Date Adopted By Committee: __/__/04
Date Adopted By Board: 8/11/04

ARCHIPELAGO HOLDINGS, INC.

CORPORATE GOVERNANCE GUIDELINES

Archipelago Holdings, Inc. (the "Company" or "Archipelago") recognizes the importance of corporate governance as a component of providing long-term stockholder value. The policies set forth below are guiding principles to Archipelago's corporate governance. The Company's Board of Directors ("Board") will review and revise these Guidelines as appropriate to ensure they consistently reflect the Board's governance objectives.

Membership Criteria

It is the policy of the Company that a majority of the Board shall at all times be comprised of independent directors as defined by the listing standards of the Pacific Exchange ("PCX"). The Board believes that the Board also should include the Chief Executive Officer ("CEO"), if elected. The Board has no policy respecting the need to separate the offices of Chairman of the Board and CEO as it believes that this issue is part of the succession planning process and that it is in the best interests of the Company to make a determination whenever it elects a new CEO.

The Corporate Governance and Nominating Committee is responsible for periodically reviewing with the Board the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of diversity, professional accomplishments, integrity and skill. The Company's current *Director Qualification Policy* is attached as Annex A.

With respect to the composition of the Board, it is the policy of the Company that:

- **Number of Directors**. The number of directors should not exceed a number that can function efficiently as a body. The Corporate Governance and Nominating Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board.

- **Vacancies**. The Corporate Governance and Nominating Committee considers candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement or for any other reason.

- **Service on Other Boards**. Ordinarily, directors should not serve on more than four other boards of public companies in addition to the Company's Board.

- **Change in Employment**. Individual directors who change their employment status should inform the CEO and the Chair of the Corporate Governance and Nominating Committee of the change. In addition, they must volunteer, in writing, to resign from the Board. The Corporate Governance and Nominating Committee, in consultation with the CEO, will evaluate the offer to resign and make a recommendation to the Board with respect to such resignation.

- **Directors Who Desire to Accept a Board Position with Another Public Company**. Individual directors who desire to accept a directorship of a corporation (or, in the case of a business entity other than a corporation, a comparable position) ("Directorship") with a class of securities registered under the Securities Exchange Act of 1934 (i.e., a public company) should inform the CEO in advance of such acceptance. The CEO, after considering any conflict of interest, antitrust or other matters deemed appropriate, will advise the director and the Chair of the Corporate Governance and Nominating Committee in writing of the Company's position. If the Company's position is that the director should not be permitted to accept the Directorship while continuing as a director of the Company, the director shall inform the CEO whether he or she nevertheless intends to accept the Directorship and shall resign from the Board prior to accepting the directorship.

- **Term Limits**. The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they have the disadvantage of causing the loss of the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

- **Retirement Age**. The Board does not believe it should establish a retirement age.

Purpose of the Board

1. The Board is the ultimate decision-making body of the Company, except with respect to those matters reserved to the stockholders. It selects the senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

2. All major decisions should be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to, or required for, the operation of a publicly owned company. Currently, these committees are the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee.

3. The Board plans for succession to the position of CEO as well as certain other senior management positions. To assist the Board, the CEO annually provides the Board with an assessment of senior managers and of their potential to succeed him or her. He or she also provides the Board with an assessment of persons considered to be potential successors to certain senior management positions.

4. The CEO is responsible for establishing effective communication with the Company's stakeholder groups, i.e., stockholders, customers, associates, creditors, governments and corporate partners. It is the policy of the Company that management speaks for the Company. This policy does not preclude outside directors from meeting with stockholders, but it is suggested that in the majority of circumstances, any such meetings be held with senior management present.

Lead Director

At the Board meeting associated with the Company's Annual Meeting of stockholders each year (the "Annual Board Meeting"), the Board will decide whether to designate a lead director of the Board (the "Lead Director") to preside as the chair at meetings or executive sessions of outside independent directors (discussed below) and to serve until the next Annual Board Meeting.

