



NeoNet Policy Statement Regarding Compliance with Regulation NMS's Order Protection Rule

Dear Client:

The Securities and Exchange Commission had adopted the Order Protection Rule as one of several market structure amendments adopted in Regulation NMS. Among other things, the Order Protection Rule imposes a series of order handling obligations on exchanges, market makers and broker-dealers. This statement confirms how NeoNet Securities, Inc. ("NeoNet") handles customer orders in light of the requirements of the Order Protection Rule.

The Order Protection Rule prohibits exchanges, market makers and broker-dealers from "trading through" protected quotations for any NMS security, namely stocks. Protected quotations are the best bids and offers of each of the national and regional exchanges and the NASD's Alternative Display Facility ("ADF"). A "trade through" occurs when a market participant executes an order at a price that is inferior to the protected quotations displayed in these markets. Therefore, when executing your stock order, NeoNet will be prohibited from effecting a purchase (sale) at a price that is lower (higher) than the best bids (offers), without first satisfying those better-priced protected quotations.

In order to maintain compliance with the Order Protection Rule, NeoNet does not accept any orders that would rely on any exception under the Order Protection Rule. The main exception to the rule is the "intermarket sweep order" ("ISO"), which are orders used to sweep the market and execute any better-priced protected quotations. NeoNet does not accept or route any ISO. Instead, NeoNet routes all its orders to various market centers for handling and execution and relies on those market centers to ensure that the Firm's orders do not trade-through protected quotations.

We look forward to providing you with the level of service and execution quality that you have come to expect from us. Please contact your NeoNet representative should you have any questions.

Sincerely,

NeoNet Securities, Inc.