

APPLICATION for OPTION ALLOCATION

Applications must be submitted no later than 11:00 a.m.

1st Choice _____ 2nd Choice _____ 3rd Choice

All Other Option Issues:

LMM Name & Post No:

LMM Contact(s)

Phone Nos: (Home) _____ (Cell) _____ (Pager)

[Circle where you can be reached during Committee meetings]

**Assessment of
Commitment and Performance**

Factors to be considered for selection of the candidate for an allocation, pursuant to Rule 6.82(e)(1) are as follows: *trading experience; capital adequacy; willingness to market; operational capacity (including support personnel); rule and regulation compliance; performance evaluations; and any other relevant criteria as specified.*

APPLICANTS ARE REQUESTED TO REVIEW THE FOLLOWING NINE FACTORS INCLUDED IN RBO-00-008 AND DISCLOSE RELEVANT AND DETAILED INFORMATION IN SUPPORT OF THEIR APPLICATION:

1. PERFORMANCE:

Indicate LMM's level of performance as measured by the Floor Broker Evaluation. Note any changes in Grade and Rank over the last 2 years. Applicants may also provide statements of Floor Brokers, Order Flow Firms, and Exchange staff regarding current level of service provided.

2. TRADING EXPERIENCE:

Provide evidence of demonstrated ability to trade the types of issues applicant is applying for (e.g., Internet-related and other volatile issues). Provide evidence of applicant's ability to maintain or increase PCX market share in issues currently traded as measured by the market share statistics

disclosed in Scoreboard.

3. LEVEL OF CAPITAL:

Disclose information relating to LMM's capitalization, as relevant to (a) ability to make deep, liquid markets in all allocated issues, as well as for issues under application and (b) ability to support a competitive market position.

4. OPERATIONAL CAPACITY:

Provide factual information regarding LMM's operating strength (e.g., number of floor traders and support staff, any affiliated operations, etc.).

5. MARKETING EFFORTS:

Describe steps taken to actively and effectively market existing issues (e.g., making trips to customers and order flow providers, as well as making periodic contact with the aforementioned parties, etc.). Describe plans to market newly allocated issues.

6. SYSTEM ISSUES:

Discuss LMM's demonstrated ability and ongoing commitment to minimize the impact of allocated issues on Exchange systems (e.g., appropriate and effective use of POETS enhancements, delisting of issues, etc.).

7. CUSTOMER SERVICE:

Describe LMM's ability to provide reliable and consistent customer service (e.g., ability to satisfactorily address customer concerns and complaints regarding order execution, handling, and display, etc.).

8. COMPLIANCE:

With respect to the LMM applicant, please identify any rule violations (other than those found under the minor rule plan) within the last twelve months.

9. Demonstrated quality of markets (e.g., size of *disseminated* and *auto-ex* market, and commitment to tight, liquid bid/ask spreads). Pursuant to PCX Rule 6.82(c)(2), LMMs are required to honor guaranteed markets, including 20 up markets required by PCX Rule 6.86 and any better market pledged during the allocation process. Therefore, the disseminated market quote is assumed to be 20 up unless an LMM wishes to guarantee a market greater than 20 up. PCX Rule 6.87(b) specifies that the maximum order size for execution through Auto-Ex is 50 contracts. Specify the size of markets you propose to guarantee if greater than 20 up (**numerical quantity only**).

Auto-Ex Market Size: _____
(20 minimum & 50 maximum)

Disseminated Market Size: _____
(Auto-Ex size or greater)

Additional comments should be: professional, legible, detailed, and issue-specific rather than generic in nature.

Comments:

THE UNDERSIGNED LMM, UPON ALLOCATION OF AN ISSUE, FURTHER AGREES TO THE FOLLOWING:

- (1) Quote dissemination: The LMM agrees that there will be no deviation from the legal maximum bid/ask spreads, unless expressly approved and the markets will be diligently and effectively updated throughout the day. Specific and appropriate efforts will be made to ensure that system capacity is not adversely affected by failure to effectively and efficiently quote all assigned issues.

- (2) Opening Rotations: The LMM agrees that Opening rotation for all assigned issues will be promptly accomplished and there will be free trading by product and by series (including LEAPS) during opening rotations.
- (3) Competitive Performance: The LMM agrees that the level of market quality and service rendered at other exchanges will be met or exceeded. There will continuous support for all assigned issues and business will be conducted in a way that complies with all applicable Exchange and SEC rules and promotes public confidence in the Exchange. The POETS system will be utilized to its fullest appropriate extent to deliver effective order routing and execution to all customers.
- (4) Marketing: The LMM agrees that all Exchange promoted marketing events will be appropriately supported and attended and independent marketing efforts will be appropriately initiated and conducted through such means as personal visits, telemarketing, and attendance at industry events.

The undersigned Applicant(s) acknowledge that if the Committee approves this application, all of the Applicant(s)' commitments made herein will become binding and failure to comply with any of them may result in restrictions on future allocations, reallocation of existing issues or disciplinary action.

Signature(s)

Date

LMM authorized
trader(s)

Continued Listing Fee Agreement

APPLICANT AGREES TO PAY THE CONTINUED LISTING FEE, IF AND WHEN THE ISSUE APPLIED FOR BECOMES SUBJECT TO SUCH FEE. APPLICANTS WILL NOT BE CONSIDERED FOR ALLOCATION OF AN ISSUE UNLESS THEY COMMIT TO PAY THIS FEE.

Please initial here to indicate agreement _____ LMM initials.

Revised October 2000