

Below is the text of the proposed rule change, as amended. Proposed new language is *italicized*; proposed deleted language is [bracketed].

* * * * *

Chicago Stock Exchange Rules

ARTICLE XXVIII

Listed Securities

Tier I Corporate Governance and Disclosure Standards

Corporate Governance

RULE 19. The following Rule 19 applies [only] to Tier I issuers: (a)–(i) No change to text.

(j) *Shareholder Approval*. Each issuer shall require shareholder approval [of a plan or arrangement under (i) below, or] prior to the issuance of securities under (1), (2), (3) or (4) [(ii), (iii) or (iv)] below, when]:

(1) *Equity Compensation Plans*. When an equity compensation plan, pursuant to which options or stock may be acquired by officers, directors, employees or consultants, is established or materially amended, except for:

(A) Warrants or rights issued generally to all security holders of the company or stock purchase plans available on equal terms to all security holders of the company (such as a typical dividend reinvestment plan); or

(B)(i) Tax qualified, non-discriminatory employee benefit plans or parallel non-qualified plans, provided such plans are approved by the issuer's independent compensation committee or a majority of the issuer's independent directors; or (ii) plans that provide non-U.S. employees with substantially the same benefits as a comparable tax qualified, non-discriminatory employee benefit plan or parallel nonqualified plan that the issuer provides to U.S. employees, but for features necessary to comply with applicable foreign tax law; or (iii) plans that merely provide a convenient way to purchase shares on the open market or from the issuer at fair market value; or

(C) Plans or arrangements relating to an acquisition or merger where: (i) The issuer is converting, replacing or adjusting outstanding options or other equity compensation awards to reflect the transaction; or (ii) the issuer is using shares available under certain plans acquired in acquisitions or mergers for certain post-transaction grants, as set out in Interpretation and Policy .06; or

(D) *Issuances to a person not previously an employee or director of the company, or following a bona fide period of non-employment or non-service, as an inducement material to the individual's entering into employment with the issuer, provided such issuances are approved by the issuer's independent compensation committee or by a majority of the issuer's independent directors. Promptly following an issuance of any employment inducement grant in reliance on this exception, a company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares.*

(E) *Each issuer must notify the Exchange, in writing, when it uses one of the exemptions set forth in paragraphs (A) through (D) above.*

[(i) A stock option or purchase plan is to be established or other arrangement made pursuant to which stock may be acquired by officers or directors, except for warrants or rights issued generally to security holders of the company or broadly based plans or arrangements including other employees (e.g., ESOPs). In a case where the shares or options are to be issued to a person not previously employed by the company, as an inducement essential to the individual's entering into an employment contract with the company, provided that the potential issuance of shares pursuant to the options does not exceed 5% of the company's outstanding stock, shareholder approval will generally not be required.]

[In the case of the establishment of a plan or arrangement under which the amount of securities which may be issued does not exceed the lesser of 1% of the number of shares of common stock outstanding, 1% of the voting power outstanding or 25,000 shares, shareholder approval will generally not be required, provided that all arrangements adopted without shareholder approval in any five-year period do not authorize, in the aggregate, the issuance of more than 10% of outstanding common stock or voting power outstanding. (For the purpose of calculating the percentage of stock issued in the aggregate, stock to be issued pursuant to options which have expired and/or been cancelled shall not be included).]

[(ii) 2 No change to text.

[(iii) 3 No change to text.

[(iv) 4 No change to text.

[(v) 5 No change to text.

[(vi) 6 No change to text.

[(vii) 7 No change to text.

* * * * *

* * * Interpretations and Policies

.01 No change to text.

.02–.05 Reserved.

.06 *Shareholder approval of equity compensation plans.*

(1) An "equity compensation plan" is a plan or other arrangement that provides for the delivery of equity securities (either newly issued or treasury shares) of the listed company to any officer, director, employee or consultant as compensation for services. Even a compensatory grant of options or other equity securities that is not made under a formal plan is an equity compensation plan, for purposes of this rule.

(2) A "material revision" of an equity compensation plan includes, but is not limited to:

(a) any material increase in the number of shares to be issued under the plan (other than to reflect a reorganization, stock split, merger, spinoff or similar transaction);

(b) Any material increase in benefits to participants, including any material change that (i) permits a repricing (or decrease in exercise price) of outstanding options (ii) reduces the price at which shares or options to purchase shares may be offered or (iii) extends the duration of a plan;

(c) Any material expansion of the class of participants eligible to participate in the plan; and

(d) Any expansion in the types of options or awards provided under the plan.

(3) In general, if a plan contains a formula for automatic increases in the shares available (sometimes called an "evergreen formula"), or for automatic grants pursuant to a dollar-based formula (such as annual grants based on a certain dollar value, or matching contributions based upon the amount of compensation the participant elects to defer), the plan cannot have a term in excess of ten years unless shareholder approval is obtained every ten years. However, if a plan does not contain a formula and does not impose a limit on the number of shares available for grant, each grant under the plan must be approved by shareholders. A requirement that grants be made out of treasury shares or repurchased shares will not alleviate the shareholder approval requirements set out in this paragraph.

(4) When preparing plans and presenting them for shareholder approval, issuers should strive to make plan terms easy to understand. Plans meant to permit repricing should use explicit terminology to make this intent clear.

The Commission notes that these additional amendments by Nasdaq make the NYSE and Nasdaq proposals more consistent and uniform. See also *infra* note (regarding the Commission's recent approval of a similar proposal by the American Stock Exchange LLC ("Amex")).