

MEMORANDUM

TO: PHLX Members, Participants, Member Organizations and Participant Organizations

FROM: Office of the Secretary

RE: Executive Committee Meeting of July 10, 2007

DATE: July 11, 2007

The Executive Committee of the Philadelphia Stock Exchange, Inc. (“Phlx” or the “Exchange”) Board of Governors convened on Tuesday, July 10, 2007, and, pursuant to delegated authority of the Board of Governors under By-Law Article X, Section 10-14(b), took the following actions:

- Approved the draft minutes of the Executive Committee Meeting of June 8, 2007.
- Approved and authorized the following budgeted finance requests: storage growth – phase 2, a disk array of 200 terabytes of storage to facilitate the full deployment of Penny Quoting; lab equipment for functional and stress testing of the network; a netbackup upgrade to migrate the new Sun server; Mazu Network vulnerability assessment tool as required by Phlx security groups and to satisfy an audit item included in the SEC ARP 2006 Audit Report; a web-based portal product to provide a single entry point for Phlx’s public internet based application web sites and; a Times Ten system upgrade for the Options Trading System to provide additional capacity.
- Approved and authorized two separate proposed rule changes, for filing with the Securities and Exchange Commission (“SEC”) that would amend Phlx rules (185, 455, 785 and 1072) to reflect the elimination of any short sale price test, including any tick or bid test (“Price Test”) and the elimination of the “short exempt” marking requirement.
- Approved and authorized a proposal, for filing with the SEC, to list and trade cash-settled index options on the PHLX Medical Device Index (MXZ), the PHLX Retail Index (XRE), the PHLX Chemicals Index (XCM) and the PHLX Sports Index (SXP), which have been developed by New Products Development and will be maintained by Phlx.

- Approved and authorized a proposal, for filing with the SEC, to expand the surveillance programs covered by the Options Regulatory Surveillance Authority (“ORSA”) Plan (the “Plan”) and delegate additional functions under the Plan to the Chicago Board Options Exchange (“CBOE”). Additionally, Phlx will execute a new Regulatory Service Agreement (RSA) along with the other participant exchanges and the CBOE, establishing the expanded regulatory relationship.
- Approved and authorized, for filing with the SEC, the proposed 11th Amendment to the Consolidated Tape Association (“CTA”) Plan that would permit CTA Participants to submit the actual shares involved in a transaction to CTA for dissemination to the consolidated tape.
- Approved and authorized a proposed rule change, for filing with the SEC, to amend Phlx Rule 786 to conform it the changes proposed by other exchanges increasing the short interest reporting requirement for members from once per month to twice per month.
- Approved and authorized the creation of a subsidiary of Phlx, which shall be organized as a limited liability company entitled “NASD/Phlx Trade Reporting Facility.” The LLC will: (i) reimburse the NASD for the cost of trade reporting services, including start-up, governance and regulatory expenses (except for direct technology and non-personnel items; and, (ii) pay a mark-up of six per cent on the total of such costs. The LLC will be a Delaware limited liability company and the registered agent will be the Corporation Trust Company.
- Approved and authorized a proposed extension for a one-year period until July 31, 2008, for filing with the SEC, of the pilot program currently scheduled to expire on July 31, 2007, that provides for an option transaction charge credit of \$0.21 per contract for Exchange options specialist units that incur Phlx option transaction charges when a customer order is delivered to the limit order book via the Exchange’s Options Floor Broker Management System (“FBMS”) and is then sent and executed via the Intermarket Option Linkage (“Linkage”) as a Principal Acting as Agent (“P/A”) Order.