



PDQ ATS Subscriber Manual

September 10, 2008

Introduction

This document explains the policies, procedures, and technology used by PDQ ATS.

Information contained in this document is subject to change at any time. For the latest updates, please refer to our web site www.pdqats.com

Become a Subscriber

Subscribers must be US broker-dealers, registered with a Self Regulatory Organization (SRO), and be able to clear trades.

The following documents are available for subscribers:

- PDQ Liquidity Seeker Agreement – contract between PDQ ATS and Liquidity Seekers
- PDQ Liquidity Provider Agreement – contract between PDQ ATS and Liquidity Providers
- PDQ ATS Subscriber Manual – general policies and procedures on PDQ ATS (this document)

The following technical specifications are also available to help subscribers get connected:

- PDQ Liquidity Seekers Guide – Connectivity Specification for Liquidity Seekers using a FIX interface.
- PDQ Liquidity Provider Toolkit – Connectivity Specification for Liquidity Providers using an API.
- PDQ Programmers Guide – General Specification for Liquidity Providers.

Please contact PDQ ATS at (224) 521-2700 for more information about becoming a subscriber.

How PDQ ATS Works

PDQ ATS is an electronic trading platform powered by an algorithm hosting facility and response mechanism which allows Institutional order flow to instantaneously spawn and interact with contra side interest anonymously and without any information leakage. PDQ has two types of customer: Liquidity Seekers (LS) and Liquidity Providers (LP). LPs can use PDQ to respond to and interact with live order flow, thereby eliminating their risk of adverse selection allowing them to make markets of larger size. LSs sending orders to PDQ will be given the opportunity to discover contra liquidity and potential price improvement generated by LP proprietary algorithms hosted within the PDQ facility. Hosting the algorithms within the PDQ facility allows PDQ to contain all order information and thus maintain full confidentiality and eliminate any gaming risk for Liquidity Seekers.

During the basic process a liquidity seeking order arrives at PDQ where it is paused for 1-20 milliseconds (ms) and a notification of the order is sent to all liquidity provider algorithms simultaneously and anonymously. Any contra liquidity generated by the algorithms within 20ms will be paired on a “first-to-respond first-to-pair” basis. PDQ will check the NBBO and the trades will then be reported to a Trade Reporting Facility (TRF). Residual liquidity is routed out or cancelled according the order type.

Order Types

PDQ has five order types.

- 1) Limit
- 2) Market
- 3) Immediate or Cancel at PDQ
- 4) Fill or Kill at PDQ
- 5) Managed Order

The Limit and Market order types are PDQ's basic order types and function as described in the previous scenario. However, the IOC at PDQ and FOK at PDQ types allow liquidity seekers the opportunity to assemble contra liquidity of block size. Any order sent to PDQ as FOK will only be filled if PDQ is able to generate sufficient contra liquidity to execute against the full size of the liquidity seeking order. If sufficient liquidity is not found at PDQ the order is cancelled. Additionally, in the case of an IOC at PDQ order, only the portion of the IOC order to which PDQ generated contra liquidity is filled with the residual being returned to the customer. A PDQ Managed Order is an order that resides at PDQ to be matched against other LS order flow.

Maximum order size is set at 25,000 shares, but is adjustable by firm.

Refer to the PDQ ATS Liquidity Seeker specification for more detailed descriptions of how order types are implemented.

Minimum Trading Increment

Most stocks trade in increments of \$0.01. Liquidity Seekers can only send orders priced in this increment. Orders from Liquidity Seekers that are priced in increments finer than the minimum trading increment are rejected.

Time in Force Values

IOC – Immediate-or-cancel

FOK – Fill the order in its entirety or cancel everything

DAY – available for trading during standard trading sessions

All orders expire at the end of the PDQ ATS trading session.

Connectivity Choices

Subscribers are responsible for choosing their telecommunications provider and arranging for connections to the PDQ ATS data center in Weehawken, New Jersey.

- Cross-Connect: Subscribers that are co-located in either datacenter may request an in-house cross-connect from the subscriber's Point of Presence (PoP) to PDQ ATS.

- Extranet Provider: PDQ ATS is currently connected to a number of the extranet providers.
- VPN: Subscribers may connect via a Virtual Private Network (VPN) over the Internet. VPN certification testing is also available.
- Point-to-Point: Subscribers may connect using a point-to-point connection using leased lines or other Network methods (e.g. MetroE, T-3).

For more detailed information and instructions on how to connect to the PDQ ATS, please refer to the PDQ ATS Subscriber Documentation.

