

MEMORANDUM

To: All Option Members, Member Organizations and ROTs
 From: Market Watch
 Date: October 24, 2007
 Subject: Palm, Inc. (PALM/UPY) Merger/Cash Distribution **EFFECTIVE**

On Wednesday, September 12, 2007, the shareholders of Palm, Inc. (PALM) voted to approve the proposed Preferred Stock Purchase Agreement and subsequent Agreement & Plan of Merger with a wholly-owned subsidiary. **Pursuant to the merger terms each PALM share will be converted into the right to receive a \$9.00 cash distribution in addition to retaining each Palm common share that is currently held. The merger became effective on Wednesday, October 24, 2007.**

***The foregoing is an unofficial summary of the terms of the Merger, prepared by the PHLX for the convenience of its members. PHLX accepts no responsibility for the accuracy or completeness of the summary. Members should refer to the proxy statement for the authoritative description of the merger terms and conditions.*

Pursuant to Options Clearing Corporation (OCC) By-Laws, all outstanding UPY options will be adjusted as follows:

EFFECTIVE DATE: Thursday, October 25, 2007
SYMBOL(s): UPY/ZTO/LRK becomes PLZ/TOJ/CXY respectively
STRIKE PRICE: No Change
POS/EXERCISE LIMIT: No Change
MULTIPLIER: 100*(eg., Premium of 1.00 = \$100)
NEW DELIVERABLE: 1) 100 (New) PALM Inc. common shares (PALM)
 2) \$900.00 cash (\$9.00 x 100)

Palm, Inc. (PALM/UPY) (Before 10/25/2007) 100 shares PALM					Palm, Inc. (PALM/PLZ) (Beginning 10/25/2007) (See New Deliverable Above)				
			Calls	Puts			Calls	Puts	
UPY	NOV	5	KA	WA	PLZ	NOV	5	KA	WA
UPY	NOV	7 1/2	KR	WR	PLZ	NOV	7 1/2	KR	WR
UPY	NOV	10	KB	WB	PLZ	NOV	10	KB	WB
UPY	NOV	12 1/2	KV	WV	PLZ	NOV	12 1/2	KV	WV
UPY	NOV	15	KC	WC	PLZ	NOV	15	KC	WC
UPY	NOV	17 1/2	KW	WW	PLZ	NOV	17 1/2	KW	WW
UPY	NOV	20	KD	WD	PLZ	NOV	20	KD	WD
UPY	NOV	22 1/2	KX	WX	PLZ	NOV	22 1/2	KX	WX
UPY	NOV	25	KE	WE	PLZ	NOV	25	KE	WE
UPY	NOV	30	KF	WF	PLZ	NOV	30	KF	WF
UPY	NOV	35	KG	WG	PLZ	NOV	35	KG	WG
UPY	DEC	2 1/2	LQ	XQ	PLZ	DEC	2 1/2	LQ	XQ
UPY	DEC	5	LA	XA	PLZ	DEC	5	LA	XA
UPY	DEC	7 1/2	LR	XR	PLZ	DEC	7 1/2	LR	XR
UPY	DEC	10	LB	XB	PLZ	DEC	10	LB	XB
UPY	DEC	12 1/2	LV	XV	PLZ	DEC	12 1/2	LV	XV
UPY	DEC	15	LC	XC	PLZ	DEC	15	LC	XC
UPY	DEC	17 1/2	LW	XW	PLZ	DEC	17 1/2	LW	XW
UPY	DEC	20	LD	XD	PLZ	DEC	20	LD	XD
UPY	DEC	22 1/2	LX	XX	PLZ	DEC	22 1/2	LX	XX
UPY	DEC	25	LE	XE	PLZ	DEC	25	LE	XE
UPY	DEC	30	LF	XF	PLZ	DEC	30	LF	XF
UPY	JAN	10	AB	MB	PLZ	JAN	10	AB	MB
UPY	JAN	12 1/2	AV	MV	PLZ	JAN	12 1/2	AV	MV
UPY	JAN	15	AC	MC	PLZ	JAN	15	AC	MC
UPY	JAN	17 1/2	AW	MW	PLZ	JAN	17 1/2	AW	MW

