

Frequently Asked Questions: The NASDAQ IPO Cross

June 2006

Q: What is the IPO Cross?

NASDAQ's new IPO Cross, similar to the Opening and Closing CrossesSM, is an open auction process in which investors have the ability to enter orders and participate in price discovery.

The IPO Cross was designed to maximize transparency at the opening of secondary trading of an initial public offering (IPO) and provide fair executions at a single price that maximizes volume and is reflective of supply and demand in the market.

Q: How does the IPO Cross work?

Before the IPO is released for trading:

- NASDAQ® begins accepting quotes and orders.
- Indicative clearing price and imbalance information dissemination begins.
- Entered orders can be cancelled.
- No executions can occur before the IPO is released for trading.
- The IPO quote-only period is approximately 15 minutes.
- Excessive volatility during the quote-only period will result in a five-minute extension for IPOs.

When the IPO is released for trading:

- The IPO Cross occurs, the NASDAQ Official Opening Price (NOOP) is disseminated and a bulk execution is sent to the tape.
- Price is set by volume.

Q: How will this benefit companies?

The IPO Cross will set the NASDAQ Official Opening Price and will be more reflective of supply and demand in the market.

Q: Will every new issue have an IPO Cross?

Yes.

Q: How does the IPO Cross function during unusual market conditions?

NASDAQ will systematically extend the quote-only period for the IPO for five minutes if there is a market order imbalance at the time of the IPO pricing or if there is excessive volatility leading up to the IPO Cross. Volatility will be defined as a movement of 10% or 50 cents (whichever is greater) based on the price immediately prior to the cross and the dissemination 15 seconds prior to the cross.

Working with the lead underwriter, NASDAQ also has the authority to manually extend the quote-only period for five minutes when necessary.

Q: What is the pricing for the new IPO Cross?

Beginning July 3, 2006, the pricing for the IPO Cross will be \$0.0005 per share, consistent with pricing for the NASDAQ Opening and Closing Crosses. Until then, the IPO Cross will be offered at no cost.

Q: NASDAQ has already launched the Opening and Closing Crosses — and now the IPO Cross. Is NASDAQ planning on developing other cross-related products?

Yes. NASDAQ plans to introduce multiple Intraday Crosses and a Post-Close Cross in the third quarter of 2006.

Q: When was the IPO Cross implemented?

The IPO Cross process was implemented on May 30, 2006.

Q: Is NASDAQ's IPO Cross competing with any other similar crosses?

No, this process is for NASDAQ-listed companies only. The IPO Cross is the process that NASDAQ, as the primary market for the issuer, uses to release an IPO for trading.

Q: Is the IPO Cross anonymous?

Yes. Executions that occur in the IPO Cross are anonymous, similar to executions in the Opening and Closing Crosses. When a firm trades with themselves, the execution includes the firm name.

Q: Do all IPOs also participate in the NASDAQ Closing Cross?

Yes, all IPOs are opened using the IPO Cross and are eligible to participate in the Closing Cross on that day. After the day of the IPO, companies will participate in the regular Opening Cross process.