

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: August 31, 2007

Re: National Penn Bancshares, Inc. (NPBC/PNQ) - 3% Stock Dividend

In an effort to avoid rounding strike prices, The Options Clearing Corporation (OCC) has decided to use a new adjustment methodology. The contract adjustment described below utilizes the new method of contract adjustment wherein strike prices, number of contracts, and premium/strike multipliers are unchanged for certain kinds of stock splits and stock dividends. It is important that option investors be aware that it will be necessary to calculate the current market value of the adjusted option deliverable to correctly determine the option's in-the-money status.

National Penn Bancshares, Inc. (PNQ/NPBC) has declared a 3% stock dividend payable to shareholders of record on Friday, September 7, 2007. Distribution date for the stock dividend will be Friday, September 28, 2007. **Ex-distribution date for the stock dividend will be Wednesday, September 5, 2007.**

Adjustment Date: **Wednesday, September 5, 2007.**
 Symbol(s): **PNQ becomes PUV**
 Strike Price: **Unchanged**
 Pos/Exercise Limit: **2,575,000 contracts until April 19, 2008; where the limits revert to 25,000 contracts**
 Multiplier: **100** (e.g., Premium of 1.00 = \$100)
 New Deliverable: **1) 103 National Penn Bancshares, Inc. (NPBC) Common Shares**

The resulting list of adjusted strike prices and symbols is as shown on the following pages:

National Penn Bancshares, Inc. (NPBC/PNQ) (Before 9/5/2007) (100 shrs NPBC)					National Penn Bancshares, Inc. (NPBC/PUV) (Beginning 9/5/2007) (See new deliverable above)				
			Calls	Puts				Calls	Puts
PNQ	SEP	12 1/2	IV	UV	PUV	SEP	12 1/2	IV	UV
PNQ	SEP	15	IC	UC	PUV	SEP	15	IC	UC
PNQ	SEP	17 1/2	IW	UW	PUV	SEP	17 1/2	IW	UW
PNQ	SEP	20	ID	UD	PUV	SEP	20	ID	UD
PNQ	OCT	12 1/2	JV	VV	PUV	OCT	12 1/2	JV	VV
PNQ	OCT	15	JC	VC	PUV	OCT	15	JC	VC
PNQ	OCT	17 1/2	JW	VW	PUV	OCT	17 1/2	JW	VW
PNQ	OCT	20	JD	VD	PUV	OCT	20	JD	VD
PNQ	OCT	22 1/2	JX	VX	PUV	OCT	22 1/2	JX	VX
PNQ	JAN	12 1/2	AV	MV	PUV	JAN	12 1/2	AV	MV
PNQ	JAN	15	AC	MC	PUV	JAN	15	AC	MC
PNQ	JAN	17 1/2	AW	MW	PUV	JAN	17 1/2	AW	MW
PNQ	JAN	20	AD	MD	PUV	JAN	20	AD	MD
PNQ	APR	15	DC	PC	PUV	APR	15	DC	PC
PNQ	APR	17 1/2	DW	PW	PUV	APR	17 1/2	DW	PW
PNQ	APR	20	DD	PD	PUV	APR	20	DD	PD

Any additional PNQ series that are added prior to the ex-date will also be adjusted in the manner described above.

With this new method of adjustment, it is no longer possible to determine if an adjusted option is in- or out-of-the-money by simply comparing the stock price to the option strike price. When the new method is used, the stock price must always be adjusted by the appropriate factor(s) in order to correctly determine in-the-money amounts or premiums. Option investors must be aware of the number of shares (and possible cash amounts) in the deliverable and the fact that the multiplier used for premium and strike dollar extensions remains unchanged.

The new PNQ option contracts representing 100 shares of NPBC, will be admitted to trading on Thursday, September 6, 2007. Strike prices and expiration months will be announced on a separate release prior to that date.

Customers should be advised that Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the ex-distribution 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) 496-1508.