

# NASDAQ

## **SEC Rule 11Ac1-6 Disclosure of Order Routing Practice**

Harbour Investments, Inc. directs its over-the-counter (OTC) equity order flow to its clearing broker, Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation (Pershing), for routing and execution. Harbour Investments, Inc. does not receive compensation for directing order flow to Pershing. However, Pershing receives compensation pursuant to the following practices.

Pershing and its affiliate, Pershing Trading Company, L.P., (collectively Pershing), receive compensation for directing OTC equity order flow to selected market makers. Pershing may route a certain percentage of OTC equity order flow to its own market makers if Pershing makes a market in that particular security.

Pershing receives compensation in the form of a per share cash payment from the following market makers: Arnhold and S. Bleichroder, Inc.; Bernard L. Madoff; Herzog, Heine, Geduld, Inc.; Hill Thompson Magid, L.P.; Fleet Trading, A Division of Fleet Securities; Knight Securities, L.P.; M.H. Meyerson & Co., L.P., Monroe Securities, Inc.; NDB Capital Markets, L.P.; and Schwab Capital Markets. The per share cash payment varies from time to time and is calculated based on a variety of factors, including but not limited to market conditions at the time of execution and profitability of the market maker. Generally, Pershing receives noncash compensation from all other market makers to whom orders are routed in the form of reciprocal arrangements whereby, in exchange for having orders directed to them, other broker-dealers will direct certain orders to Pershing.

Pershing has selected certain market makers to provide execution of OTC securities transactions who have agreed to accept orders transmitted electronically up to a specified size and to execute them at or better than the national best bid or offer (NBBO). On larger orders, or if the designated market makers do not make a market in the subject security, Pershing directly contracts market makers to obtain an execution. The designated market makers to whom orders are automatically routed are selected based on the consistently high quality of their OTC executions in one or more market segments and their ability to provide opportunities for executions at prices superior to the NBBO.

Pershing regularly reviews reports for quality of execution purposes.