

MEMORANDUM

TO: Members and Member Organizations

FROM: John Dayton

DATE: July 5, 2007

RE: Short Exempt Marking

The Securities and Exchange Commission (“Commission”) has eliminated the Short Exempt Marking requirement effective July 6, 2007. The Commission release regarding this change is located at the following web site: <http://www.sec.gov/rules/final/2007/34-55970.pdf>. However, in order to allow broker-dealers to adapt to this change, Commission staff has issued relief to broker-dealers and exchanges to continue to use and accept sell orders marked “short exempt” for 90 days following July 6, such date being October 4, 2007. The letters issuing the relief are located at the following web sites: <http://www.sec.gov/divisions/marketreg/mr-noaction/2007/amex070207-sho.pdf> and <http://www.sec.gov/divisions/marketreg/mr-noaction/2007/sifma070207-sho.pdf>.

Changes to XLE

XLE will continue to accept sell orders marked “short exempt” on July 6, 2007 through October 4, 2007. However, beginning on October 5, 2007, XLE will not accept sell orders marked “short exempt,” but will only accept sell orders marked “long” or “short” as required in amended Rule 200(g) of Regulation SHO.

Questions regarding the elimination of the Short Exempt Marking requirement may be directed to John Dayton at (215) 496-5162. Questions regarding XLE functionality may be directed to the XLE Help Desk at (215) 496-5311 or 1-877-678-PHLX.