

MEMORANDUM

TO: All Option Members, Member Organizations & ROTs

FROM: Market Watch

DATE: February 28, 2007

RE: **Upcoming changes to the KBW Regional Banking Index (KRXSM)**

Keefe, Bruyette & Woods (“KBW”) has notified the Philadelphia Stock Exchange (“PHLX”) that there will be a change in the outstanding shares of Sterling Financial Corporation (STSA), a component of the KRXSM Index, due to the pending acquisition of Northern Empire Bancshares (NREB). As a result, KBW has determined that the following changes will occur in the KBW Regional Banking Index (KRXSM) prior to the opening of business on Thursday, March 1, 2007:

<u>Component</u>	<u>New Float-Adjusted Modified Shares</u>
Sterling Financial Corporation (STSA)	111***

****Please note that the share amounts are ANTICIPATED and are subject to change prior to the effective date of the aforementioned change.*

The revised KRXSM divisor will be announced on a separate release following the close of business on Wednesday, February 28, 2007.

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