STANY Antitrust Compliance Policies and Procedures

(Please review and retain for personal files.)

The antitrust laws of the United States and the various states prohibit agreements, combinations and conspiracies that unduly restrain trade and independent decisions of market participants. Such agreements need not be written, explicit or formal; agreements, combinations and conspiracies can be oral, informal, expressed or implied from circumstantial evidence of a collective decision and parallel action.

The antitrust laws recognize that trade associations, make many pro-competitive contributions to the economy and industry that frequently require collaborative efforts to maintain fair, efficient, and transparent markets. However, because trade associations like the Security Traders Association of New York ("STANY") are, by definition, combinations of competitors, it is particularly important to avoid inappropriate activities, or even the appearance of impropriety, when competitors come together. Participants must be mindful of the risk that collaborative activity could lead to, or provide a basis for inferring, agreements which may raise antitrust concerns.

Violating the antitrust laws can be a felony offense carrying with it both imprisonment and severe financial penalties for companies and individuals who participate in the violation. The antitrust laws can be enforced against associations, association members, and the association's employees by both government agencies and private parties (such as competitors and consumers) through treble (triple) damage actions. The costs alone of defending criminal and civil claims can be exorbitant. As the principal federal antitrust law is a criminal conspiracy statute, an executive who attends a meeting at which competitors engage in illegal discussions may be held criminally responsible, even if he or she says nothing at the meeting. The executive's attendance at the meeting may be sufficient to imply acquiescence in the discussion, making him or her liable to as great a penalty as those who actively participated in the illegal agreement.

Some activities by competitors are deemed so pernicious and harmful that they are considered *per se* antitrust violations – it doesn't matter whether the activities have a harmful effect on competition or not. These include price fixing, allocation of customers or territories, bid-rigging, and group boycotts. No discussions from which any *per se* illegal agreement could be inferred should be held at any STANY committee, board, or membership meeting.

Other actions frequently taken by associations, such as standards development, certification programs, and relationships between distributors and suppliers generally are evaluated under a rule of reason – there is a balancing between the pro-competitive and anti-competitive aspects of the activities. The pro-competitive effects must outweigh the anti-competitive ones. Good intentions alone are not sufficient but conduct that in some respects restrains trade can nevertheless be legal and procompetitive if on balance it has the effect of promoting rather than suppressing competition.These areas also should be approached with caution and legal guidance.

Information sharing concerning matters such as prices charged for services rendered, business plans, marketing plans, new product development, costs, and profits, that is not already publicly available, and which is competitively sensitive, can raise antitrust questions. While some types of information exchange, such as stock quotes and spreads, are clearly pro-competitive and raise no concerns, there are some types of information sharing that could raise questions as to whether the exchange of information suggests an agreement to restrain trade. Some of the factors that are important to consider are: whether the information is being collected by STANY or another third party and will be disseminated in such a way that the data providers are anonymous; whether the information is historical data or reflects current or prospective prices or costs (historical data exchanges are less likely to raise antitrust concerns); whether the data providers constitute a significant share of the market; and whether the data is already publicly available.

Association members, in connection with STANY activities, may come together to discuss issues of concern to the industry and to prepare, adopt and present positions to influence the passage or enforcement of laws or regulations. Joint action by competitors to develop and articulate positions to be communicated to the government for the purpose of influencing government action is immune from antitrust prosecution under the "Noerr- Pennington" doctrine. Joint petitions to influence regulatory standards of self-regulatory organizations ("SROs") may not in all cases be immune from antitrust scrutiny under the Noerr- Pennington" doctrine. Therefore, SROs are best viewed as segments of the industry with whom STANY can join in petitioning for governmental action.

It shall be the policy of The Security Traders Association of New York ("STANY" or "the Association") to be in strict compliance with all Federal and State Antitrust laws, rules, and regulations. Therefore:

I. These policies and procedures apply to all membership, board, committee, and other meetings of STANY, and all meetings attended by representatives of the Association.

II. Do not discuss any elements of a company's operations which might influence price such as:
    a. Cost of operations, supplies, labor or services;
    b. Allowance for discounts;
    c. Terms of sale including credit arrangements; and,
    d. Profit margins and mark ups, provided this limitation shall not extend to discussions of methods of operation, maintenance, and similar matters in which cost or efficiency is merely incidental.

III. It is a violation of Antitrust laws to agree not to compete, therefore, discussions of division of territories or customers or limitations on the nature of business carried on or products sold are not permitted.

IV. Discussion relating to group boycotts is per se a violation of antitrust laws and is prohibited. This prohibition includes discussions about blacklisting or unfavorable reports about particular companies including their financial situation.

V. It is STANY's policy that at all meetings attended by representatives of the Association where discussion can border on an area of antitrust sensitivity, the Association's representative request that the discussion be stopped and ask that the request be made a part of the minutes of the meeting being attended. If others continue such discussion, the Association's representative should excuse themself from the meeting and request that the minutes show that they left the meeting at that point and why they left. Any such instances should be reported immediately to the President and the CEO of STANY.

VI. The antitrust guidelines apply regardless of whether discussions among competitors take place in person during formal committee, board, membership, or other meetings or during informal conversations that precede or follow formal meetings. Substantive discussions concerning the work of a committee or board should be strictly limited to the matters set forth in the approved agenda and, as much as practicable, restricted to formal meetings.

VII. It is STANY's policy that a copy of these Antitrust Compliance Policies and Procedures be given to each officer, director, committee member, and STANY employees annually and that the same be read, or understood at all meetings of the membership of STANY.