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).

Fees for Full Value Russell Index (RUT) and Reduced Value Russell Index (RMN)

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 Vice President
E-mail cynthia.hoekstra@phlx.com
Telephone (215) 496-5066 Fax (215) 496-6729

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 02/16/2007
By Cynthia Hoekstra Vice President
(Name) (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.
### Form 19b-4 Information

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 assess equity option charges, as opposed to index option charges on: (1) options on the Russell 2000® Index\(^3\) traded under the symbol RUT (the "Full Value Russell Index"), and (2) options on the one-tenth value Russell 2000® Index traded under the symbol RMN (the "Reduced Value Russell Index"; the Full Value and the Reduced Value Russell Indexes together are referred to herein as the “Russell Products”).\(^4\) Therefore, the Exchange proposes to charge the Russell Products, which are index options, in the same manner that it charges for equity options.

In addition, the Exchange proposes to adopt a $0.15 per side license fee on “firm-related” comparison and transaction charges.\(^5\) This license fee will be imposed only after the Exchange’s

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\(^3\) Russell 2000® is a trademark and service mark of the Frank Russell Company, used under license. Neither Frank Russell Company’s publication of the Russell Indexes nor its licensing of its trademarks for use in connection with securities or other financial products derived from a Russell Index in any way suggests or implies a representation or opinion by Frank Russell Company as to the attractiveness of investment in any securities or other financial products based upon or derived from any Russell Index. Frank Russell Company is not the issuer of any such securities or other financial products and makes no express or implied warranties of merchantability or fitness for any particular purpose with respect to any Russell Index or any data included or reflected therein, nor as to results to be obtained by any person or any entity from the use of the Russell Index or any data included or reflected therein.


\(^5\) Specifically, “firm-related” charges include equity option firm/proprietary comparison charges, equity option firm/proprietary transaction charges, equity option firm/proprietary facilitation transaction charges, index option firm (proprietary and customer executions) comparison
$60,000 “firm-related” equity option and index option comparison and transaction charge cap is reached.\(^6\)

The Exchange also proposes to amend its Summary of Equity Option Charges to reflect that a $0.15 license fee on the Russell Products will be assessed in connection with the Exchange’s current cap on Registered Options Traders (“ROT”) comparison charges and ROT and specialist transaction charges\(^7\) on non-AUTOM delivered equity option contracts\(^8\) when an ROT or specialist executes over 14,000 contracts calculated on a daily basis in all equity option charges, index option firm/proprietary transaction charges, and index option firm/proprietary facilitation transaction charges (collectively the “firm-related charges”).

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\(^6\) The Exchange currently imposes a license fee of $0.10 per contract side for equity option and index option “firm” transactions on certain licensed products (collectively “licensed products”) after the $60,000 cap per member organization on all “firm-related” equity option and index option comparison and transaction charges combined is reached. Therefore, when a member organization exceeds the $60,000 cap (comprised of combined firm-related charges), the member organization is charged $60,000, plus the applicable license fee per contract side for any contracts in licensed products (if any) over those that were included in reaching the $60,000 cap. Thus, such firm-related charges in the aggregate for one billing month may not exceed $60,000 per month per member organization. For a complete list of the licensed products that are assessed a $.10 license fee per contract side after the $60,000 cap is reached, see $60,000 “Firm Related” Equity Option and Index Option Cap on the Exchange’s fee schedule. Consistent with current practice, when calculating the $60,000 cap, the Exchange first calculates all equity option and index option transaction and comparison charges for products without license fees 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. See Securities Exchange Act Release No. 50836 (December 10, 2004), 69 FR 75584 (December 17, 2004) (SR-Phlx-2004-70); and see e.g., Securities Exchange Act Release No. 53287 (February 14, 2006), 71 FR 9186 (February 22, 2006) (SR-Phlx-2006-10).

\(^7\) The Exchange does not currently assess a comparison charge on specialist transactions. Therefore, the proposed cap will apply to ROT comparison and transaction charges combined and separately to specialist transaction charges.

\(^8\) For purposes of this fee, orders delivered via the Floor Broker Management System shall be deemed to be non-AUTOM delivered orders. See Exchange Rule 1063.
overlying the same underlying security per day (“qualifying option”). These terms apply only to transactions when an ROT or specialist is the contra-party to a customer order. Therefore, after the 14,000 non-AUTOM delivered contract level is reached in a qualifying option, additional comparison and transaction charges are not assessed on subsequent option contracts in excess of 14,000 that are executed on that day in that specific qualifying option when the ROT or specialist is the contra-party to a customer order. Even when the 14,000 cap is reached, the Exchange will continue to impose a license fee of $0.10 per contract side (or $0.15 per contract side for the Russell Products) on applicable ROTs and specialists for equity option transactions on those licensed products that carry a license fee.

