

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: May 25, 2007

Re: Varian Semi Equip. Assc (VSEA/UES) - 3 for2 Stock Split

Varian Semi Equip. Assc (UES/VSEA) has declared a 3 for2 stock split payable to shareholders of record on Tuesday, May 15, 2007. Distribution date for the stock split will be Wednesday, May 30, 2007. **Ex-distribution date for the stock split will be Thursday, May 31, 2007.**

Accordingly, pursuant to OCC By-Laws, all UES options on the ex-distribution date must be adjusted as follows:

1. The number of underlying shares represented by each option contract will be increased to 150 shares.
2. The strike price of each outstanding option series will be reduced proportionately and rounded to the nearest eighth of a point.

The effect of these adjustments on all outstanding UES/KAP/XD options will be to change the symbol(s) to USJ/KKU/XGW, increase the number of underlying shares represented by each contract to 150, and to reduce the strike price for each series proportionately. The Exchange has further determined that new UES option contracts, representing 100 shares of VSEA, will start trading on Friday, June 1, 2007. The PHLX has established that effective on the ex-distribution date, and until January 17, 2009 expiration, the position and exercise limits shall be any combination of UES/KAP/XD and USJ/KKU/XGW options not to exceed 37,500,000 shares of VSEA. Following January 17, 2009 expiration, the position and exercise limit will return to the established limit of 250,000 contracts. Therefore, commencing Thursday, May 31, 2007, the current UES/KAP/XD strike prices will be adjusted and identified by the symbols USJ/KKU/XGW respectively.

The resulting list of adjusted strike prices and symbols is as shown on the following pages:

| Varian Semi Equip. Assc (VSEA/UES) | | | | | Varian Semi Equip. Assc (VSEA/USJ) | | | | |
|------------------------------------|-----|----|-------|------|------------------------------------|-----|--------|------|----|
| (Before 5/31/2007) | | | | | (Beginning 5/31/2007) | | | | |
| (100 shrs VSEA) | | | | | (150 shrs VSEA) | | | | |
| | | | Calls | Puts | | | Calls | Puts | |
| UES | JUN | 40 | FH | RH | USJ | JUN | 26 5/8 | FS | RS |
| UES | JUN | 45 | FI | RI | USJ | JUN | 30 | FF | RF |
| UES | JUN | 50 | FJ | RJ | USJ | JUN | 33 3/8 | FU | RU |
| UES | JUN | 55 | FK | RK | USJ | JUN | 36 5/8 | FV | RV |
| UES | JUN | 60 | FL | RL | USJ | JUN | 40 | FH | RH |
| UES | JUN | 65 | FM | RM | USJ | JUN | 43 3/8 | FW | RW |
| UES | JUN | 70 | FN | RN | USJ | JUN | 46 5/8 | FX | RX |
| UES | JUN | 75 | FO | RO | USJ | JUN | 50 | FJ | RJ |
| UES | JUN | 80 | FP | RP | USJ | JUN | 53 3/8 | FY | RY |
| UES | JUL | 45 | GI | SI | USJ | JUL | 30 | GF | SF |
| UES | JUL | 50 | GJ | SJ | USJ | JUL | 33 3/8 | GU | SU |
| UES | JUL | 55 | GK | SK | USJ | JUL | 36 5/8 | GV | SV |
| UES | JUL | 60 | GL | SL | USJ | JUL | 40 | GH | SH |
| UES | JUL | 65 | GM | SM | USJ | JUL | 43 3/8 | GW | SW |
| UES | JUL | 70 | GN | SN | USJ | JUL | 46 5/8 | GX | SX |
| UES | JUL | 75 | GO | SO | USJ | JUL | 50 | GJ | SJ |

