

MEMORANDUM

TO: Members and Member Organizations

FROM: John Dayton

DATE: February 8, 2007

RE: Amendment to Generic Listing Standards for Trust Shares on XLE

The Exchange has received approval from the Securities and Exchange Commission for a proposed rule change, which modifies the generic listing standards for Trust Shares (a type of exchange traded fund) that may be listed and/or traded on XLE, Phlx's equity trading system. Generic listing standards allow the Exchange to begin trading Trust Shares more efficiently provided the fund and the index underlying the fund meet the generic standards. In particular, the proposed rule change increased the allowable weight (from 25% to 30%) that the most heavily weighted component stock in the index or portfolio underlying the Trust Share can have. This conforms Phlx's standard to that of the American Stock Exchange and the New York Stock Exchange. The amended rule text is attached.

Questions regarding the proposed rule change may be directed to John Dayton at (215) 496-5162. Questions regarding security listing may be directed to Todd Borneman at (215) 496-1261. Questions regarding XLE functionality may be directed to the XLE Help Desk at (215) 496-5311 or 1-877-678-PHLX.

Underlining indicates additions; brackets indicate deletions

Rule 803 Criteria for Listing – Tier I

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(a)-(h) No Change.

(i) Trust Shares

(1)-(10) No Change.

(11) The Exchange may approve a series of Trust Shares for trading, whether by listing or pursuant to unlisted trading privileges, pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(a) *Eligibility Criteria for Index Components.* Upon the initial listing of a series of Trust Shares on the Exchange, the component stocks of an index or portfolio underlying such series of Trust Shares shall meet the following criteria as of the date of the initial deposit of cash and securities into the trust:

(i)-(ii) No Change.

(iii) The most heavily weighted component stock cannot exceed [25]30% of the weight of the index or portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the index or portfolio;

(iv)-(v) No Change.

(b)-(h) No Change.

(j)-(m) No Change.

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