

MEMORANDUM

TO: Members and Member Organizations

FROM: Lori Mann

DATE: May 18, 2007

RE: SPDR S&P Metals and Mining ETF to Trade Pursuant to UTP on XLE

On Monday, May 21, 2007, the Philadelphia Stock Exchange ("Exchange" or "Phlx") will commence trading on XLE in the exchange-traded fund listed below on an unlisted trading privileges ("UTP") basis. This memo reviews the various rules and policies that apply to trading in this fund ("Fund") of SPDR S&P Index Trust (the "Trust") pursuant to UTP.

<u>Fund Name</u>	<u>Symbol</u>	<u>CUSIP</u>	<u>Index Name</u>
SPDR S&P Metals & Mining ETF	XME	863 30E 646	S&P Metals and Mining Select Industry Index

Background Information on the Funds

As more fully explained in the Prospectuses for the Trust, the Trust is a Massachusetts business trust registered under the Investment Company Act of 1940, as amended ("1940 Act") consisting of separate exchange traded index funds. Each Fund in the Trust is an "index fund".

The investment objective of each of the Funds is as follows: the investment objective of XME is to replicate as closely as possible, before expenses, the performance of an index derived from the metals and mining segment of a U.S. total market composite index.

The Fund generally will hold all of the securities, which comprise its benchmark Select Sector Index. There may, however, be instances where the Adviser, defined below, may choose to overweight another stock in the Select Sector Index, purchase securities not included within the Select Sector Index which the Adviser believes are appropriate to substitute for the Select Sector Index securities or utilize various combinations of other available investment techniques in seeking to track accurately the benchmark Select Sector Index.

SSgA Funds Management, Inc (“Adviser”) serves as the adviser to the Trust and, subject to the supervision of the Board of Trustees, is responsible for the investment management of the Select Sector Fund. The Adviser, parts of State Street Bank and Trust Company (“State Street”) and other affiliates of State Street make up State Street Global Advisors (“SSgA”), the investment management arm of State Street Corporation. State Street Global Markets, LLC is the Distributor of the Select Sector Fund’s Shares (“Distributor”). State Street Global Markets, LLC, is also the Administrator for the Select Sector Fund, the Custodian of the Select Sector Fund’s assets, and serves as the Transfer Agent to the Select Sector Fund (“Custodian”).

As described more fully in the Trust’s Prospectuses, the Funds offer and issue shares (“Shares”) at their net asset value (“NAV”) only in aggregations of 50,000 Shares (each, a “Creation Unit Aggregation”), generally in exchange for a basket of equity securities included in the underlying index, together with the deposit of a specified cash payment. The Shares are redeemable only in Creation Unit Aggregations, and, generally, in exchange for portfolio securities and a specified cash payment. Except when in Creation Units Aggregations, the Shares may not be redeemed with the Funds.

Other Information about the Funds

The Custodian calculates each Fund’s NAV at the close of the regular trading day (normally, 4:00 p.m. Eastern Standard Time) every day that the New York Stock Exchange (“NYSE”) is open for business (a “Business Day”).

The value of the Index is disseminated to data vendors every 15 seconds. The Fund Shares will trade on the Phlx from 8:00 a.m. until 6:00 p.m. (Eastern Time). The Core Session for the Fund Shares will end at 4:00 p.m. The trading increment for the Fund Shares set is in Phlx Rule 125 and currently is \$0.01 for orders priced at \$1.00 or greater and \$0.0001 for orders priced at less than \$1.00.

Creation and Redemption Process

The Fund will issue Shares through the Distributor on a continuous basis at its NAV next determined after an order to purchase Shares is received in proper form on any business day. In order to purchase Creation Units of a Fund, an investor must generally deposit a designated portfolio of equity securities constituting a substantial replication of the stocks included in the relevant index (“Deposit Securities”) and a cash amount (“Cash Component” and together with the Deposit Securities, the “Fund Deposit”). The Custodian, through NSCC, makes available on each Business Day, prior to the opening of business on the listing exchange (currently 9:30 a.m. Eastern Standard Time), a list of the names and the required number of shares of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous Business Day) for each Fund. The Cash Component represents the difference between the NAV of a Creation Unit and the market value of the Deposit Securities.

Orders must be placed in proper form by or through either (i) a “Participating Party”, i.e., a broker-dealer or other participant in the clearing process of the Continuous Net Settlement System of the NSCC; or (ii) a participant of the DTC, that, in either case, has entered into an agreement with the Trust, the Distributor and the Custodian, with respect to creations and redemptions of Creation Units. All orders must be placed for one or more whole Creation Units and must be received by the Distributor in proper form no later than the close of regular trading on the New York Stock Exchange (ordinarily 4:00 p.m. Eastern Standard Time) on the date the order is placed (the “Transmittal Date”) in order for the purchaser to receive the NAV per Share determined on the Transmittal Date.

Shares may be redeemed only in Creation Units at their NAV next determined after a redemption request is received in proper form and only on a Business Day. The Custodian, through the facilities of the NSCC, makes available on each Business Day, a list of the names and the number of shares of a Fund’s portfolio securities that will be applicable that day to redemption requests in proper form (“Fund Securities”). Fund Securities received on redemption may not be identical to Deposit Securities, which are applicable to creations of Creation Units. Unless cash redemptions are available or specified for a particular Fund, the redemption proceeds consist of the Fund Securities, plus cash in an amount equal to the difference between the NAV of the Shares being redeemed as next determined after receipt by the Custodian of a redemption request in proper form, and the value of the Fund Securities.