UPY	JAN	20	AD	MD	PLZ	JAN	20	AD	MD
UPY	JAN	22 1/2	AX	MX	PLZ	JAN	22 1/2	AX	MX
UPY	JAN	25	AE	ME	PLZ	JAN	25	AE	ME
UPY	JAN	27 1/2	AY	MY	PLZ	JAN	27 1/2	AY	MY
UPY	JAN	30	AF	MF	PLZ	JAN	30	AF	MF
UPY	JAN	32 1/2	AZ	MZ	PLZ	JAN	32 1/2	AZ	MZ
UPY	JAN	35	AG	MG	PLZ	JAN	35	AG	MG
UPY	JAN	37 1/2	AU	MU	PLZ	JAN	37 1/2	AU	MU
UPY	JAN	40	AH	MH	PLZ	JAN	40	AH	MH
UPY	FEB	5	BA	NA	PLZ	FEB	5	BA	NA
UPY	FEB	7 1/2	BR	NR	PLZ	FEB	7 1/2	BR	NR
UPY	FEB	10	BB	NB	PLZ	FEB	10	BB	NB
UPY	FEB	12 1/2	BV	NV	PLZ	FEB	12 1/2	BV	NV
UPY	FEB	15	BC	NC	PLZ	FEB	15	BC	NC
UPY	FEB	17 1/2	BW	NW	PLZ	FEB	17 1/2	BW	NW
UPY	FEB	20	BD	ND	PLZ	FEB	20	BD	ND
UPY	FEB	22 1/2	BX	NX	PLZ	FEB	22 1/2	BX	NX
UPY	FEB	25	BE	NE	PLZ	FEB	25	BE	NE
UPY	FEB	30	BF	NF	PLZ	FEB	30	BF	NF
UPY	FEB	35	BG	NG	PLZ	FEB	35	BG	NG
UPY	MAY	2 1/2	EQ	QQ	PLZ	MAY	2 1/2	EQ	QQ
UPY	MAY	5	EA	QA	PLZ	MAY	5	EA	QA
UPY	MAY	7 1/2	ER	QR	PLZ	MAY	7 1/2	ER	QR
UPY	MAY	10	EB	QB	PLZ	MAY	10	EB	QB
UPY	MAY	12 1/2	EV	QV	PLZ	MAY	12 1/2	EV	QV
UPY	MAY	15	EC	QC	PLZ	MAY	15	EC	QC
UPY	MAY	17 1/2	EW	QW	PLZ	MAY	17 1/2	EW	QW
UPY	MAY	20	ED	QD	PLZ	MAY	20	ED	QD
UPY	MAY	22 1/2	EX	QX	PLZ	MAY	22 1/2	EX	QX
UPY	MAY	25	EE	QE	PLZ	MAY	25	EE	QE
UPY	MAY	30	EF	QF	PLZ	MAY	30	EF	QF

Palm Inc. - 2009 Leap (PALM/ZTO)
(Before 10/25/2007)
100 shares PALM

			Call	Put
ZTO	JAN	10	AB	MB
ZTO	JAN	12 1/2	AV	MV
ZTO	JAN	15	AC	MC
ZTO	JAN	17 1/2	AW	MW
ZTO	JAN	20	AD	MD
ZTO	JAN	22 1/2	AX	MX
ZTO	JAN	25	AE	ME
ZTO	JAN	30	AF	MF

Palm Inc. - 2010 Leap (PALM/LRK)
(Before 10/25/2007)
100 shares PALM

			Call	Put
LRK	JAN	10	AB	MB
LRK	JAN	12 1/2	AV	MV
LRK	JAN	15	AC	MC
LRK	JAN	17 1/2	AW	MW
LRK	JAN	20	AD	MD
LRK	JAN	22 1/2	AX	MX

Palm Inc. - 2009 Leap (PALM/TOJ)
(Beginning 10/25/2007)
(See New Deliverable Above)

			Call	Put
<u>TOJ</u>	JAN	10	AB	MB
<u>TOJ</u>	JAN	12 1/2	AV	MV
<u>TOJ</u>	JAN	15	AC	MC
<u>TOJ</u>	JAN	17 1/2	AW	MW
<u>TOJ</u>	JAN	20	AD	MD
<u>TOJ</u>	JAN	22 1/2	AX	MX
<u>TOJ</u>	JAN	25	AE	ME
<u>TOJ</u>	JAN	30	AF	MF

Palm Inc. - 2010 Leap (PALM/CXY)
(Beginning 10/25/2007)
(See New Deliverable Above)

			Call	Put
<u>CXY</u>	JAN	10	AB	MB
<u>CXY</u>	JAN	12 1/2	AV	MV
<u>CXY</u>	JAN	15	AC	MC
<u>CXY</u>	JAN	17 1/2	AW	MW
<u>CXY</u>	JAN	20	AD	MD
<u>CXY</u>	JAN	22 1/2	AX	MX

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.