Proposed Rule Change by Philadelphia Stock Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial Amendment Withdrawal

Section 19(b)(2) Section 19(b)(3)(A) Section 19(b)(3)(B)

Rule

Pilot Extension of Time Period for Commission Action

Date Expires

☑ 19b-4(f)(1) ☐ 19b-4(f)(4)

☑ 19b-4(f)(2) ☑ 19b-4(f)(5)

☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Description

Provide a brief description of the proposed rule change (limit 250 characters).

Amend Phlx dividend spread strategy program to assess a $0.05 per contract side license fee and extend current pilot program relating to dividend and merger spreads and $0.05 license fee.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Cynthia Last Name Hoekstra

Title Director

E-mail cynthia.hoekstra@phlx.com

Telephone (215) 496-5066 Fax (215) 496-5179

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 02/23/2006

By Cynthia Hoekstra (Name)

Director (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

### Exhibit 1 - Notice of Proposed Rule Change

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).

### Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

### Exhibit 3 - Form, Report, or Questionnaire

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

### Exhibit 4 - Marked Copies

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

### Exhibit 5 - Proposed Rule Text

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

### Partial Amendment

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of the Proposed Rule Change**

The Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) proposes to: (1) amend its dividend spread strategy program to assess a $0.05 per contract side license fee on additional equity option products in connection with dividend spread strategies to recapture license fees associated with the trading of these products; and (2) extend for a period of six months its fee caps on equity option transaction and comparison charges on dividend spread transactions\(^3\) and merger spread transactions,\(^4\) and its $0.05 per contract side license fee imposed for dividend spread transactions. The current fee caps and $0.05 per contract side license fee are in effect as a pilot program that will expire on March 1, 2006. The Exchange proposes to extend the pilot program for a six-month period until September 1, 2006.

The Exchange also proposes to make a minor technical change to delete unnecessary text from its fee schedule and to correct a typographical error.

Specifically, in addition to the products already listed on the Exchange’s fee schedule, the Exchange proposes to assess the license fee of $0.05 per contract side for dividend spread strategy transactions in options on: (1) State Street Global Advisors’, a division of State Street Bank and Trust Company ("SSGA"), streetTracks based on the

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\(^3\) For purposes of this proposal, a “dividend spread” transaction is any trade done within a defined time frame pursuant to a strategy in which a dividend arbitrage can be achieved between any two deep-in-the-money options.

\(^4\) For purposes of this proposal, the Exchange defines a “merger spread” transaction as a transaction executed pursuant to a merger spread strategy involving the simultaneous purchase and sale of options of the same class and expiration date, but different strike prices, followed by the exercise of the resulting long options position, each executed prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.
Dow Jones & Co., Inc. ("Dow Jones") Global Titans 50 IndexSM, (DGT); (2) SSGA’s streetTracks based on the Dow Jones Wilshire 5000 IndexSM, (TMW); (3) BGI’s iShares Dow Jones Select Dividend IndexSM, (DVY); (4) iShares Dow Jones U.S. Total Market IndexSM, (IYY); (5) iShares Dow Jones U.S. Basic Materials IndexSM, (IYM); (6) iShares Dow Jones U.S. Consumer Services Sector IndexSM, (IYC); (7) iShares Dow Jones U.S. Financial Sector IndexSM, (IYF); (8) iShares Dow Jones U.S. Financial Services Sector IndexSM, (IYG); (9) iShares Dow Jones U.S. Healthcare Sector IndexSM, (IYH); (10) iShares Dow Jones U.S. Industrial Sector IndexSM, (IYJ); (11) iShares Dow Jones U.S. Consumer Goods Sector IndexSM, (IYK); (12) iShares Dow Jones U.S. Real Estate Sector IndexSM, (IYR); (13) iShares Dow Jones U.S. Technology Sector IndexSM, (IYW); (14) iShares Dow Jones U.S. Telecommunications Sector IndexSM, (IYZ); (15) iShares Dow Jones U.S. Utilities Sector IndexSM, (IDU); and (16) First Trust’s ETF based on the Dow Jones Select Microcap IndexSM, (FDM).5

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the Exchange’s Summary of Equity Option Charges and $60,000 “Firm Related” Equity Option and Index Option Cap fee schedule is attached hereto as Exhibit 5.