Board Meetings

With respect to meetings of the Board, it is the policy of the Company that:

- **Frequency**. The Board shall meet at least five times a year. Additional meetings may be scheduled as necessary or appropriate in light of circumstances.

- **Selection of Agenda Items for Board Meetings**. The CEO, in consultation the chairs of the standing committees of the Board, will establish the agenda for each Board meeting. At the beginning of the fiscal year the CEO will establish a schedule of agenda subjects to be discussed during the year (to the extent these can be foreseen) and will review it with the Board. Each director is free to suggest the inclusion of items on the agenda. Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. At least one Board meeting each year will be for the purpose of reviewing: (i) long-term strategic plans and the principal issues that Archipelago will face in the future, (ii) strategic objectives, (iii) business and financial performance for the prior year, including a review of the achievement of strategic objectives, and (iv) the Company's compliance with applicable law and listing standards.

- **Board Materials Distributed in Advance**. Information and data that are important to the Board's understanding of the business should be distributed in writing to the Board before the Board meets.

- **Minutes**. The Corporate Secretary of the Company normally shall record minutes of all meetings of the Board and stockholders. In the absence or incapacity of the Corporate Secretary, the Chairman may designate an individual to record the minutes of meetings. With respect to any matter, a director voting against a proposal may ask to have his or her dissent recorded in the minutes of the meeting, and the Corporate Secretary shall do so.

- **Executive Sessions of Outside Independent Directors**. The outside independent directors will meet in executive session at least annually in connection with a regularly scheduled Board meeting, and at such other times as they may desire. Executive sessions are meetings of independent directors not attended by non-independent directors or management. Executive sessions are not Board meetings. Any matter may be discussed during an executive session, but Board action cannot be taken during such sessions. Board action may only be taken at Board meetings or by the unanimous written consent of all Board members to action without a meeting. The Lead Director, or in the event there is not a Lead Director of the Board, either the chair of the Company's Audit Committee, Compensation Committee or Corporate Governance and Nominating Committee shall preside as the chair at executive sessions at which the principal items to be considered are within the scope of the authority of his or her committee. Minutes need not be taken at such executive sessions.

Access to Management

Board members shall have complete access to Archipelago's officers and in-house and outside counsel. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the CEO. The Board may request and encourages the CEO to bring senior managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas and (b) represent managers with future potential that the senior officers believe should be given exposure to the Board.

Outside Counsel and Other Advisors

The Board and Board committees may retain outside counsel, financial or other advisors, as they deem appropriate, without consulting with or obtaining the approval of any officer of the Company with respect to any issue relating to matters subject to their respective authority.

Board Disclosure

In no event shall any director disclose any material non-public information concerning the Company. Among other considerations, such disclosures may violate applicable law. Questions about such information should be directed to the Company's General Counsel. In the event that a director inadvertently discloses information that may be material and non-public, he or she should immediately so advise the Company's General Counsel.

Committees of the Board

With respect to the committees of the Board, it is the policy of the Company that:

- **Committee Structure**. The Board has the following standing committees: Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. The members and chairs of these committees are recommended to the Board by the Corporate Governance and Nominating Committee. Only independent directors (as defined by PCX rules and regulations) may serve on the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee. All independent directors should be a member of at least one committee and, ideally, two. Ideally, all committees should have a minimum of three independent directors.

The Board has the flexibility to form new committees. The Board shall have authority to disband any *ad hoc* or standing committee when it deems it appropriate to do so, *provided that*, the Company shall at all times have an Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee, and such other committees as may be required by applicable law or listing standards.

- **Written Charters**. Each standing committee shall have a written charter, which shall be approved by the Board and state the purpose of such committee. Committee charters shall be reviewed not less frequently than annually to reflect the activities of each of the respective committees, changes in applicable law or regulation and other relevant considerations, and proposed revisions to such charters shall be approved by the Board.

- **Rotation of Members**. The Board does not believe that committee members' rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual director's committee membership for a longer period or to shorten the period. The learning time to become an active contributor on a particular committee is also a factor.

