

MEMORANDUM

TO: PHLX Members, Participants, Member Organizations and Participant Organizations

FROM: Office of the Secretary

RE: Executive Committee Meeting of February 27, 2008

DATE: February 28, 2008

The Executive Committee of the Philadelphia Stock Exchange, Inc. (“Phlx” or the “Exchange”) Board of Governors convened on Wednesday, February 27, 2008, and, pursuant to delegated authority of the Board of Governors under By-Law Article X, Section 10-14(b), took the following actions:

- Approved the draft minutes of the Executive Committee Meeting of January 30, 2008.
- Approved and authorized staff to file a proposed rule change with the Securities and Exchange Commission (“SEC”) to extend for a period of one year, until March 1, 2009, the pilot programs for: (1) the \$1,000 and \$25,000 fee caps on equity option transaction and comparison charges on dividend, merger, and short stock interest strategies; and (2) the license fee of \$0.05 per contract side imposed on dividend and short stock interest strategies. The current fee caps and \$0.05 per contract side license fee are in effect as a pilot program that is scheduled to expire on March 1, 2008.
- Approved and authorized staff to file to adopt, amendments to Exchange Rule 1092, Obvious Errors to: (i) change the definition of Theoretical Price to mean either the last National Best Bid price with respect to an erroneous sell transaction and the last National Best Offer price with respect to an erroneous buy transaction, just prior to the trade; (ii) if there are no quotes for comparison purposes, or if the National Best Bid and Offer (“NBBO”) for the affected series, just prior to the erroneous transaction, was at least two times the permitted bid/ask differential under Exchange Rule 1014(c)(1)(A)(i)(a), the Theoretical Price would be determined by an Options Exchange Official; (iii) determine the average quote width by adding the quote widths of sample quotations at regular 15-second intervals during the two minutes preceding and following an erroneous transaction; (iv) permit nullification of transactions that occur during trading halts on the Exchange or in the underlying security when (A) the trade occurred during a trading halt in the affected option on the Exchange, (B) respecting equity options and options overlying ETFs, the trade occurred during a trading halt on the primary market for the underlying security; or (C) respecting index options, the trade occurred during a trading halt on the primary market in underlying securities representing more than 10% of the current index value; and (v) increase the time period within which a party to an erroneous transaction must notify Market Surveillance that they believe they are a party to a transaction resulting from an obvious error.

- Approved and authorized staff to file a proposed rule change with the SEC to permit the listing and trading of option contracts on Gold/Silver ETFs, and to authorize staff to make any further additional clarifying, stylistic and non-substantive changes that are necessary or appropriate to obtain Commission approval of the proposed rule change.
- Approved and authorized staff to file a proposed rule change with the SEC to permanently establish position limits of 500,000 for options on iShares Russell 2000 Index (IWM), and to authorize staff to make any additional changes or amendments needed for Commission authorization of the proposal or for purposes of uniformity.
- Approved and authorized staff to indicate to OPRA the approval of the Exchange to file an amendment to the OPRA Plan with the SEC that would: a) adopt a new form of Vendor Affiliate Agreement that may be used by an affiliate of an OPRA Vendor, b) modify OPRA's Fee Schedule to state that OPRA will waive its Redistribution Fee for all affiliates in a corporate family with which OPRA agrees to Vendor Affiliate Agreements, and c) make any additional changes or amendments needed for Commission authorization of the proposal.
- Approved and authorized staff to file a proposed rule change with the SEC to: a) add the SIG Energy MLP Index™ (trading as SVOSM Options) to Phlx Rule 1104A (SIG Indices, LLLP) regarding disclaimers, b) add the SIG Energy MLP Index™ to Phlx Rule 1001A (Terms of Option Contracts) to allow listing options on the index at \$2.50 strike price intervals, and c) authorize staff to make any needed changes or amendments to the proposal.
- Approved and authorized staff to submit a proposed rule change with the SEC modifying Phlx Rule 1000(b)(42) to conform it to the expanded definition used in Phlx Rule 1009, Commentary .06.
- Approved and authorized the following budgeted capital requests for Options Trading Systems: (i) the purchase of a new fiber channel Raid array for Stratus Model J, which provides greater disk performance; and (ii) purchase of Brocade Fabric Watch to allow for increased monitoring and capacity planning of the Phlx Enterprise SAN environment.
- Approved and authorized staff to file a proposed rule change with the SEC to establish a Minor Rule Plan in Phlx Options Procedures Advice F-35 for violations of contrary exercise procedures in Phlx Rule 1042 regarding noncash-settled equity options, to expand Phlx Rule 970 to enable fines of up to and including \$5,000 for violations of a Floor Procedure Advice of the Exchange, and to authorize staff to make any additional changes or amendments needed for Commission authorization of the proposal or for purposes of uniformity.

- Approved and authorized staff to file a proposed rule change with the SEC to charge floor brokers an amount equal to the fee assessed on options specialist units by another exchange in connection with customer orders that are delivered to the limit order book via the Exchange's Options Floor Broker Management System ("FBMS") and executed via the Intermarket Option Linkage ("Linkage") as Principal Acting as Agent ("P/A") orders. The Exchange also proposes to provide to options specialist units a credit in an amount equal to the fee assessed on them by another exchange in connection with executing customer orders that are delivered to the limit order book via FBMS and executed via Linkage as a P/A order. This proposal would be in effect for trades settling on or after March 17, 2008 through July 31, 2008.

- Approved and authorized staff to file a proposed rule change with the SEC to expand the Exchange's current \$0.21 per contract specialist option transaction charge credit pilot program to include all customer orders that are delivered electronically by Phlx XL and subsequently executed via the Intermarket Option Linkage as a P/A order. This proposal would be in effect for trades settling on or after March 1, 2008 through July 31, 2008.