Varian Semi Equip. Assc (VSEA/UES)
 (Before 5/31/2007)
 (100 shrs VSEA)

| | | | Calls | Puts |
|-----|-----|----|-------|------|
| UES | AUG | 25 | HE | TE |
| UES | AUG | 30 | HF | TF |
| UES | AUG | 35 | HG | TG |
| UES | AUG | 40 | HH | TH |
| UES | AUG | 45 | HI | TI |
| UES | AUG | 50 | HJ | TJ |
| UES | AUG | 55 | HK | TK |
| UES | AUG | 60 | HL | TL |
| UES | AUG | 65 | HM | TM |
| UES | AUG | 70 | HN | TN |
| UES | AUG | 75 | HO | TO |
| UES | AUG | 80 | HP | TP |
| UES | NOV | 35 | KG | WG |
| UES | NOV | 40 | KH | WH |
| UES | NOV | 45 | KI | WI |
| UES | NOV | 50 | KJ | WJ |
| UES | NOV | 55 | KK | WK |
| UES | NOV | 60 | KL | WL |
| UES | NOV | 65 | KM | WM |
| UES | NOV | 70 | KN | WN |
| UES | NOV | 75 | KO | WO |
| UES | NOV | 80 | KP | WP |
| UES | NOV | 85 | KQ | WQ |
| UES | NOV | 90 | KR | WR |
| UES | NOV | 95 | KS | WS |

Varian Semi Equip. Assc (VSEA/USJ)
 (Beginning 5/31/2007)
 (150 shrs VSEA)

| | | | Calls | Puts |
|-----|-----|--------|-------|------|
| USJ | AUG | 16 5/8 | HQ | TQ |
| USJ | AUG | 20 | HD | TD |
| USJ | AUG | 23 3/8 | HR | TR |
| USJ | AUG | 26 5/8 | HS | TS |
| USJ | AUG | 30 | HF | TF |
| USJ | AUG | 33 3/8 | HU | TU |
| USJ | AUG | 36 5/8 | HV | TV |
| USJ | AUG | 40 | HH | TH |
| USJ | AUG | 43 3/8 | HW | TW |
| USJ | AUG | 46 5/8 | HX | TX |
| USJ | AUG | 50 | HJ | TJ |
| USJ | AUG | 53 3/8 | HY | TY |
| USJ | NOV | 23 3/8 | KR | WR |
| USJ | NOV | 26 5/8 | KS | WS |
| USJ | NOV | 30 | KF | WF |
| USJ | NOV | 33 3/8 | KU | WU |
| USJ | NOV | 36 5/8 | KV | WV |
| USJ | NOV | 40 | KH | WH |
| USJ | NOV | 43 3/8 | KW | WW |
| USJ | NOV | 46 5/8 | KX | WX |
| USJ | NOV | 50 | KJ | WJ |
| USJ | NOV | 53 3/8 | KY | WY |
| USJ | NOV | 56 5/8 | KZ | WZ |
| USJ | NOV | 60 | KL | WL |
| USJ | NOV | 63 3/8 | KT | WT |

Varian Semi Equip. Assc - 2008 Leap (VSEA/KAP)
 (Before 5/31/2007)
 (100 shrs VSEA)

| | | | Calls | Put |
|-----|-----|-----|-------|-----|
| KAP | JAN | 40 | AH | MH |
| KAP | JAN | 45 | AI | MI |
| KAP | JAN | 50 | AJ | MJ |
| KAP | JAN | 55 | AK | MK |
| KAP | JAN | 60 | AL | ML |
| KAP | JAN | 65 | AM | MM |
| KAP | JAN | 70 | AN | MN |
| KAP | JAN | 75 | AO | MO |
| KAP | JAN | 80 | AP | MP |
| KAP | JAN | 85 | AQ | MQ |
| KAP | JAN | 90 | AR | MR |
| KAP | JAN | 95 | AS | MS |
| KAP | JAN | 100 | AT | MT |