This proposal is scheduled to become effective for transactions settling on or after February 20, 2007.

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 a copy of the Exchange’s $60,000 Firm Related Equity Option and Index Option Cap Schedule are attached hereto as Exhibit 5.

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10 For a complete list of the licensed products that will be assessed a license fee per contract side after the 14,000 equity option contract cap is reached, see $60,000 “Firm Related” Equity Option and Index Option Cap on the Exchange’s fee schedule.
2. Procedures of the Self-Regulatory Organization

The Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Commission on September 30, 2004 and December 6, 2006.

Questions and comments on the proposed rule change may be directed to Cynthia Hoekstra, Vice President, at (215) 496-5079, or Edith Hallahan, Senior Vice President and 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

The purpose of this proposal is to assess equity option charges, including payment for order flow charges, which are competitive with charges assessed on these same products by other exchanges.11

The purpose of assessing the Russell Products a license fee of $.15 per contract side after reaching the $60,000 cap and the 14,000 cap as described in this proposal is to help defray licensing costs associated with the trading of these products, while still capping member organizations’ fees enough to attract volume from other exchanges. The caps operate this way in order to offer an incentive for additional volume without leaving the Exchange with significant out-of-pocket costs.

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11 See e.g., Securities Exchange Act Release Nos. 55099 (January 12, 2007), 72 FR 2720 (January 22, 2007) (SR-NYSEArca-2006-91) (adopting a $0.15 per contract Royalty Fee on options traded on RUT); 55000 (December 21, 2006), 71 FR 78479 (December 29, 2006) (SR-BSE-2006-47) (establishing a $0.15 surcharge fee for transactions in options on RUT); 53968 (June 9, 2006), 71 FR 34971 (June 16, 2006) (SR-Amex-2006-56) (adopting a per contract licensing fee for the orders of specialists, registered options traders, firms, non-member market makers, and broker-dealers in connection with options transactions on the RUT); and 51858 (June 16, 2005), 70 FR 36218 (June 22, 2005) (SR-ISE-2005-26) (establishing fees for transactions in options on RUT and RMN and adopting a surcharge fee of $0.10 per contract for trading in RUT and RMN).
b. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of dues, fees and charges is consistent with Section 6(b) of the Act\(^\text{12}\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^\text{13}\) in particular, in that it is an equitable allocation of reasonable dues, 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\(^\text{14}\) and Rule 19b-4(f)(2)\(^\text{15}\) 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 proposed rule filings filed by NYSE Arca, Inc., the Boston Stock Exchange, Inc., American Stock Exchange LLC, and International Securities Exchange, LLC.¹⁶

9. Exhibits

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

5. Exchange’s Summary of Equity Option Charges and Exchange’s $60,000 Firm Related Equity Option and Index Option Cap Schedule.

¹⁶ See e.g., Securities Exchange Act Release Nos. 55099 (January 12, 2007), 72 FR 2720 (January 22, 2007) (SR-NYSEArca-2006-91) (adopting a $0.15 per contract Royalty Fee on options traded on RUT); 55000 (December 21, 2006), 71 FR 78479 (December 29, 2006) (SR-BSE-2006-47) (establishing a $0.15 surcharge fee for transactions in options on RUT); 53968 (June 9, 2006), 71 FR 34971 (June 16, 2006) (SR-Amex-2006-56) (adopting a per contract licensing fee for the orders of specialists, registered options traders, firms, non-member market makers, and broker-dealers in connection with options transactions on the RUT); and 51858 (June 16, 2005), 70 FR 36218 (June 22, 2005) (SR-ISE-2005-26) (establishing fees for transactions in options on RUT and RMN and adopting a surcharge fee of $0.10 per contract for trading in RUT and RMN).
Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2007-12)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Fees for Full Value Russell Index and Reduced Value Russell Index

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 ____________________ 2007, 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 assess equity option charges, as opposed to index option charges on: (1) options on the Russell 2000® Index\(^5\) traded under the symbol RUT (the "Full Value

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\(^5\) Russell 2000® is a trademark and service mark of the Frank Russell Company, used under license. Neither Frank Russell Company’s publication of the Russell Indexes nor its licensing of its trademarks for use in connection with securities or other financial products derived from a Russell Index in any way suggests or implies a representation or opinion by Frank Russell Company as to the attractiveness of investment in any securities or other financial products based upon or derived from any Russell Index. Frank Russell Company is not the issuer of any such securities or other financial products and makes no
Russell Index”), and (2) options on the one-tenth value Russell 2000® Index traded under the symbol RMN (the "Reduced Value Russell Index"; the Full Value and the Reduced Value Russell Indexes together are referred to herein as the “Russell Products”).