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5 The products listed in this proposal were recently filed with the Securities and Exchange Commission to include them on the list of products that are assessed a license fee of $0.10 per contract side in connection with the Exchange’s $60,000 “Firm Related” Equity Option and Index Option Cap. This same list of products is also used to designate the products that are assessed a license fee of $0.05 per contract side for dividend spread strategies in connection with transactions other than firm-related transactions. See Securities Exchange Act Release No. 53287 (February 14, 2006), 71 FR 9186 (February 22, 2006) (SR-Phlx-2006-10).
2. Procedures of the Self-Regulatory Organization

The Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission ("SEC" or "Commission") on February 10, 2006.

Questions and comments on the proposed rule change may be directed to Cynthia Hoekstra, Director, at (215) 496-5066 or Edith Hallahan, Deputy General Counsel, at (215) 496-5179.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

Currently, the Exchange imposes a fee cap on equity option transaction and comparison charges on merger spread strategy and dividend spread strategy transactions executed on the same trading day in the same options class. Specifically, Registered Options Traders’ ("ROTs") and specialists’ equity option transaction and comparison charges are capped at $1,750 for transactions effected pursuant to a merger spread strategy or pursuant to a dividend spread strategy when the dividend is $0.25 or greater. However, for dividend spread transactions for a security with a declared dividend or distribution of less than $0.25, the ROTs’ and specialists’ equity option transaction and comparison charges are capped at $1,000 for transactions effected pursuant to a dividend spread strategy executed on the same trading day in the same options class. The fee caps are implemented after any applicable rebates are applied to ROT and specialist equity option transaction and comparison charges.6

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6 Currently, the Exchange provides a rebate for certain contracts executed in connection with transactions occurring as part of a dividend spread or merger spread strategy. Specifically, for those options contracts executed pursuant to a dividend spread or merger spread strategy, the Exchange rebates $0.08 per contract
In addition, the Exchange assesses a license fee of $0.05 per contract side for
dividend spread strategy transactions in options in connection with certain products that
carry license fees.7 The license fee of $0.05 per contract side: is not subject to the
$1,750 or $1,000 caps described above; is assessed in addition to any other transaction
and comparison charges associated with dividend spread strategy transactions; and does
not count towards reaching the $1,750 or $1,000 caps.

The purpose of the proposed rule change is to recoup the license fees owed in
connection with the trading of the products listed above. Even with the assessment of the
$0.05 license fee per contract side, the fee caps and rebates should continue to encourage
specialists and ROTs to provide liquidity for dividend spread strategy transactions. In
addition, the purpose of extending the pilot program is to continue to attract additional
liquidity to the Exchange and to remain competitive.

The reference to the $1,000 and $1,750 caps that are subject to a pilot program
scheduled to expire on March 1, 2006 inadvertently appears twice on the fee schedule in
the same paragraph. Therefore, the purpose of removing this sentence is to clarify and
simplify the text relating to the caps and the pilot program as it appears on the
Exchange’s fee schedule. In addition, the purpose of changing one reference to the

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7 These products are listed on the Exchange’s fee schedule under the section $60,000 “Firm Related”
Equity Option and Index Option Cap.
symbol “IWM” to “IYM” is to correct a typographical error. The symbol “IYM” is the symbol for iShares Dow Jones U.S. Basic Material IndexSM. 8

b. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act9 in general, and furthers the objectives of Section 6(b)(4) of the Act10 in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Phlx does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.


6. **Extension of Time Period for Commission Action**

   The Exchange does not consent to an extension of the time period for Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

   The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act\(^{11}\) and Rule 19b-4(f)(2)\(^{12}\) thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

   The proposed rule change is similar to the rules of the Chicago Board Options Exchange, Inc. (“CBOE”), American Stock Exchange, LLC (“Amex”) and the Pacific Exchange, Inc. (“PCX”).\(^{13}\)

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9. **Exhibits**

1. Notice of proposed rule for publication in the Federal Register.

5. Summary of Equity Option Charges and $60,000 “Firm Related” Equity Option and Index Option Cap
Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and Rule 19b-4 thereunder,\(^2\) notice is hereby given that on ________________ 2006, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Phlx. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. **Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Phlx, pursuant to Section 19(b)(1) of the Act\(^3\) and Rule 19b-4 thereunder,\(^4\) proposes to: (1) amend its dividend spread strategy program to assess a $0.05 per contract side license fee on additional equity option products in connection with dividend spread strategies to recapture license fees associated with the trading of these products; and (2) extend for a period of six months its fee caps on equity option transaction and

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\(^1\) 15 U.S.C. 76s(b)(1).


comparison charges on dividend spread transactions\(^5\) and merger spread transactions, \(^6\) and its $0.05 per contract side license fee imposed for dividend spread transactions. The current fee caps and $0.05 per contract side license fee are in effect as a pilot program that will expire on March 1, 2006. The Exchange proposes to extend the pilot program for a six-month period until September 1, 2006.

