

Text of the Proposed Rule Change

Underlining indicates additions; [brackets] indicate deletions

PROPOSED PCX RULES

RULE OF THE PACIFIC EXCHANGE, INC.

Rule 1.1 Definitions.

Rules 1.1(a) – (bb) – No change.

(cc) “Archipelago” shall mean Archipelago Holdings, Inc., a Delaware corporation and the parent company of ArcaEx.

(dd) “ArcaEx” shall mean Archipelago Exchange, L.L.C., the exclusive equities trading facility of the Exchange.

(ee) “Exchange Act” shall mean the Exchange Act of 1934, as amended.

(ff) “PCX Holdings” shall mean PCX Holdings, Inc., a Delaware corporation and the parent company of the Corporation.

(gg) “Related persons” shall mean with respect to any OTP Holder or OTP Firm (v) any broker or dealer with which such OTP Holder or OTP Firm is associated; (w) any natural person who is an associated person of such OTP Firm; (x) any other Person(s) whose beneficial ownership of shares of stock of Archipelago with the power to vote on any matter would be aggregated with the OTP Holder’s or OTP Firm’s beneficial ownership of such stock or deemed to be beneficially owned by such OTP Holder or OTP Firm pursuant to Rules 13d-3 and 13d-5 under the Act; (y) any other Person(s) with which such OTP Holder or OTP Firm has any

agreement, arrangement or understanding (whether or not in writing) to act together for the purpose of acquiring, voting, holding or disposing of shares of the stock of Archipelago; and (z) with respect to any OTP Holder and any Person described in (v) to (y) above who is a natural person, any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person or who is a director or officer of Archipelago or any of its parents or subsidiaries. For the avoidance of doubt, "Related Person" as defined above in clause (v) of this paragraph (gg) shall include, with respect to any OTP Holder or OTP Firm: any other Person beneficially owning pursuant to Rules 13d-3 and 13d-5 under the Exchange Act shares of Archipelago stock with the power to vote on any matter that also are deemed to be beneficially owned by such OTP Holder or OTP Firm pursuant to Rules 13d-3 and 13d-5 under the Exchange Act; any other Person that would be deemed to own beneficially pursuant to Rules 13d-3 and 13d-5 under the Exchange Act shares of Archipelago stock with the power to vote on any matter that are beneficially owned directly or indirectly by such OTP Holder or OTP Firm pursuant to Rules 13d-3 and 13d-5 under the Exchange Act; and any additional Person through which such other Person would be deemed to directly or indirectly own beneficially pursuant to Rules 13d-3 and 13d-5 under the Exchange Act shares of Archipelago stock with the power to vote on any matter.

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[Rules 3.4 – 3.5 Reserved]

[Reserved.]

Rule 3.4 Ownership and Voting

(a) Ownership Limitation. For as long as Archipelago shall control, directly or indirectly, PCX, no OTP Holder or OTP Firm, either alone or with its Related Persons, shall, at any time, own beneficially shares of Archipelago stock representing in the aggregate more than 20% of the then outstanding votes entitled to be cast on any matter (the “Ownership Limitation”). For purposes of the Ownership Limitation, no OTP Holder or OTP Firm, shall be deemed to have any agreement, arrangement or understanding to act together with respect to voting shares of Archipelago stock solely because such OTP Holder or OTP Firm, or any of such OTP Holder’s or OTP Firm’s Related Persons, has or shares the power to vote or direct the voting of such shares of stock pursuant to a revocable proxy given in response to a public proxy or consent solicitation conducted pursuant to, and in accordance with, Regulation 14A promulgated pursuant to the Exchange Act, except if such power (or the arrangements relating thereto) is then reportable under Item 6 of Schedule 13D under the Exchange Act (or any similar provision of a comparable or successor report).

(b) Voting Limitation and Nonvoting Agreement Prohibition. For as long as Archipelago shall control, directly or indirectly, PCX, (1) no OTP Holder or OTP Firm, either alone or together with its Related Persons, shall have the right to vote, vote or cause the voting of shares of Archipelago stock, in person or by proxy or through any voting agreement or other arrangement, representing in the aggregate more than 20% of the then outstanding votes entitled to be cast on such matter (the “Voting Limitation”), and (2) no OTP Holder or OTP Firm, either alone or together with its Related Persons, shall enter into any agreement, plan or other arrangement relating to shares of stock of Archipelago entitled to vote on any matter with any