Therefore, the Exchange proposes to charge the Russell Products, which are index options, in the same manner that it charges for equity options.

In addition, the Exchange proposes to adopt a $0.15 per side license fee on “firm-related” comparison and transaction charges. This license fee will be imposed only after the Exchange’s $60,000 “firm-related” equity option and index option comparison and transaction charge cap is reached.

express or implied warranties of merchantability or fitness for any particular purpose with respect to any Russell Index or any data included or reflected therein, nor as to results to be obtained by any person or any entity from the use of the Russell Index or any data included or reflected therein.


7 Specifically, “firm-related” charges include equity option firm/proprietary comparison charges, equity option firm/proprietary transaction charges, equity option firm/proprietary facilitation transaction charges, index option firm (proprietary and customer executions) comparison charges, index option firm/proprietary transaction charges, and index option firm/proprietary facilitation transaction charges (collectively the “firm-related charges”).

8 The Exchange currently imposes a license fee of $0.10 per contract side for equity option and index option “firm” transactions on certain licensed products (collectively “licensed products”) after the $60,000 cap per member organization on all “firm-related” equity option and index option comparison and transaction charges combined is reached. Therefore, when a member organization exceeds the $60,000 cap (comprised of combined firm-related charges), the member organization is charged $60,000, plus the applicable license fee per contract side for any contracts in licensed products (if any) over those that were included in reaching the $60,000 cap. Thus, such firm-related charges in the aggregate for one billing month may not exceed $60,000 per month per member organization. For a complete list of the licensed products that are assessed a $.10 license fee per contract side after the $60,000 cap is reached, see $60,000 “Firm Related” Equity Option and Index Option Cap on the Exchange’s fee schedule.

Consistent with current
The Exchange also proposes to amend its Summary of Equity Option Charges to reflect that a $0.15 license fee on the Russell Products will be assessed in connection with the Exchange’s current cap on Registered Options Traders (“ROT”) comparison charges and ROT and specialist transaction charges\(^9\) on non-AUTOM delivered equity option contracts\(^10\) when an ROT or specialist executes over 14,000 contracts calculated on a daily basis in all equity options overlying the same underlying security per day (“qualifying option”).\(^11\) These terms apply only to transactions when an ROT or specialist is the contra-party to a customer order. Therefore, after the 14,000 non-AUTOM delivered contract level is reached in a qualifying option, additional comparison and transaction charges are not assessed on subsequent option contracts in excess of 14,000 that are executed on that day in that specific qualifying option when the ROT or specialist is the contra-party to a customer order. Even when the 14,000 cap is reached, the Exchange will continue to impose a license fee of $0.10 per contract side (or $0.15

\(^9\) The Exchange does not currently assess a comparison charge on specialist transactions. Therefore, the proposed cap will apply to ROT comparison and transaction charges combined and separately to specialist transaction charges.

\(^10\) For purposes of this fee, orders delivered via the Floor Broker Management System shall be deemed to be non-AUTOM delivered orders. See Exchange Rule 1063.

per contract side for the Russell Products) on applicable ROTs and specialists for equity option transactions on those licensed products that carry a license fee.\(^{12}\)

This proposal is scheduled to become effective for transactions settling on or after February 20, 2007.


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

The purpose of this proposal is to assess equity option charges, including payment for order flow charges, which are competitive with charges assessed on these same products by other exchanges.\(^{13}\)

\(^{12}\) For a complete list of the licensed products that will be assessed a license fee per contract side after the 14,000 equity option contract cap is reached, see $60,000 “Firm Related” Equity Option and Index Option Cap on the Exchange’s fee schedule.