Varian Semi Equip. Assc - 2008 Leap (VSEA/KKU)
 (Beginning 5/31/2007)
 (150 shrs VSEA)

| | | | Calls | Put |
|-----|-----|--------|-------|-----|
| KKU | JAN | 26 5/8 | AS | MS |
| KKU | JAN | 30 | AF | MF |
| KKU | JAN | 33 3/8 | AU | MU |
| KKU | JAN | 36 5/8 | AV | MV |
| KKU | JAN | 40 | AH | MH |
| KKU | JAN | 43 3/8 | AW | MW |
| KKU | JAN | 46 5/8 | AX | MX |
| KKU | JAN | 50 | AJ | MJ |
| KKU | JAN | 53 3/8 | AY | MY |
| KKU | JAN | 56 5/8 | AZ | MZ |
| KKU | JAN | 60 | AL | ML |
| KKU | JAN | 63 3/8 | AT | MT |
| KKU | JAN | 66 5/8 | AA | MA |

Varian Semi Equip. Assc - 2009 Leap (VSEA/XD)
 (Before 5/31/2007)
 (100 shrs VSEA)

| | | | Calls | Put |
|----|-----|-----|-------|-----|
| XD | JAN | 30 | AF | MF |
| XD | JAN | 35 | AG | MG |
| XD | JAN | 40 | AH | MH |
| XD | JAN | 45 | AI | MI |
| XD | JAN | 50 | AJ | MJ |
| XD | JAN | 55 | AK | MK |
| XD | JAN | 60 | AL | ML |
| XD | JAN | 65 | AM | MM |
| XD | JAN | 70 | AN | MN |
| XD | JAN | 75 | AO | MO |
| XD | JAN | 80 | AP | MP |
| XD | JAN | 85 | AQ | MQ |
| XD | JAN | 90 | AR | MR |
| XD | JAN | 95 | AS | MS |
| XD | JAN | 100 | AT | MT |
| XD | JAN | 105 | AA | MA |
| XD | JAN | 110 | AB | MB |

Varian Semi Equip. Assc - 2009 Leap (VSEA/XGW)
 (Beginning 5/31/2007)
 (150 shrs VSEA)

| | | | Calls | Put |
|-----|-----|--------|-------|-----|
| XGW | JAN | 20 | AD | MD |
| XGW | JAN | 23 3/8 | AR | MR |
| XGW | JAN | 26 5/8 | AS | MS |
| XGW | JAN | 30 | AF | MF |
| XGW | JAN | 33 3/8 | AU | MU |
| XGW | JAN | 36 5/8 | AV | MV |
| XGW | JAN | 40 | AH | MH |
| XGW | JAN | 43 3/8 | AW | MW |
| XGW | JAN | 46 5/8 | AX | MX |
| XGW | JAN | 50 | AJ | MJ |
| XGW | JAN | 53 3/8 | AY | MY |
| XGW | JAN | 56 5/8 | AZ | MZ |
| XGW | JAN | 60 | AL | ML |
| XGW | JAN | 63 3/8 | AT | MT |
| XGW | JAN | 66 5/8 | AA | MA |
| XGW | JAN | 70 | AN | MN |
| XGW | JAN | 73 3/8 | AB | MB |

Any additional UES series that are added prior to the ex-date will also be adjusted in the manner described above.

The new UES option contracts representing 100 shares of VSEA, will be admitted to trading on Friday, June 1, 2007. Strike prices and expiration months will be announced on a separate release prior to that date.

The bids and offers for listed options are usually expressed in price per share of the underlying security. If the unit of trading is 100 shares, a bid of 2 would indicate a dollar premium of \$200.00 per contract. If, however, the unit of trading is 150, a bid of 2 would indicate a dollar premium of \$300.00.

Brokers must advise their customers of this fact in connection with the adjusted USJ/KKU/XGW options. Brokers are cautioned to be certain that customers entering closing transactions make the proper description of the options. Failure to do this could result in closing out an existing position in the adjusted series. Customers should also be advised that if they are 'covered writers', they must retain and not liquidate the additional shares of VSEA if they are to remain fully covered. Customers initiating opening writing positions in VSEA on or after Thursday, May 31, 2007 must own 150 shares of VSEA common stock for each contract held in order to be fully covered. Commencing on June 1, 2007 and thereafter, customers purchasing 100 shares of VSEA and selling one option should be certain to sell 'NEW' contracts to avoid being uncovered writers.

Customers should be advised that Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the ex-distribution date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-1508.