MEMORANDUM

TO: Members and Member Organizations

FROM: William C. Terrell

DATE: May 9, 2008

RE: Trade, Book and Ship Functionality of Book Display Release

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As part of the "Book Display Release" (new match and trade engine enhancements) that is scheduled to be activated on Tuesday morning, May 13, 2008, Phlx will implement automatic Trade and Ship for <u>limit orders</u> when the Phlx Best Bid/Offer (PBBO) is one minimum quoting increment inferior to the NBBO.

The Plan for the Purpose of Creating and Operating an Intermarket Option Linkage (the Options Linkage Plan) exempts from the definition of trade-through an execution that occurs at a price that is one minimum quoting increment inferior to the NBBO provided a Linkage Order is contemporaneously sent to each Participant disseminating the NBBO for the full size of the Participant's bid (offer) that represents the NBBO ("Trade, Book and Ship").

Phlx <u>will not</u> automatically "<u>Trade </u>and Ship" market orders at this time. Phlx <u>will continue to automatically ship market orders if the PBBO is one or more minimum quoting increments inferior to the NBBO.</u>

For limit orders received when the PBBO is more than one minimum quoting increment inferior to the NBBO, Phlx will also implement limited Book and Ship, which, in this circumstance, will automatically send the portion away to each Participant disseminating the NBBO for the full size of the Participant's bid (offer) that represents the NBBO and post the balance on PHLX in the PBBO.

PLEASE NOTE: Book and Ship is for those orders received at the Phlx that lock the NBBO when the PBBO is inferior. Phlx will continue to automatically ship <u>in all cases</u> if the PBBO is one or more minimum quoting increments inferior to the NBBO, but <u>will not trade through by more than one minimum increment inferior to the NBBO.</u>

If you have questions concerning this matter, please call me at 215-496-5205.