\(^{13}\) See e.g., Securities Exchange Act Release Nos. 55099 (January 12, 2007), 72 FR 2720 (January 22, 2007) (SR-NYSEArca-2006-91) (adopting a $0.15 per contract Royalty Fee on options traded on RUT); 55000 (December 21, 2006), 71 FR 78479 (December 29, 2006) (SR-BSE-2006-47) (establishing a $0.15 surcharge fee for transactions in options on RUT); 53968 (June 9, 2006), 71 FR 34971 (June 16, 2006) (SR-Amex-2006-56) (adopting a per contract licensing fee for the orders of specialists, registered options traders, firms, non-member market makers, and broker-dealers in connection with options
The purpose of assessing the Russell Products a license fee of $.15 per contract side after reaching the $60,000 cap and the 14,000 cap as described in this proposal is to help defray licensing costs associated with the trading of these products, while still capping member organizations’ fees enough to attract volume from other exchanges. The caps operate this way in order to offer an incentive for additional volume without leaving the Exchange with significant out-of-pocket costs.

2. Statutory Basis

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

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.

transactions on the RUT); and 51858 (June 16, 2005), 70 FR 36218 (June 22, 2005) (SR-ISE-2005-26) (establishing fees for transactions in options on RUT and RMN and adopting a surcharge fee of $0.10 per contract for trading in RUT and RMN).


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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act and paragraph (f)(2) of Rule 19b-4 thereunder. 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:

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-2007-12 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2007-12. This file number should be included on the subject line if e-mail is used. To help the Commission process and

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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-2007-12 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{18}

\begin{flushright}
Nancy M. Morris  
Secretary
\end{flushright}

\textsuperscript{18} 17 CFR 200.30-3(a)(12).
**SUMMARY OF EQUITY OPTION AND RUT AND RMN CHARGES (p. 1/6)**

**OPTION COMPARISON CHARGE** (applicable to all trades – except specialist trades)

- **Registered Option Trader**: $0.03 per contract
- **Firm / Proprietary**: $0.04 per contract
- **Customer Executions, Broker-Dealer Orders**: No charge

**OPTION TRANSACTION CHARGE**

- **Customer Executions**: No charge
- **Firm / Proprietary**
  - + $0.20 per contract
- **Firm / Proprietary Facilitation**
  - + $0.10 per contract
- **Registered Option Trader (on-floor)**
  - + $0.19 per contract
- **Specialist**
  - + $0.21 per contract
- **Broker/Dealer**
  - (AUTOM-delivered): $0.45 per contract
  - (non-AUTOM-delivered): $0.25 per contract

**When contra-party to non-AUTOM delivered customer orders, ROT transaction and comparison charges and Specialist transaction charges will not be assessed on additional qualifying transactions on option contracts that number greater than 14,000, calculated per day per equity option overlying the same underlying security. A [$0.10] per contract side license fee will continue to be imposed even when the 14,000 cap is met in connection with certain products that carry license fees. For a complete list of these product symbols and applicable license fees, see the $60,000 Firm Related Equity Option and Index Option Cap Fee Schedule.

**Firm / Proprietary comparison or transaction charge** applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customer. Member organizations will be required to verify this amount to the Exchange by certifying that they have reached this threshold and by submitting a copy of their annual report, which was prepared in accordance with Generally Accepted Accounting Principles (“GAAP”). In the event that a firm has not been in business for one year, the most recent quarterly reports, prepared in accordance with GAAP, will be accepted.

**Specialist**

- + $0.21 per contract applies to specialists that incur option transaction charges when a customer order is delivered to the limit order book via the Exchange’s Options Floor Broker Management System and is then sent and executed via the Intermarket Options Linkage as a P/A Order. The fee credit is scheduled to expire on July 31, 2007.

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1 For the purpose of this Summary of Equity Option Charges, the Firm / Proprietary comparison or transaction charge applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customer. Member organizations will be required to verify this amount to the Exchange by certifying that they have reached this threshold and by submitting a copy of their annual report, which was prepared in accordance with Generally Accepted Accounting Principles (“GAAP”). In the event that a firm has not been in business for one year, the most recent quarterly reports, prepared in accordance with GAAP, will be accepted.

2 See footnote 1.

3 For the purpose of this Summary of Equity Option Charges, this charge applies to members for transactions, received from other than the floor of the Exchange, for any account (i) in which the holder of beneficial interest is a member or non-member broker-dealer or (ii) in which the holder of beneficial interest is a person associated with or employed by a member or non-member broker-dealer. This includes transactions for the account of an ROT entered from off-floor.

4 See footnote 3.
"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 KSX, KIX, BKX, KRX MFX, [and] HAI, RUT and RMN options exceeds the $60,000 cap, a license fee of $0.10 per contract side for KSX, KIX, BKX, KRX, MFX and HAI or $0.15 per contract side for RUT and RMN 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.

See Appendix A for additional fees.

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