The Trust’s Prospectus describes additional procedures and requirements that apply to creations and redemptions of Shares. Fund transaction fees apply to creations and redemptions and are set forth in the Prospectus.

Investment Risks

Unlike many investment companies, the Fund is not actively “managed.” Therefore, a Fund would not sell a stock because the stock’s issuer was in financial trouble, unless that stock is removed from the Fund’s benchmark Select Sector Index. An investment in a Fund involves risks similar to those of investing in any fund of equity securities traded on exchanges, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. You should anticipate that the value of the Shares will decline, more or less, in correspondence with any decline in value of the Fund’s applicable Sector Index.

The Adviser believes that over time the correlation between the Fund’s performance and that of its benchmark Sector Index, before expenses, will be 95% or better, although there is no guarantee that such correlation will be achieved. A figure of 100% will indicate perfect correlation. The Fund’s returns may not match the return of their benchmark Sector Index as a result of Fund expenses and other factors. For example, rebalancing of the Fund’s securities holdings may at times be necessary to reflect changes in the composition of the relevant Select Sector Index. Rebalancing will result in transaction and other costs and could result in the realization of capital gains or losses.

Suitability

Members and member organizations are reminded of the requirements of Phlx Rule 746 (Diligence as to Accounts), which requires every member, either personally or through a general partner or an officer who is a holder of voting stock in his organization to use due diligence to learn the essential facts relative to every customer and to every order or account accepted by his organization. Members and member organizations recommending transactions in the Shares to customers should make a determination that such transactions are not unsuitable for such customers.

Trading Halts

Trading in the Shares will be halted if the circuit breaker parameters of Phlx Rule 133 have been reached. In addition, trading in the Shares may be halted when such a halt would be in the public interest, pursuant to Phlx Rule 164(a).

Product Description and Prospectuses

Product descriptions and prospectuses may be obtained by calling 1-866-S-TRACKS or by visiting www.streetTRACKS.com or The Funds' Statement of Additional Information includes a detailed description of the mechanics for creating or redeeming Shares, and is also available to any investor as described above.

Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations

The SEC has issued exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities and Exchange Act of 1934 regarding trading in the Funds.

Short Sale Rule (Rule 10a-1)

The SEC has granted an exemption from Rule 10a-1 to permit short sales of the Shares on a minus or zero-minus tick. **The Exchange emphasizes that members effecting short sales must make prior arrangements to borrow the securities as described in Rule 203(b) of Regulation SHO.**

Rules 101 and 102 of Regulation M

The Fund is excepted from Rule 101 pursuant to paragraph (c)(4) of Rule 101, permitting persons who may be deemed to be participating in a distribution of the Shares to bid for or purchase Shares during their participation in such distribution. The Fund is excepted under Rule 102(d)(4), permitting the Fund to redeem Shares during the continuous offering of Shares. In addition, a redemption of creation unit aggregations and

the receipt of component securities that comprise the Funds in exchange for Shares by a participant in a distribution of Shares would not constitute an "attempt to induce any person to bid for or purchase a covered security, during the applicable restricted period" within the meaning of Regulation M, and therefore would not violate Regulation M.

Rule 10b-10 (Customer Confirmations)

The SEC has granted an exemption from Rule 10b-10 that will permit broker-dealers who create or redeem Shares on behalf of their customers to confirm such creation or redemption transactions without providing a statement of the identity, price and number of shares of each individual component security tendered to or delivered by the Funds pursuant to the creation or redemption transaction. This exemption, which does not apply to secondary market trading, is subject to certain conditions, including that any confirmation statement of a creation or redemption transaction that omits any of the information specified in Rule 10b-10(a) will contain a statement that such omitted information will be provided to the customer upon request; that all such requests will be fulfilled in a timely manner; and that confirmation statements of creations and redemptions will contain all information specified in Rule 10b-10(a) other than identity, price, and number of shares of each component security tendered or received by the customer in the transaction.

Section 11(d)(1); Rule 11d1-2 (Customer Margin)

The SEC has taken a no-action position under Section 11(d)(1) that will permit broker-dealers that do not create Shares but engage in both proprietary and customer transactions in such Shares exclusively in the secondary market to extend or maintain or arrange for the extension or maintenance of credit on the Shares, in connection with such secondary market transactions. For broker-dealers that engage in the creation of Shares, the SEC has also taken a no-action position under Rule 11d1-2 that will cover the extension or maintenance or the arrangement for the extension or maintenance of credit on the Shares that have been owned by the persons to whom credit is provided for more than 30 days.

Rule 14e-5 (Prohibited Purchases During Tender Offer)

The SEC has granted an exemption from Rule 14e-5 that will permit any person acting as dealer-manager of a tender offer for a component security to redeem Shares in creation units for component securities that may include a security subject to the tender offer, and to purchase Shares during such offer.

Rule 15c1-5 and 15c1-6 (Disclosure of Control and Interest in Distributions)

The SEC has taken a no-action position under Rule 15c1-5 that will permit a broker-dealer to execute transactions in Shares without disclosing any control relationship with an issuer of a component security. In addition, the SEC has taken a no-action position under Rule 15c1-6 that will permit a broker-dealer to execute transactions in the Shares without disclosing its participation or interest in a primary or secondary distribution of a component security.

Questions regarding XLE functionality may be directed to the XLE Help Desk at (215) 496-5311 or 1-877-678-PHLX. Questions regarding the security may be directed to Lori Mann at (215) 496-5472.