

MEMORANDUM

To: All Option Members, Member Organizations and ROTs
 From: Market Watch
 Date: September 11, 2007
 Subject: **Palm, Inc. (PALM/UPY) Pending Merger**

On Wednesday, September 12, 2007, the shareholders of Palm, Inc. (PALM) will vote 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 will become effective on a date to be announced.

***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: Option changes are expected to become effective on a date to be announced
SYMBOL(s): UPY/ZTO/LRK becomes PLZ/XLX/KFH 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 - Date To Be Announced) 100 shares PALM | | | | | Palm, Inc. (PALM/PLZ) (Beginning - Date To Be Announced) (See New Deliverable Above) | | | | |
|---|-----|--------|-------|------|--|-----|--------|------|----|
| | | | Calls | Puts | | | Calls | Puts | |
| UPY | SEP | 2 1/2 | IQ | UQ | PLZ | SEP | 2 1/2 | IQ | UQ |
| UPY | SEP | 5 | IA | UA | PLZ | SEP | 5 | IA | UA |
| UPY | SEP | 7 1/2 | IR | UR | PLZ | SEP | 7 1/2 | IR | UR |
| UPY | SEP | 10 | IB | UB | PLZ | SEP | 10 | IB | UB |
| UPY | SEP | 12 1/2 | IV | UV | PLZ | SEP | 12 1/2 | IV | UV |
| UPY | SEP | 15 | IC | UC | PLZ | SEP | 15 | IC | UC |
| UPY | SEP | 17 1/2 | IW | UW | PLZ | SEP | 17 1/2 | IW | UW |
| UPY | SEP | 20 | ID | UD | PLZ | SEP | 20 | ID | UD |
| UPY | SEP | 22 1/2 | IX | UX | PLZ | SEP | 22 1/2 | IX | UX |
| UPY | SEP | 25 | IE | UE | PLZ | SEP | 25 | IE | UE |
| UPY | SEP | 30 | IF | UF | PLZ | SEP | 30 | IF | UF |
| UPY | OCT | 2 1/2 | JQ | VQ | PLZ | OCT | 2 1/2 | JQ | VQ |
| UPY | OCT | 5 | JA | VA | PLZ | OCT | 5 | JA | VA |
| UPY | OCT | 7 1/2 | JR | VR | PLZ | OCT | 7 1/2 | JR | VR |
| UPY | OCT | 10 | JB | VB | PLZ | OCT | 10 | JB | VB |
| UPY | OCT | 12 1/2 | JV | VV | PLZ | OCT | 12 1/2 | JV | VV |
| UPY | OCT | 15 | JC | VC | PLZ | OCT | 15 | JC | VC |
| UPY | OCT | 17 1/2 | JW | VW | PLZ | OCT | 17 1/2 | JW | VW |
| UPY | OCT | 20 | JD | VD | PLZ | OCT | 20 | JD | VD |
| UPY | OCT | 22 1/2 | JX | VX | PLZ | OCT | 22 1/2 | JX | VX |
| UPY | OCT | 25 | JE | VE | PLZ | OCT | 25 | JE | VE |
| UPY | OCT | 30 | JF | VF | PLZ | OCT | 30 | JF | VF |
| 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 | 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 |

Palm Inc. - 2009 Leap (PALM/ZTO)
(Before - Date To Be Announced)
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. - 2009 Leap (PALM/XLX)
(Beginning - Date To Be Announced)
(See New Deliverable Above)

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

Palm Inc. - 2010 Leap (PALM/LRK)
(Before - Date To Be Announced)
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. - 2010 Leap (PALM/KFH)
(Beginning - Date To Be Announced)
(See New Deliverable Above)

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

Customers should be advised that all Good-till-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.