

MEMORANDUM

To: All PHLX Floor Members

From: Meyer S. Frucher

Subject: NASDAQ to Acquire the Philadelphia Stock Exchange – NASDAQ and PHLX to Host a Meeting at 4:15 P.M. Eastern Time on the Previous Equity Floor

Date: November 7, 2007

The Philadelphia Stock Exchange (PHLX) Board of Governors has, after thorough consideration of various alternatives, including an initial public offering of PHLX stock, concluded that acceptance of an offer from NASDAQ to purchase the Exchange is in the best interests of our shareholders, employees and customers. Under the terms of the agreement with NASDAQ, they will purchase the Exchange for \$652 million in cash consideration for the capital stock and assets of PHLX.

Finalization of the transaction is subject to the normal regulatory review process and approval by written consent by a majority of outstanding shares. Once this is completed, the expectation is that the purchase will be effectuated in the first quarter of 2008.

Exchanges are going through a period of rapid worldwide consolidation. NASDAQ has been a key participant, culminating recently with its announcement of proposed acquisitions in the U.S. and abroad, including the Boston Stock Exchange and OMX AB. They continue to pursue a number of other opportunities and have spoken publicly about their desire to diversify their business.

NASDAQ is currently building an electronic time-price priority options business model (similar to Arca's options trading offering), intended for roll-out by the end of the year. Through the proposed acquisition of PHLX, they recognize that their goals can be reached by also deploying our market model --- a highly reliable industry-acclaimed technological platform with directed order flow and a competitive fee regime proven to be appealing to many retail and institutional trading firms, a set of attributes that will allow them to penetrate the market, capturing market share and revenues less attainable by an electronic system only. They plan to maintain two SRO's complementing one another side-by-side, affording customers with differing trading preference and styles, a broad range of trading models available in a single market venue. NASDAQ has indicated that they expect that PHLX business operations and floor will continue to be based in Philadelphia. I have been asked to stay on as CEO and John Wallace will stay on as Vice Chairman.

It is our understanding that the proposed acquisition of the Philadelphia Stock Exchange was in large measure predicated on our business model, technology and staff capabilities and the demonstrable performance responsible for propelling us from a market share of 8% to 15.7% over the past 3 years. With this acquisition NASDAQ will take a significant step forward in achieving their goals in the U.S. options business.

NASDAQ has also stated that the PHLX equities business will be integrated with their existing electronic trading business. They also seek to continue and leverage the Stock Clearing Corporation of Philadelphia (SCCP) and our futures business in the pursuit of their expansion plans.

Rest assured that the PHLX will continue to provide you and your customers a highly reliable platform to conduct your business. We intend to maintain our current business model including the directed order flow program and expand our institutional effort while maintaining a competitive fee structure. In short, the PHLX will still be in place. The same business model, the same reliable technology, and the same level of service.

We believe that combining with NASDAQ is the best outcome for our customers, shareholders and the trading community as a whole. No other exchange is better positioned for the future based on technology, products and overall passion for continuously redefining the definition and value of stock exchanges around the world. We have watched NASDAQ evolve into a multi-asset world class global enterprise. We're truly excited about our prospects for the future as part of NASDAQ and look forward to having an active role in improving trading efficiency and stock exchange value.

Please be advised that there will be meeting for PHLX Floor Members at 4:15 p.m. on the previous Equity Floor with myself and Christopher R. Concannon, NASDAQ Executive Vice President, Transaction Services and Anna Ewing, Executive Vice President and Chief Information Officer.

In addition, there will be a conference call today at 2:30 p.m. Eastern Time for the upstairs member community.

The conference call details are as follows:

When: 2:30 p.m. Eastern Time, Wednesday, November 7

Dial-in-Number:

US/Canada Dial-in: (800) 603-7862

Conference ID: 23790495

I want to thank you in advance for your support during the months ahead. While we work towards the merger's successful completion, we will continue to meet the high standards of service the investment community expects from us.