

Equities # 0365-07

To: All PHLX Member Firms and XLE Participants
From: PHLX Equities Surveillance Department
Date: February 14, 2007
Subject: Proper Marking of Short Sale/Short Exempt Orders

The Equities Surveillance Department (“ESD”), in accordance with SEC Rule 200(g), reminds all XLE Participants and Member Firms that all orders to sell must be marked as to whether the sale is “Long”, “Short”, or “Short Exempt”. The Exchange takes seriously the requirement to properly mark Sell orders, and that those Sell orders marked “Sell Short Exempt” be based on a specific approved exemption.

If an XLE Participant or Member Firm is relying on an exemption other than those covered by the Reg. SHO Pilot Program, XLE Participants and Member Firms must provide, upon request, the customer contact information to ESD so that they may obtain the specific explanation as to why an order qualifies for such relief. This may include, but not limited to, the specific exemption granted by the Securities and Exchange Commission, or a copy of the exemptive relief for which they are relying upon to claim exempt status for each sale so marked.

Please contact Christine McMaster, Director of Equities Surveillance, at (215) 496-1486 or christine.mcmaster@phlx.com should you have any questions.