where the unlisted company is determined to be the survivor-in-fact, such company may choose to remain registered with the specialist unit that had traded the listed company entity in the merger, or it may request that the matter be referred to the Allocation Committee. In such a case, applications will be invited from all specialist units. If the unlisted company chooses to have its specialist unit selected by the Allocation Committee, the company may not request that the Allocation Committee not allocate the stock to the specialist unit that had traded the listed company. If the unlisted company chooses to select its specialist unit from among a group of units selected by the Allocation Committee, such group must

include the specialist unit that had traded the listed company. The unlisted company may not request that the specialist unit that had traded the listed company be excluded.

“Target” Stock. If a tracking (“target”) stock(s) is issued by a listed company, the listed company may choose to have its newly-issued tracking stock(s) stay with the specialist unit registered in the listed company that issued the tracking stock(s) or be referred to the Allocation Committee. If the matter is referred to the Allocation Committee, all specialists are invited to apply. Information about the relationship to a listed company and the name of the specialist involved, is included on the stock data sheet inviting specialist applications. The same information is provided to the committee for consideration in its deliberations regarding the allocation of the new listing. If the listed company chooses to have the specialist of the tracking stock(s) selected by the Allocation Committee in accordance with the procedures set forth herein for a newly-listing company, the Allocation Committee shall honor the listed company’s request not to have this tracking stock allocated to the specialist unit that traded the listed company. Alternatively, if the listed company chooses to select the specialist unit of the tracking stock(s) from among a group of units selected by the Allocation Committee, the Allocation Committee shall honor the listed company’s request to include or exclude from the group the specialist unit that traded the listed company. The specialist unit registered in such stock prior to a separate listing shall remain registered in such stock after its separate listing, unless the listing company requests that the matter be referred to the Allocation Committee. In such a case, applications will be invited from all specialist units, and the Allocation Committee shall honor the company’s request not to be allocated to the specialist unit that had traded the “target” stock. Alternatively, if the listing company chooses to select the specialist unit of the separately listing stock from among a group of units selected by the Allocation Committee, the Allocation Committee shall honor the listing company’s request to include or exclude from the group the specialist unit that had traded the “target” stock.

Allocation Freeze Policy

In the event that a specialist unit: (i) loses its registration in a specialty stock as a result of proceedings under Exchange Rules 103A, 475 or 476; or (ii) voluntarily withdraws its registration in a specialty stock as a result of possible proceedings under those rules, the unit will be ineligible to apply for future allocations for the six month period immediately following the reassignment of the security (“Allocation Prohibition”).

Following the Allocation Prohibition, a second six month period will begin during which a specialist unit may apply for new listings, provided that the unit demonstrates to the Exchange relevant efforts taken to resolve the circumstances that triggered the Allocation Prohibition. The determination as to whether a unit may apply for new listings will be made by Exchange staff, in consultation with the Floor Directors. The factors the Exchange will consider will vary depending on the unit’s particular situation, but may include one or more steps such as:

- supplying additional manpower/experience;
- changes in professional staff;
- attaining appropriate dealer participation;
- enhancing back-office staff; and
- implementing more stringent supervision/new procedures.

Allocation Sunset Policy

Allocation decisions shall remain effective with respect to any initial public offering listing company which lists on the Exchange within three months of such decision. In situations in which the selected specialist unit merges or is involved in a combination within the three-month period, the company may choose whether to stay with the selected specialist unit, or be referred to allocation. If a listing company does not list within three months, the matter shall be referred again to the Allocation Committee, with applications invited from all units.

Support of the allocation system

The Allocation Committee views positively a specialist unit’s applying for a broad range of issues.

Criteria for applicants that are not currently specialists

Since an entity seeking to enter the specialist business does not have a history directly comparable to that of existing units, the Allocation Committee considers the following criteria with respect to applicants that are not currently specialists.

1. Individuals proposed as specialists must have successfully completed the Exchange’s specialist examination.
2. The proposed unit must demonstrate that it understands the specialist business, including the needs of brokers, their organizations, and their customers.
3. The proposed unit must demonstrate an ability and willingness to trade as necessary to maintain fair and orderly markets with depth and liquidity, and facilitate the execution of orders.
 - a) The proposed unit should indicate the extent of its capital commitment to specializing over and above the minimum capital requirements.
 - b) The proposed unit must have sufficient specialist and clerical support dedicated to maintaining and servicing the market in a specialty stock.

- c) If the proposed specialist unit or any of its participants is presently a specialist or market maker on any exchange, performance during the prior 12 months, as evidenced by available data maintained by such exchange which evaluates the quality of performance of the unit or its participants as a specialist or market maker on such exchange, will be considered by the Allocation Committee.
4. Other factors that will be considered by the Allocation Committee include any action taken or warning issued within the past 12 months by any regulatory or self-regulatory organization against the unit or any of its participants with respect to any capital or operational problem, or any regulatory or disciplinary matter.

VI. PROCEDURES

Applications

Whenever a security is to be allocated to a specialist unit, all specialist units are invited to submit applications to the Exchange prior to the published deadline for the allocation of such security. The application of any specialist unit shall be in such form as shall be approved from time to time by the Exchange, but each applicant shall be free to submit in writing such additional information in support of its application as it may wish to bring to the attention of the Allocation Committee.

Blanket applications

All specialist units shall be deemed to have filed with the Exchange a blanket application pursuant to which the applicant agrees to accept the allocation of any security. Any security allocated to a specialist unit on the basis of its blanket application shall not be reflected in the records of the Exchange as a "security gained" nor shall it prejudice that unit's eligibility for future allocations.

