



ARCHIPELAGO HOLDINGS, INC.

COMPENSATION COMMITTEE CHARTER

Committee Membership

Composition of Committee: The Compensation Committee (“Committee”) of the Board of Directors (“Board”) of Archipelago Holdings, Inc. (“Company”) is a standing committee of the Board and shall be comprised of at least three directors. The total number of members of the Committee shall be determined by the Board in its discretion.

Appointment of Members: The members of the Committee initially shall be appointed by the Board, and thereafter shall be elected annually by resolution of the Board at its first meeting following the annual meeting of the Company’s stockholders, or as soon as practicable thereafter as determined by the Board in its discretion. At such Board meetings, prospective members of the Committee shall be recommended to the Board by the Company’s Corporate Governance and Nominating Committee. Each member of the Committee shall serve at the pleasure of the Board and for such term or terms as the Board may determine. The members of the Committee may be removed or replaced by the Board in its discretion at any time.

Committee members may resign from the Committee by giving written notice to the Board. A Committee member may resign Committee membership without resigning from the Board, but a member shall automatically cease to be a member of the Committee upon either ceasing to be a member of the Board or ceasing to be “independent” as set forth in the applicable rules of each Governing Standard (defined below). The Board shall designate one member of the Committee as its chairperson (“Chair”).

Member Qualifications: Each member of the Committee shall meet all of the requirements for compensation committee members of the Pacific Exchange (“PCX”) and all other applicable laws, rules, and regulations (each a “Governing Standard”) governing compensation committee members and each member of the Committee shall be “independent” as defined by the rules of PCX. In addition, two or more members of the Committee shall be both “non-employee directors” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (“Exchange Act”), and “outside directors” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (“Code”).

Required Board Determinations: The Board must make a determination that each member of the Committee meets the applicable “independence” requirements of each Governing Standard as interpreted by the Board in its business judgment.

Committee Meetings, Structure and Operations

The Committee shall meet four times a year (or more frequently if deemed necessary or desirable by the Chair or the Board). Any background materials, together with an agenda, should be distributed to the Committee members in advance of each Committee meeting. All meetings of the Committee shall be held pursuant to the by-laws of the Company with regard to notice and waiver thereof, and written minutes of each meeting, in the form approved at a subsequent meeting, shall be filed in the Company records. Any determination or other action of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. The Committee shall report regularly to the Board. Members of the Committee may participate in meetings by means of conference call or similar communications equipment where all persons participating in the meeting can hear each other. The Committee may invite the CEO and members of management to its meetings, as the Committee deems appropriate, however the CEO may not be present during voting or deliberations with regard to the compensation of the CEO. In the event of a tie vote on any issue, the Chair's vote shall decide the issue.

Purposes

The purposes of the Committee are to: (i) discharge the Board's responsibilities relating to compensation of the Company's senior management; and (ii) produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations of the Securities and Exchange Commission. At the request of the Board's Corporate Governance and Nominating Committee, the Committee may provide guidance for compensation of non-employee members of the Board. The Committee, however, does not have any authority with regard to the compensation arrangements for members of the Board who are not employees. Such arrangements must be authorized by the Board.

Duties and Responsibilities

The Committee's duties and responsibilities shall be:

1. Review, determine and approve corporate goals and objectives relevant to the Company's CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on that evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee may consider, among other factors, the Company's performance and relative stockholder return, the value of similar incentive awards to officers at comparable companies and the awards given to the CEO in past years. Nothing in this charter should be construed as precluding discussion of the CEO's compensation with the Board generally.
2. Review, determine and approve the compensation levels of senior management of the Company (in consultation with the CEO).
3. Review and make recommendations to the Board with respect to incentive-compensation plans and equity-based plans (including benefit plans for senior management and employees) and to: (i) administer any incentive-compensation plan or program of the

Company; (ii) ensure that incentive compensation paid to officers or employees who are or are expected to be “covered employees,” as defined in Section 162(m) of the Code qualifies as “performance-based compensation” in accordance with Section 162(m) of the Code, unless the Committee has determined otherwise; (ii) approve all such grants or awards that are intended to be exempt from the application of Section 16(b) of the Exchange Act in accordance with Rule 16b-3 under the Exchange Act; and (iii) take such actions and have such responsibilities as may be set forth from time to time in such plans or programs.

4. To: (i) establish and evaluate, in consultation with the CEO, senior management and the other committees of the Board, the Company’s general compensation philosophy, plans and individual performance relative to such plans; (ii) oversee the development and implementation of compensation programs; and (iii) assess the adequacy of programs and procedures designed to provide for the development, selection and succession of officers and key personnel within the Company including the terms and conditions of any severance agreement or arrangement with senior management.
5. Meet with the Company’s CEO as the Committee determines is necessary to review the performance criteria and compensation levels of senior management, and meet with the Company’s General Counsel and Managing Director of Human Resources, as appropriate and as necessary in the Committee’s discretion, to review: (i) the Company’s compliance with its policies governing related-party transactions; (ii) the Company’s compliance with the Securities and Exchange Commission’s proxy disclosure obligations regarding compensation committees; and (iii) any material compensation complaint or dispute received by the Company from any executive officer.
6. To evaluate (in consultation with the CEO and/or senior management), at least annually, the performance of the Company’s Managing Director of Human Resources.
7. To carry out the “Purposes” listed above, including the preparation and production of an annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations of the Securities and Exchange Commission.
8. To perform any other duties or responsibilities expressly delegated to the Committee by the Board.

In carrying out the foregoing responsibilities, the Committee shall apply the Company’s compensation philosophy and endeavor, where appropriate, to link senior management compensation to an officer’s service to the Company and overall performance. As used above, the term “senior management” shall include those officers of the Company designated by the Committee in its discretion.

Delegation to Subcommittee

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee consisting of one or more members of the Committee.

Performance Evaluation

The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to the Committee's charter deemed necessary or desirable by the Committee. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make the report.

Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. This authority shall be vested solely in the Committee. The Committee shall have authority to obtain advice and assistance from internal or external legal, accounting or other advisors as it deems necessary or appropriate.

Each member of the Committee shall be entitled to rely, to the fullest extent permitted by law, on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and the accuracy of the information provided to the Committee by such persons or organizations.