other Person, either alone or with its Related Persons, under circumstances which would result in shares of Archipelago stock that would be subject to such agreement, plan or other arrangement not being voted on any matter, or the withholding of any proxy relating thereto, where the effect of such agreement, plan or other arrangement would be to enable any Person, either alone or with its Related Persons, to vote, possess the right to vote or cause the voting of shares of Archipelago stock which would, as a result thereof, represent in the aggregate more than 20% of the then outstanding votes entitled to be cast on such matter (the “Nonvoting Agreement Prohibition”). Neither the Voting Limitation nor the Nonvoting Agreement Prohibition shall apply to (x) any solicitation of any revocable proxy from any stockholder of Archipelago by or on behalf of Archipelago or by an officer or director of Archipelago acting on behalf of Archipelago or (y) any solicitation of any revocable proxy from any stockholder of Archipelago by any other stockholder that is conducted pursuant to, and in accordance with, Regulation 14A promulgated pursuant to the Act.

(c) Ownership and Voting Agreements. Each OTP Holder and OTP Firm who is not an ETP Holder, and each “associated person” (as defined, for purposes of this Rule 3.4, in Section 3(a)(18) of the Exchange Act) of such OTP Holder or OTP Firm, shall enter into an ownership and voting agreement (“Ownership and Voting Agreement”) with PCX and Archipelago regarding the ownership and voting of shares of capital stock of Archipelago in accordance with the terms of this Rule 3.4. Each OTP Holder and OTP Firm and each associated person of such OTP Firm shall enter into an Ownership and Voting Agreement (x) in the case of an OTP Holder, OTP Firm or an associated person of an OTP Holder or OTP Firm which is not an ETP Holder and which (A) owns beneficially any shares of Archipelago stock, or (B) has

entered into any agreement, plan or other arrangement relating to the voting or ownership of any shares of Archipelago stock, at the time of the closing of the transactions contemplated by the agreement and plan of merger, dated as of January 3, 2005, among Archipelago, PCX Holdings and New Apple Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Archipelago (as such agreement and plan of merger may be amended or modified from time to time), no later than 30 calendar days following the date of such closing and (y) in the case of any OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm which is not required to enter into an Ownership and Voting Agreement pursuant to clause (x), no later than the 5th calendar day following the date on which (A) such OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm ceases being an ETP Holder and (i) owns or acquires beneficial ownership of any shares of Archipelago stock or (ii) is a party to or enters into any agreement, plan or other arrangement relating to the voting or ownership of any shares of Archipelago stock, or (B) such OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm which is not an ETP Holder (i) acquires beneficial ownership of any shares of Archipelago stock or (ii) enters into any agreement, plan or other arrangement relating to the voting or ownership of any shares of Archipelago stock . Each Ownership and Voting Agreement shall provide the following:

(1) For as long as Archipelago shall control, directly or indirectly, PCX, no OTP Holder or OTP Firm, either alone or with its Related Persons, shall, at any time, own beneficially shares of Archipelago stock in excess of the Ownership Limitation.

(2) For as long as Archipelago shall control, directly or indirectly, PCX, (x) no OTP Holder or OTP Firm, either alone or together with its Related Persons, shall have the right to vote, vote

or cause the voting of shares of Archipelago stock, in person or by proxy or through any voting agreement or other arrangement, in excess of the Voting Limitation, and (y) no OTP Holder or OTP Firm, either alone or together with its Related Persons, shall enter into any agreement, plan or other arrangement relating to shares of stock of Archipelago entitled to vote on any matter with any other Person, either alone or with its Related Persons, in contravention of the Nonvoting Agreement Prohibition.

(3) Such OTP Holder or OTP Firm or any associated person of such OTP Holder or OTP Firm agrees to vote, or to authorize Archipelago to vote on its behalf, shares of Archipelago stock owned by such OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm, as appropriate, in favor of amendments to the certificate of incorporation of Archipelago that incorporate ownership and voting limitations that are substantially similar to the Ownership Limitation, Voting Limitation and Nonvoting Agreement Prohibition set forth in Rule 3.4(a) and (b) and the implementation provisions that are substantially similar to the provisions set forth in Rule 3.4(d).

(4) Such OTP Holder or OTP Firm, or any associated person of such OTP Holder or OTP Firm, agrees to be subject to the implementation provisions set forth in Rule 3.4(d), as applicable, which provisions shall also be set forth in the Ownership and Voting Agreement.

(5) The Ownership and Voting Agreement shall be governed by the laws of the State of Delaware.

(d) Implementation of the Ownership and Voting Limitations

(1) Calling of Shares of Archipelago Common Stock.