The Exchange also proposes to make a minor technical change to delete unnecessary text from its fee schedule and to correct a typographical error.

Specifically, in addition to the products already listed on the Exchange’s fee schedule, the Exchange proposes to assess the license fee of $0.05 per contract side for dividend spread strategy transactions in options on: (1) State Street Global Advisors’, a division of State Street Bank and Trust Company (“SSGA”), streetTracks based on the Dow Jones & Co., Inc. (“Dow Jones”) Global Titans 50 Index\(^\text{SM}\), (DGT); (2) SSGA’s streetTracks based on the Dow Jones Wilshire 5000 Index\(^\text{SM}\), (TMW); (3) BGI’s iShares Dow Jones Select Dividend Index\(^\text{SM}\), (DVY); (4) iShares Dow Jones U.S. Total Market Index\(^\text{SM}\), (IYY); (5) iShares Dow Jones U.S. Basic Materials Index\(^\text{SM}\), (IYM); (6) iShares Dow Jones U.S. Consumer Services Sector Index\(^\text{SM}\), (IYC); (7) iShares Dow Jones U.S. Financial Sector Index\(^\text{SM}\), (IYF); (8) iShares Dow Jones U.S. Financial Services Sector Index\(^\text{SM}\), (IYG); (9) iShares Dow Jones U.S. Healthcare Sector Index\(^\text{SM}\), (IYH); (10) iShares Dow Jones U.S. Industrial Sector Index\(^\text{SM}\), (IYJ); (11) iShares Dow Jones U.S.

\(^5\) For purposes of this proposal, a “dividend spread” transaction is any trade done within a defined time frame pursuant to a strategy in which a dividend arbitrage can be achieved between any two deep-in-the-money options.

\(^6\) For purposes of this proposal, the Exchange defines a “merger spread” transaction as a transaction executed pursuant to a merger spread strategy involving the simultaneous purchase and sale of options of the same class and expiration date, but different strike prices, followed by the exercise of the resulting long options position, each executed prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.
Consumer Goods Sector IndexSM, (IYK); (12) iShares Dow Jones U.S. Real Estate Sector IndexSM, (IYR); (13) iShares Dow Jones U.S. Technology Sector IndexSM, (IYW); (14) iShares Dow Jones U.S. Telecommunications Sector IndexSM, (IYZ); (15) iShares Dow Jones U.S. Utilities Sector IndexSM, (IDU); and (16) First Trust’s ETF based on the Dow Jones Select Microcap IndexSM, (FDM).7

A copy of the Exchange’s Summary of Equity Option Charges and $60,000 “Firm Related” Equity Option and Index Option Cap fee schedule is attached hereto as Exhibit 5.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Phlx included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Phlx has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Currently, the Exchange imposes a fee cap on equity option transaction and comparison charges on merger spread strategy and dividend spread strategy transactions executed on the same trading day in the same options class. Specifically, Registered

7 The products listed in this proposal were recently filed with the Securities and Exchange Commission to include them on the list of products that are assessed a license fee of $0.10 per contract side in connection with the Exchange’s $60,000 “Firm Related” Equity Option and Index Option Cap. This same list of products is also used to designate the products that are assessed a license fee of $0.05 per contract side for dividend spread strategies in connection with transactions other than firm-related transactions. See Securities Exchange Act Release No. 53287 (February 14, 2006), 71 FR 9186 (February 22, 2006) (SR-Phlx-2006-10).
Options Traders’ (‘ROTs) and specialists’ equity option transaction and comparison charges are capped at $1,750 for transactions effected pursuant to a merger spread strategy or pursuant to a dividend spread strategy when the dividend is $0.25 or greater. However, for dividend spread transactions for a security with a declared dividend or distribution of less than $0.25, the ROTs’ and specialists’ equity option transaction and comparison charges are capped at $1,000 for transactions effected pursuant to a dividend spread strategy executed on the same trading day in the same options class. The fee caps are implemented after any applicable rebates are applied to ROT and specialist equity option transaction and comparison charges.\(^8\)