Decision making

An allocation decision pursuant to this policy is made on the basis of the specified criteria, by a majority vote of the committee members present at the meeting and eligible to vote on such matter.

Announcement

Written notice of the name and post location of the successful applicant are made known to the members of the Exchange and to the issuer of the security allocated.

Registration of Specialists

Each member associated with the specialist unit to which any security is allocated who acts as a regular specialist in such security shall be registered as a specialist in such security pursuant to Rule 103.

VII. EDUCATION

Education of all participants is a key to ensuring continued quality and consistency in the allocation process. A summary of the education process follows:

New panel members receive an orientation conducted by former Allocation Committee chairmen and staff, and serve as observers at meetings before their terms begin. A standardized agenda for educating Allocation Committee members will be made available.

The new Allocation Committee chairman is elected two months in advance of his or her appointment to provide time to observe and learn from the existing chairman. The newly elected chairman also receives an orientation by former committee chairmen and the Quality of Markets Committee. A standardized agenda for educating new chairmen will be made available.

Educational efforts regarding the allocation process are offered periodically for specialists as well as the general membership.

VIII. EXCHANGE TRADED FUNDS

Exchange-traded funds ("ETFs") (as defined in paragraph 703.16 of the Listed Company Manual) admitted to trading on the Exchange on an unlisted trading privileges basis shall be allocated pursuant to this Policy rather than the Exchange's policy for allocating securities to be listed on the Exchange.

ETFs shall be allocated by a special committee consisting of the President of the Exchange, four senior officers of the Exchange, the Chairman of the Allocation Committee, and the three most senior Floor broker members of the Allocation Committee. This committee shall solicit allocation applications from interested specialist units, and shall review the same performance and disciplinary material with respect to specialist unit applicants as would be reviewed by the Allocation Committee in allocating listed stocks. The committee shall reach its decisions by majority vote; specialist unit applicants may appear before the committee.

Special Criteria

In their allocation applications, specialist units must demonstrate:

- (a) an understanding of the trading characteristics of ETFs;
- (b) expertise in the trading of derivatively-priced instruments;
- (c) ability and willingness to engage in hedging activity as appropriate;
- (d) knowledge of other markets in which the ETF to be allocated trades;
- (e) willingness to provide financial and other support to Exchange marketing and educational initiatives with respect to the ETF to be allocated.

Allocation Freeze Policy

The Allocation Freeze Policy as stated in the Allocation Policy for listed stocks shall apply.

Prohibition on Functioning as Specialist in ETF and Specialist in any Component Security of the ETF

No specialist member organization may apply to be allocated an ETF if it is registered as specialist in any security which is a component of the ETF. A specialist member organization which is registered as specialist in a component stock of an ETF may establish a separate member organization which may apply to be the specialist in an ETF. The approved persons of such ETF specialist member organization must obtain an exemption from specified specialist rules pursuant to Rule 98.

If, subsequent to an ETF being allocated to a specialist member organization, a security in which the specialist member organization is registered as specialist becomes a component security of such ETF, the specialist organization must (i) withdraw its registration as specialist in the security which is a component of the ETF; (ii) withdraw its registration as specialist in the ETF; or (iii) establish a separate specialist member organization, which will be registered as specialist in the ETF and whose approved persons have received an exemption from specified specialist rules pursuant to Rule 98.

Allocation Policy and Procedures (Instructions)

In connection with filing an original listing application, a determination must be made in advance by the company relating to the choice of allocation procedures. Listing companies have two options, either: 1) to have their specialist unit selected by the Allocation Committee according to existing allocation criteria, with company input permitted in the form of an optional generic letter; or 2) to make the final selection of a specialist unit from among three to five units selected by the Allocation Committee, with an optional generic letter also permitted. For additional information relating to each option, please refer to the attached pages.

In both cases, regardless of which option is chosen, the company must submit a Statement of Understanding to the New York Stock Exchange that has been signed by the Chief Executive Officer (see form attached). If a company chooses option two, to make a specialist selection from among three to five units selected by the Allocation Committee, an Allocation Decision form must be signed and submitted to the New York Stock Exchange staff (i.e., New Business representative) once the determination has been made (see form attached).

A company has the option of providing a letter to the New York Stock Exchange for distribution to all specialist firms in the posting process and finally to the Allocation Committee for further consideration in the Allocation meeting. The letter must be generic in format and should be seen as an opportunity to convey any particular broad criteria, characteristics or considerations of which the company would like the applying specialist firms and the Allocation Committee to be aware. This generic letter should not specifically mention any particular specialist firm or firms.

A company choosing to submit a letter to the Allocation Committee and specialist community in connection with its listing should address the letter to:

The Allocation Committee
New York Stock Exchange
Att: Committee Support
20 Broad Street, 24th Floor
New York, NY 10005

The following language must be incorporated into the letter itself:

“We have been provided with a written copy of the New York Stock Exchange Allocation Policy and Procedures and understand the options presented therein. We understand that the selection of a specialist firm for our company (under option one) or the selection of a pool of three to five specialist firms from which we will choose one firm (under option two), is the responsibility of the Allocation Committee in accordance with the allocation criteria. We understand that our input through this letter is one factor among many taken into consideration by the Committee in making its determination.”

Should you have any questions regarding the Allocation Policy and Procedures, please discuss them further with your NYSE New Business Representative.