- **Agendas**. The chair of each committee, in consultation with its members and the appropriate corporate officers, will develop the committee's agenda and the frequency and length of meetings consistent with its charter. At the beginning of the fiscal year each committee will establish a schedule of agenda subjects to be discussed during the year (to the extent these can be foreseen). The schedule for each committee will be furnished to all directors. Each director is free to suggest the inclusion of items on the agenda.

Compensation of Directors

The Board sets the level of compensation for directors, based on the recommendation of the Corporate Governance and Nominating Committee. Directors who are also current employees of the Company receive no additional compensation for service as directors.

From time to time the Corporate Governance and Nominating Committee shall review the amount and form of compensation paid to directors, taking into account the compensation paid to directors of other companies in its peer group and other U.S. companies of similar size.

Director Orientation and Education

New directors shall participate in an orientation program, which shall generally be conducted within three months of the new director's election. The agenda for the orientation program shall be determined by the Chairman, in consultation with the CEO (if different from the Chairman), the Chief Financial Officer and the General Counsel, each of which may consult, as appropriate, with the chairs of the standing committees of the Board.

Annual Assessment of the Board's Performance

The Board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. The purpose of this self-evaluation is to increase the effectiveness of the Board and its committees, not to target the performance of individual Board members.

The Corporate Governance and Nominating Committee shall conduct individual director assessments. The purpose of such assessments is to improve the effectiveness of each director and to provide input to the Corporate Governance and Nominating Committee regarding whether a director should be nominated for a new term.

Availability of Governance Documents

These Corporate Governance Guidelines; the charters for the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee; and the Company's Code of Business Conduct and Ethics shall be posted on the Company's website. The Company's annual report on Form 10-K filed with the SEC shall state that the foregoing information is available on its website, and that the information is available in print to any stockholder who requests it.

Guidelines For Determining the Independence of Directors

Following are the criteria to be used to determine the independence of each director of the Company, in accordance with the requirements set forth in the PCX corporate governance rules, which apply to all companies listed with the PCX, and as required by the Sarbanes-Oxley Act of 2002.

A director will be considered by the Board to be independent if the director has no material relationship with the Company (directly or as a director, stockholder or officer of an organization that has a relationship with the Company) other than as a director. Material relationships may include, but are not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. In making independence determinations, the Board shall broadly consider all relevant facts and circumstances. The following is a list of the criteria that the Board shall apply in making such determinations.

- A director who is an employee, or whose immediate family member is an employee, of the Company will not satisfy the criteria for independence until three years after the end of such employment relationship.

- A director who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), will not satisfy the criteria for independence until three years after he or she ceases to receive more than $100,000 per year in such compensation.

- A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company (or an affiliate), will not satisfy the criteria for independence until three years after the end of the affiliation or the employment or auditing relationship.

- A director who is employed, or has an immediate family member who is employed, as an executive officer of another company where any of the Company's present executives serve on that company's compensation committee will not satisfy the criteria for independence until three years after the end of such service or the employment relationship.

- A director who currently is an executive officer or an employee, or whose immediate family member currently is an executive officer, of a company (which shall not be deemed to include charitable organizations) that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of $200,000 or 5% of such other company's consolidated gross revenues reported in the last completed fiscal year, will not satisfy the criteria for independence until three years after falling below such threshold.

- For purposes of this section (Guidelines for Determining the Independence of Directors) (i) the term "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who shares such person's home; and (ii) the term "Company" includes any subsidiary in a consolidated group with Archipelago.

- Each of the above criteria contains a three-year "look-back" provision.

The Company shall to the extent required by applicable law or PCX rules disclose in its annual proxy statement any charitable contributions made by the Company to any charitable organization of which a director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of $200,000 or 5% of such charitable organization's consolidated gross revenues.

The Board shall report its determinations on an annual basis in the Company's proxy statement and the basis for any determination that a relationship is not material.

Code of Business Conduct and Ethics

The Board expects all directors, officers and employees to display the highest standard of ethics, consistent with values and standards of the Company. Directors are expected to report any possible conflict of interest between the director and the Company to the Chair of the Corporate Governance and Nominating Committee who will take appropriate action which could include referring the matter to the entire Board. The Board must approve all waivers of the Code of Business Conduct and Ethics for directors and all such waivers shall be promptly disclosed to stockholders.