In addition, the Exchange assesses a license fee of $0.05 per contract side for dividend spread strategy transactions in options in connection with certain products that carry license fees.\(^9\) The license fee of $0.05 per contract side: is not subject to the $1,750 or $1,000 caps described above; is assessed in addition to any other transaction and comparison charges associated with dividend spread strategy transactions; and does not count towards reaching the $1,750 or $1,000 caps.

The purpose of the proposed rule change is to recoup the license fees owed in connection with the trading of the products listed above. Even with the assessment of the $0.05 license fee per contract side, the fee caps and rebates should continue to encourage

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\(^8\) Currently, the Exchange provides a rebate for certain contracts executed in connection with transactions occurring as part of a dividend spread or merger spread strategy. Specifically, for those options contracts executed pursuant to a dividend spread or merger spread strategy, the Exchange rebates $0.08 per contract side for ROT executions and $0.07 per contract side for specialist executions on the business day before the underlying stock’s ex-date (the date on or after which a security is traded without a previously declared dividend or distribution. After the ex-date a stock is said to trade ex-dividend). See Securities Exchange Act Release No. 51596 (April 21, 2005), 70 FR 22381 (April 29, 2005) (SR-Phlx-2005-19).

\(^9\) These products are listed on the Exchange’s fee schedule under the section $60,000 “Firm Related” Equity Option and Index Option Cap.
specialists and ROTs to provide liquidity for dividend spread strategy transactions. In addition, the purpose of extending the pilot program is to continue to attract additional liquidity to the Exchange and to remain competitive.

The reference to the $1,000 and $1,750 caps that are subject to a pilot program scheduled to expire on March 1, 2006 inadvertently appears twice on the fee schedule in the same paragraph. Therefore, the purpose of removing this sentence is to clarify and simplify the text relating to the caps and the pilot program as it appears on the Exchange’s fee schedule. In addition, the purpose of changing one reference to the symbol “IWM” to “IYM” is to correct a typographical error. The symbol “IYM” is the symbol for iShares Dow Jones U.S. Basic Material IndexSM. 10

2. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act11 in general, and furthers the objectives of Section 6(b)(4) of the Act12 in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange member.

10 “Dow Jones” and “SSGA’s streetTracks based on the Dow Jones Global Titans 50 IndexSM”, “SSGA’s streetTracks based on the Dow Jones Wilshire 5000 IndexSM”, “BGI’s iShares Dow Jones Select Dividend IndexSM”, “iShares Dow Jones U.S. Total Market IndexSM”, “iShares Dow Jones U.S. Basic Materials IndexSM”, “iShares Dow Jones U.S. Consumer Services Sector IndexSM”, “iShares Dow Jones U.S. Financial Sector IndexSM”, “iShares Dow Jones U.S. Financial Services Sector IndexSM”, “iShares Dow Jones U.S. Healthcare Sector IndexSM”, “iShares Dow Jones U.S. Industrial Sector IndexSM”, “iShares Dow Jones U.S. Consumer Goods Sector IndexSM”, “iShares Dow Jones U.S. Real Estate Sector IndexSM”, “iShares Dow Jones U.S. Technology Sector IndexSM”, “iShares Dow Jones U.S. Telecommunications Sector IndexSM”, “iShares Dow Jones U.S. Utilities Sector IndexSM”, and “First Trust’s ETF based on the Dow Jones Select Microcap IndexSM”, are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the Philadelphia Stock Exchange, Inc. The Dow Jones products are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such product(s).