FIX Order Entry

Bandwidth recommended for submitting orders via FIX depends on expected subscriber order volume. If a subscriber intends to submit orders to PDQ ATS then it is possible that the subscriber can connect with less than a T1 equivalent connection. The following table shows the maximum number of inbound orders (and/or cancels) per second that can be handled, with no buffering or delay, with different capacity connections:

Example Connection Rates

Order Protocol:	256Kb	512Kb	1.5Mb
FIX Capacity:	75 messages/second	150 messages/second	450 messages/second

Data Center

The PDQ ATS platform is housed in a world-class data center in Weehawken, New Jersey maintained by SAVVIS, Inc. The data center provides a high level of security, redundant power supplies including an on-site backup generator, and reliable cooling. Datacenter personnel are available 24/7 to maintain and service the system.

Clearing and Settlement

PDQ ATS acts as an introducing broker, and provides services through its clearing firm, Wedbush Morgan Securities, Inc. (Wedbush). A Qualified Special Representative (QSR) option is available for all subscribers.

For QSR clearing, subscriber's clearing firm would authorize Wedbush to act as its Qualified Special Representative (QSR). This allows Wedbush to lock in trades and submit transactions directly to the NSCC for clearance.

Qualified Special Representatives are granted authorization by the contra clearing firm to submit trade information to NSCC on behalf of the contra clearing firm, and the contra clearing firm agrees to accept responsibility for the trades submitted. NSCC receives this information and reports it on the NSCC OTC Contract Sheets. Both Wedbush and the subscriber's clearing firm then use these Contract Sheets to compare and reconcile all transactions effected on PDQ ATS.

When clearing QSR Trades, the subscriber's clearing broker authorizes Wedbush to bypass NASDAQ's ACT system and submit 'locked-in' transactions directly to the NSCC for clearing. The subscriber's clearing broker may request real-time 'drop copies' of the trades to enter into whatever risk management system it uses. In order to clear via QSR, the subscriber's clearing firm must sign and return the PDQ ATS QSR agreements (Attachment 1) to PDQ ATS. After Wedbush receives the executed forms from PDQ ATS, Wedbush will submit the documentation to NSCC for processing.

By submitting transactions directly to the NSCC for clearing, the process is simplified and the potential for trade breaks or discrepancies is greatly reduced

Trading Hours

9:30:00 am to 4:00:00 pm Eastern Standard Time

Eligible Stocks

PDQ ATS offers trading in all NASDAQ National Market and NASDAQ Capital Market (formerly Small Cap) securities. PDQ ATS also offers trading in Tape A and Tape B listed stocks.

Prior Notice of Changes to Subscriber Information

Subscribers are required to provide at least 10 days prior written notice of any material change to Subscriber information on file at PDQ ATS, including, but not limited to, name changes, MPID changes, clearing firm changes, FINRA and/or SRO Membership status changes, etc. After receiving notice from a Subscriber regarding any such material change, PDQ ATS will make reasonable efforts to timely effect any changes in its system, if any, necessary to prevent interruption to Subscriber's use of the PDQ ATS. ***However, in no event will PDQ ATS be responsible, or have any liability, for any interruption to Subscriber's use of PDQ ATS.***

Clearly Erroneous Trade Policy

A Clearly Erroneous Trade (CET) is defined as an execution at a price, for a quantity of shares, or with a symbol, that is substantially inconsistent with the current trading pattern of the issue.

The use of PDQ ATS trading system by a subscriber constitutes acceptance of PDQ ATS right to break any trade, or modify the terms of any trade.

Transaction reviews may be instituted by PDQ ATS personnel or a subscriber. Subscribers should submit a request by calling the Operations Trading Desk. A subscriber's request for a transaction review should be submitted within 20 minutes of the transaction. If a subscriber submits a request for a review after 20 minutes have passed, the review may be done or not done, depending on the facts and circumstances, at the sole discretion of PDQ ATS. Under no circumstances may a request to review a transaction be submitted by a subscriber more than 30 minutes after the close of trading on PDQ ATS. Once a request is submitted, it may not be withdrawn without the consent of both parties to the trade.

Trades done within 10 cents of the prevailing market will generally not be broken or adjusted, unless very unusual circumstances, such as a system wide malfunction, are present.

Any review of trades resulting from orders routed to other market centers, such as ECN's or exchanges, are subject to the policies and procedures of the other market center. PDQ ATS may make a request on a subscriber's behalf, but the outcome will be subject to the decision of the other market center.

When PDQ ATS initiates a trade review, it will attempt to notify all parties to the trade via e-mail and/or phone. If the trades under review effect a large number of subscribers, PDQ ATS may instead issue a notice to all subscribers via email that a series of trades are under review.

A final determination generally will be made within one hour of a request being submitted. In all cases, designated principals will make a final determination prior to the open of the next trading day following the request. PDQ ATS will notify all parties to the trade via e-mail as soon as the final determination has been made.

Contact PDQ ATS

Website www.PDQATS.com

Main Number (224) 521-2700

FAX (224) 521-2720

Trading Desk (224) 521-2709

Clearing & Compliance

Billing

Subscriber Services

Network Operations (224) 521-2702

Testing

Mailing Address

PDQ ATS, Inc

2624 Patriot Boulevard

Glenview, IL 60026