Stockholder Communications Process

The Company shall provide a process for stockholders to send communications to the Board. The Board has approved a process for such stockholder communications based on the recommendation of the Corporate Governance and Nominating Committee. Such communications process, along with the identity of the directors to whom stockholders can send communications and other relevant information, shall be described in the proxy statement relating to the Company's annual meeting of stockholders. The Board shall review such stockholder communications process from time to time and implement such changes, if any, as it deems appropriate.

Revisions of These Guidelines

Each year, the Corporate Governance and Nominating Committee shall re-evaluate these Guidelines and recommend to the Board such revisions as it deems necessary or appropriate for the Board to discharge its responsibilities more effectively.

ANNEX A

DIRECTOR QUALIFICATION POLICY

Qualifications of Board Candidates

The Corporate Governance and Nominating Committee ("Committee") believes that members of the Company's Board of Directors ("Board") must posses certain basic personal and professional qualities in order to properly discharge their fiduciary duties to stockholders, provide effective oversight of the management of the Company and monitor the Company's adherence to principles of sound corporate governance. It is therefore the policy of the Committee that all persons nominated to serve as a director of the Company should possess the minimum qualifications described in this policy. These are only threshold criteria, however, and the Committee will also consider the contributions that a candidate can be expected to make to the collective functioning of the Board based upon the totality of the candidate's credentials, experience and expertise, the composition of the Board at the time, and other relevant circumstances.

1. *Integrity*. All candidates must be individuals of personal integrity and ethical character, and who value and appreciate these qualities in others.

2. *Absence of Conflicts of Interest*. Candidates should not have any interests that would materially impair his or her ability to (i) exercise independent judgment, or (ii) otherwise discharge the fiduciary duties owed as a director to the Company and its stockholders.

3. *Fair and Equal Representation*. Candidates must be able to represent fairly and equally all stockholders of the Company without favoring or advancing any particular stockholder or other constituency of the Company.

4. *Achievement*. Candidates must have demonstrated achievement in one or more fields of business, professional, governmental, communal or educational endeavor.

5. *Oversight*. Candidates are expected to have sound judgment, borne of management or policy-making experience (which may be as an advisor or consultant), that demonstrates an ability to function effectively in an oversight role.

6. *Business Understanding*. Candidates must have a general appreciation regarding major issues facing public companies of a size and operational scope similar to the Company. These considerations include:

- contemporary governance concerns;
- regulatory obligations of a public issuer;
- strategic business planning;
- basic understanding of the securities markets;

- a commitment to enhancing stockholder value;
- competition in a global economy; and
- basic concepts of corporate finance.

7. *Available Time*. Candidates must have, and be prepared to devote, adequate time to the Board and its committees. It is expected that each candidate will be available to attend substantially all meetings of the Board and any committees on which the candidate will serve, as well as the Company's annual meeting of stockholders, after taking into consideration their other business and professional commitments, including service on the boards of other companies.

8. *Limited Exceptions*. Under exceptional and limited circumstances, the Committee may approve the candidacy of a nominee who does not satisfy all of these requirements if it believes the service of such nominee is in the best interests of the Company and its stockholders.

9. *Additional Qualifications*. In approving candidates for election as director, the Committee will also assure that:

- at least a majority of the directors serving at any time on the Board are "independent", as defined under the rules of the PCX;
- at least three of the directors satisfy the "financial literacy" requirements required for service on the audit committee under the rules of the PCX;
- at least one of the directors qualifies as an audit committee financial expert under the rules of the Securities and Exchange Commission;
- at least some of the independent directors have experience as senior executives of a public or substantial private company; and
- at least some of the independent directors have general familiarity with an industry or industries in which the Company conducts a substantial portion of its business or in related industries.

11. *Diversity*. The Committee will seek to promote through the nominations process an appropriate diversity on the Board of professional background, experience, expertise and perspective.