

(i) transactions by associated persons and household members that have been pre-approved in writing by the Legal or Compliance Department that are made due to an unanticipated significant change in their personal financial circumstances;

(ii) a member or member organization may permit the *publication* [issuance] of research reports or permit a change to the rating or price target on a subject company, regardless of whether an associated person and/or household members traded the subject company's securities or derivatives of such securities, within the thirty (30) calendar day period described in paragraph (e)(2), when the *publication* [issuance] of such research reports, or change in such rating or price target is attributable to some significant news or events regarding the subject company, provided that the *publication* [issuance] of such research reports, or change in rating or price target on such subject company has been pre-approved in writing by the Legal or Compliance Department;

(iii) sale transactions by an associated person and/or household member who is new to the member or member organization within thirty (30) calendar days of such associated person's employment with the member or member organization when such associated person and/or household member had previously purchased such security or derivatives of such security prior to the associated person's employment with the member or member organization;

(iv) sale transactions by an associated person and/or household member within thirty (30) calendar days from the date of the member's or member organization's *publication* [issuance] of research reports or changes to the rating or price target on a subject company when such associated person and/or household member had previously purchased the subject company's securities or derivatives of such securities prior to initiation of coverage of the subject company by the associated person;

(v) transactions in accounts not controlled by the associated person and for investment funds in which an associated person or household member participates as a passive investor, provided the interest of the associated person or household member in the assets of the fund does not exceed 1% of the fund's assets, and the fund does not invest more than 20% of its assets in securities of issuers principally engaged in the same types of business as companies (or in the same industry classification) which the associated

person usually covers in research reports. If an investment fund distributes securities in kind to an associated person before the issuer's initial public offering, the associated person must either divest those securities immediately or refrain from participating in the preparation of research reports concerning that issuer;

(vi) transactions in a registered diversified investment company as defined under section 5(b)(1) of the Investment Company Act of 1940.

Restrictions on Member's or Member Organization's Issuance of Research Reports and Participation in Public Appearances

(f)(1) A member or member organization may not *publish* or *otherwise distribute* [issue] research reports regarding an issuer or *recommend an issuer's securities in a public appearance*, for which the member or member organization acted as manager or co-manager of an initial public offering within forty (40) calendar days following the *offering date* [effective date of the offering].

(2) A member or member organization may not *publish* or *otherwise distribute* [issue] research reports regarding an issuer or *recommend an issuer's securities in a public appearance*, for which the member or member organization acted as manager or co-manager of a secondary offering within ten (10) calendar days following the *offering date* [effective date of the offering]. This prohibition shall not apply to research reports [issued] *published* or *otherwise distributed* under Securities Act Rule 139 regarding issuers whose securities are actively traded, as defined in Securities Exchange Act Rule 101(c)(1) of Regulation M.

(3) No member or member organization that has agreed to participate or is participating as an underwriter or dealer (other than as manager or co-manager) of an issuer's initial public offering may *publish* or *otherwise distribute* a research report regarding that issuer for twenty-five (25) calendar days following the *offering date*.

(4) No member or member organization which has acted as a manager or co-manager of a securities offering may *publish* or *otherwise distribute* a research report or make a public appearance within fifteen (15) days prior to or after the expiration, waiver or termination of a lock-up agreement or any other agreement that the member or member organization has entered into with a subject company and its shareholders that restricts or

prohibits the sale of the subject company's or its shareholder's securities after the completion of a securities offering.

(5) [(3)] A member or member organization may permit exceptions to the prohibitions in paragraphs (f)(1), [and] (2), (3) and (4) (consistent with other securities laws and rules) for research reports that are *published* or *otherwise distributed* [issued] due to significant news or events, provided that such research reports are pre-approved in writing by the member's or member organization's Legal or Compliance Department.

(6) If a member or member organization withdraws its research coverage of a subject company, notice of this withdrawal must be made. Such notice must be made in the same manner as when research coverage was first initiated by the member or member organization and must include the member's or member organization's final recommendation or rating.

Prohibition on [of] Offering Favorable Research for Business and Retaliation Against Associated Persons

(g)(1) No member or member organization may directly or indirectly offer a favorable research rating or specific price target, or offer to change a rating or price target, to a subject company as consideration or inducement for the receipt of business or for compensation.

(2) No member or member organization and no employee of a member or member organization who is involved with the member's or member organization's investment banking activities may, directly or indirectly, retaliate against or threaten to retaliate against any associated person employed by the member or member organization or its affiliates as a result of an adverse, negative, or otherwise unfavorable research report written or public appearance made by the associated person that may adversely affect the member's or member organization's present or prospective investment banking relationship with the subject company of a research report. This prohibition shall not limit a member's or member organization's authority to discipline or terminate an associated person, in accordance with the member's or member organization's policies and procedures, for any cause other than the writing of such an unfavorable research report or the making of such unfavorable public appearance.