

MEMORANDUM

TO: Members and Member Organizations

FROM: John Dayton

DATE: March 8, 2007

RE: Amendment to Listing Standards for Basket Linked Notes on XLE

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The Exchange has received approval from the Securities and Exchange Commission for a proposed rule change, SR-Phlx-2006-85, which modifies the listing standards for Basket Linked Notes (a type of structured equity product) that may be listed and/or traded on XLE, Phlx's equity trading system. In particular, the proposed rule change increased the number of underlying securities that may be linked to a Basket Linked Note from no more than 20 to no more than thirty 30. This conforms Phlx's standard to that of the American 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**

\* \* \* \* \*

(a)-(j) No Change.

(k) Basket Linked Notes ("BLNs").

Income instruments which are linked, in whole or in part, to the market performance of [more than one common stock] up to thirty (30) common stocks or non-convertible preferred stocks will be considered for listing provided:

(1)-(7) No Change.

(l)-(m) No Change.

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