B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act\(^{13}\) and Rule 19b-4(f)(2)\(^{14}\) thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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Electronic comments:

- Use the Commission’s Internet comment form
  [http://www.sec.gov/rules/sro.shtml]; or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2006-16 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-Phlx-2006-16. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site [http://www.sec.gov/rules/sro.shtml]. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission’s Public Reference Room. Copies of the filing also will be available for inspection and copying at the principal office of the Phlx. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information
that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2006-16 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.\textsuperscript{15}

Nancy M. Morris
Secretary

\textsuperscript{15} 17 CFR 200.30-3(a)(12).
### SUMMARY OF EQUITY OPTION CHARGES (p. 1/6)

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Executions</td>
<td>No charge</td>
</tr>
<tr>
<td>Firm / Proprietary 1 +</td>
<td>$.20 per contract</td>
</tr>
<tr>
<td>Firm / Proprietary Facilitation +</td>
<td>$.10 per contract</td>
</tr>
<tr>
<td>Registered Option Trader (on-floor) *</td>
<td>$.19 per contract</td>
</tr>
<tr>
<td>Specialist *</td>
<td>$.21 per contract</td>
</tr>
<tr>
<td>Broker/Dealer 2 (AUTOM-delivered)</td>
<td>$.45 per contract</td>
</tr>
<tr>
<td>Broker/Dealer 3 (non-AUTOM-delivered)</td>
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</tr>
<tr>
<td>Up to 2,000 contracts</td>
<td>$.35 per contract</td>
</tr>
<tr>
<td>Between 2,001 and 3,000 contracts</td>
<td>$.25 per contract (for all contracts)</td>
</tr>
<tr>
<td>Residual above 3,000 contracts</td>
<td>$.20 per contract above 3,000 contracts (with the first 3,000 contracts charged $.25 per contract)</td>
</tr>
<tr>
<td>Linkage “P” and “P/A” Orders 4</td>
<td>$.15 per contract</td>
</tr>
</tbody>
</table>

1. Subject to a maximum fee of $60,000, except for certain license fees which are assessed per contract side – see $60,000 “Firm Related” Equity Option and Index Option Cap.
2. ROTs are eligible for a $.08/contract side rebate and specialists are eligible for a $.07/contract side rebate for trades occurring as part of a dividend or merger spread transaction. The net transaction and comparison charges after the rebate is applied will be capped at $1,750 for all merger spread transactions executed on the same trading day in the same options class. The net transaction and comparison charges after the rebate is applied will be capped at $1,750 for dividend spread transactions on the same day in the same options class, except for a security with a declared dividend or distribution less than $0.25. In that instance, the net transaction and comparison charges after the rebate is applied will be capped at $1,000 for all dividend spread transactions on the same day in the same options class. [The $1,000 and $1,750 caps are subject to a pilot program scheduled to expire on March 1, 2006.] A $0.05 per contract side license fee is imposed for dividend spread strategy transactions in connection with certain products that carry license fees. For a complete list of these product symbols, see the $60,000 Firm-Related Equity Option and Index Option Cap Fee Schedule. The license fee is assessed on every transaction and is not subject to the $1,750 or $1,000 cap, nor does it count towards reaching the caps. The $1,000 and $1,750 caps and the $0.05 per contract side license fee are subject to a pilot program scheduled to expire on [March] September 1, 2006.

1. See footnote 9
2. See footnote 10
3. See footnote 11
4. Fees for Linkage “P” and “P/A” Orders are subject to a pilot program scheduled to expire July 31, 2006.
$60,000 “FIRM RELATED” EQUITY OPTION AND INDEX OPTION CAP

“Firm related” transaction and comparison charges for equity and index options, in the aggregate, for one billing month will not exceed $60,000 per month, per member organization, except when a member organization who trades QQQ, IWF, IWM, IWO, IWP, IWS, NYC, NY, SPY, SHY, IEF, TLT, AGG, TIP, KSX, KIX, BKX, OEF, IEV, IOO, IXC, IXG, IJX, IXN, IXP, ILF, IJH, IJR, ITF, IVV, XLI, XLK, XLU, XLP, XLE, XLV, XLB, XLY, MDY, KRX MFX, DGT, TMW, DYY, IYY, [W]YM, IYC, IYF, IYG, IYH, IYJ, IYK, IYR, IYW, IYZ, IDU and FDM options exceeds the $60,000 cap, a license fee of $0.10 per contract side will be in addition, once the cap is reached. When calculating the $60,000 cap, all equity option and index option transaction and comparison charges for products without license fees are calculated first and then equity option and index option transaction and comparison charges for products with license fees that are assessed by the Exchange after the $60,000 cap is reached are calculated.

QXC, QCE and FXI Options are not subject to the $60,000 cap described above.

See Appendix A for additional fees.

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