

MEMORANDUM

To: Members and Member Organizations

From: Paul Roland, Vice President Project Management Svcs.

Date: Thursday, September 06, 2007

**Subject: PHLX Equity XLE Fee Schedule Amendments**

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In an effort to enhance liquidity on XLE, the Exchange filed a proposed rule change with the SEC to amend the XLE fee schedule. (See Memo No. 2201-07 dated 08/30/07).

Effective for transactions settling on or after September 4, 2007, PHLX has proposed the following changes to the XLE transaction fee schedule:

1. Adopt definitions for Net Makers of liquidity (“Net Makers”) and Net Takers of liquidity (“Net Taker”) on XLE;
2. Update the volume tier structure by reducing the volume breakpoints and thereby eliminating two of the four existing volume pricing tiers;
3. Amend the amount of the credits or rebates to Net Makers and the fees for Net Takers; and
4. Make two other minor changes to update the XLE Fee Schedule.

An XLE Participant Organization would qualify as a Net Maker if the total volume from providing liquidity for that XLE Participant Organization is at least one share greater than the total volume from removing liquidity during the applicable month. Conversely, an XLE Participant Organization would qualify as a Net Taker if the total volume from removing liquidity for that XLE Participant Organization is at least one share greater than the total volume from providing liquidity during a single billing period.

The Exchange also changed the aggregate volume calculations and lowered the current volume-based breakpoints to entice XLE Participant Organizations to generate additional trading activity. The proposed two volume tiers would be as follows: Tier One would be comprised of volume of less than one million shares executed (average daily volume) and Tier Two would be comprised of volume of greater than or equal to one million shares executed (average daily volume). The volume tiers would be determined by calculating the average daily volume of total shares executed (volume from providing liquidity and the volume from removing liquidity) during the applicable month.

A table excerpt of the new XLE Fee Schedule is as follows.

**Transaction Fees**

	Execution Fees*			
	Net Maker of Liquidity <sup>2</sup>		Net Taker of Liquidity <sup>3</sup>	
XLE Participant Organization Tier	Fee to Remove Liquidity (Per Share Executed)	Credit for Providing Liquidity (Per Share Executed)	Fee to Remove Liquidity (Per Share Executed)	Credit for Providing Liquidity (Per Share Executed)
<b>Less than one (1) million shares executed (Average Daily Volume)<sup>4</sup></b>				
<b>Tier 1</b>	\$0.0030	\$0.0025	\$0.0030	\$0.0022
<b>Greater than or equal to one (1) million shares executed (Average Daily Volume)<sup>4</sup></b>				
<b>Tier 2</b>	\$0.0024	\$0.0028	\$0.0026	\$0.0024

Please refer to the complete XLE Fee Schedule at <http://www.phlx.com/PHLXXLE/feesched.pdf>, for further details. For additional details regarding XLE please visit the PHLX website at [www.phlx.com](http://www.phlx.com).

Any questions concerning these changes may be directed to Paul Roland at (215) 496-5342 or Bob Miller at (215) 496-5181.