(x) In the event that any such OTP Holder or OTP Firm, either alone or with its Related Persons, including, without limitation, any Related Person that is an associated person of such OTP Holder or OTP Firm, at any time owns beneficially shares of Archipelago stock in excess of the Ownership Limitation, Archipelago shall promptly call from such OTP Holder or OTP Firm, or an associated person of such OTP Holder or OTP Firm, for a price per share equal to the par value thereof, the number of shares of Archipelago stock owned by such OTP Holder or OTP Firm, or an associated person of such OTP Holder or OTP Firm, necessary to decrease the beneficial ownership of such OTP Holder or OTP Firm, either alone or with its Related Persons, to 20% of the then outstanding votes entitled to be cast on any matter after giving effect to the redemption of the shares of Archipelago stock.

(y) In the event Archipelago shall call shares of Archipelago stock, notice of such call shall be given promptly by first class mail, postage prepaid, to the holder of the shares of Archipelago stock to be so called, at such holder's address as the same appears on the stock register of Archipelago. Each such notice shall state: (a) the call date; (b) the number of shares to be called; (c) the aggregate call price; and (d) the place or places where shares are to be surrendered for payment of the call price. Failure to give notice as aforesaid, or any defect therein, shall not affect the validity of the call of the shares. From and after the call date (unless default shall be made by Archipelago in providing funds for the payment of the call price), shares which have been called as aforesaid shall be cancelled, shall no longer be deemed to be outstanding, and all rights of the holder of such shares as a stockholder of Archipelago (except the right to receive from Archipelago the call price against delivery to Archipelago of evidence of ownership of such shares) shall cease. Upon surrender in accordance with said notice of evidence of ownership of

the shares of Archipelago stock so called (properly assigned for transfer, if the board of directors of Archipelago shall so require and the notice shall so state), such shares shall be called by Archipelago at par value.

(2) Voting of Excess Shares by Archipelago. If any OTP Holder or OTP Firm, either alone or with its Related Persons, including, without limitation, any Related Person that is an associated person of such OTP Holder or OTP Firm, acquires the right to vote more than 20% of the then outstanding votes entitled to be cast by stockholders of Archipelago on any matter, Archipelago shall have the right to vote and shall vote the shares of Archipelago stock owned by such OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm, as appropriate, in excess of the 20% voting limitation in proportion with the results of voting (excluding such excess shares) for such matter at a meeting of Archipelago stockholders.

(3) Disciplinary Action. An OTP Holder or OTP Firm shall be subject to the disciplinary action prescribed by Rule 13.2(a)(2)(E) in the event of any violation of this Rule 3.4, including, without limitation, the failure of an OTP Holder or an OTP Firm or any associated person of such OTP Holder or OTP Firm to enter into the Ownership and Voting Agreement as required by Rule 3.4(c) within the applicable time periods specified therein or any breach of the Ownership and Voting Agreement by an OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm, as applicable.

(4) Judicial Action. In the event any such OTP Holder or OTP Firm, either alone or with its Related Persons, including, without limitation, any Related Person that is an associated person of such OTP Holder or OTP Firm, has cast votes, in person or by proxy or through any voting agreement or other arrangement, in excess of the Voting Limitation, Archipelago may bring suit

in a court of competent jurisdiction against such OTP Holder or OTP Firm or any associated person of such OTP Holder or OTP Firm, seeking enforcement of the Voting Limitation.

Rule 3.5 Reserved

Reserved.

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Rule 13.2 Procedures for Suspension

Rule 13.2(a) – 13.2(a)(2)(D) – No change.

(E) suspend all trading rights and privileges of an OTP Holder or OTP Firm for failure to comply with Rule 3.4, which failure to comply shall include the failure of such OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm to enter into the Ownership and Voting Agreement required by Rule 3.4(c) within the applicable time period specified therein, any breach of the Ownership and Voting Agreement or any violation of Rule 3.4; provided that, in the event of circumstances contemplated by this Rule 13.2(a)(2)(E), the Exchange shall: (1) provide notice to the applicable OTP Holder or OTP Firm within five business days of learning of the events contemplated by this Rule 13.2(a)(2)(E); (2) allow the applicable OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm fifteen calendar days to cure any such failure to comply contemplated by this Rule 13.2(a)(2)(E); (3) in the event that the applicable OTP Holder, OTP Firm or an associated person of such OTP Holder or OTP Firm does not cure such failure to comply within such fifteen calendar day cure period, schedule a hearing to occur within thirty calendar days following the expiration of such fifteen calendar day cure period; and (4) render its decision as to the suspension of all trading

privileges of the applicable OTP Holder or OTP Firm no later than ten calendar days following the date of such hearing.

Rule 13.2(b) – 13.2(c) – No change.

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