

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Listings/Market Watch

Date: February 1, 2007

Re: **Biotech HOLDRs (BBH) - Special Cash Dividend**

On January 30, 2007, ICOS Corp. (ICOS), a component of BBH was acquired by Eli Lilly & Co. (LLY) and each share was converted into \$34.00 cash. As a result, the merger consideration will be distributed to BBH shareholders. The distribution ratio is \$135.67 per each 100 BBH round lot to shareholders of record, Wednesday, February 7, 2007. The distribution date is February 9, 2007. **The ex-distribution date is Monday, February 5, 2007.**

EFFECTIVE DATE: Monday, February 5, 2007
SYMBOL(s): **BBH/GBZ/YEE/OEE becomes BZJ/GZL/YHS/ZVT, respectively**
POSITION LIMITS: **No Change**
STRIKE PRICE: **No Change**
NEW DELIVERABLE: **1) 100 Biotech HOLDRS (BBH)**
2) \$135.67 cash (\$1.3567 x 100)

FOR PERVIOUSLY ADJUSTED OUTSTANDING LAG SERIES:

The deliverable for all adjusted options contracts will be further adjusted to require delivery of 100 BBH Shares plus \$902.11 cash. The option symbols, strike prices and multiplier will remain unchanged.

GOOD-TILL-CANCELLED (GTC) ORDERS:

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

The resulting list of adjusted strike prices and symbols is as follows:

Biotech HOLDRs (BBH) (Before 2/5/2007) (100 shrs BBH)					Biotech HOLDRs (BZJ) (Beginning 2/5/2007) (See new deliverable above)				
			Calls	Puts			Calls	Puts	
BBH	FEB	135	BG	NG	BZJ	FEB	135	BG	NG
BBH	FEB	140	BH	NH	BZJ	FEB	140	BH	NH
BBH	FEB	145	BI	NI	BZJ	FEB	145	BI	NI
BBH	FEB	150	BJ	NJ	BZJ	FEB	150	BJ	NJ
BBH	FEB	155	BK	NK	BZJ	FEB	155	BK	NK
BBH	FEB	160	BL	NL	BZJ	FEB	160	BL	NL
BBH	FEB	165	BM	NM	BZJ	FEB	165	BM	NM
BBH	FEB	170	BN	NN	BZJ	FEB	170	BN	NN
BBH	FEB	175	BO	NO	BZJ	FEB	175	BO	NO
BBH	FEB	180	BP	NP	BZJ	FEB	180	BP	NP
BBH	FEB	185	BQ	NQ	BZJ	FEB	185	BQ	NQ
BBH	FEB	190	BR	NR	BZJ	FEB	190	BR	NR
BBH	FEB	195	BS	NS	BZJ	FEB	195	BS	NS
BBH	FEB	200	BT	NT	BZJ	FEB	200	BT	NT
BBH	FEB	210	BB	NB	BZJ	FEB	210	BB	NB

GBZ	FEB	220	BD	ND	GZL	FEB	220	BD	ND
GBZ	FEB	230	BF	NF	GZL	FEB	230	BF	NF
GBZ	FEB	240	BH	NH	GZL	FEB	240	BH	NH
GBZ	FEB	250	BJ	NJ	GZL	FEB	250	BJ	NJ
GBZ	FEB	260	BL	NL	GZL	FEB	260	BL	NL
GBZ	FEB	270	BN	NN	GZL	FEB	270	BN	NN
BBH	MAR	145	CI	OI	BZJ	MAR	145	CI	OI
BBH	MAR	150	CJ	OJ	BZJ	MAR	150	CJ	OJ
BBH	MAR	155	CK	OK	BZJ	MAR	155	CK	OK
BBH	MAR	160	CL	OL	BZJ	MAR	160	CL	OL
BBH	MAR	165	CM	OM	BZJ	MAR	165	CM	OM
BBH	MAR	170	CN	ON	BZJ	MAR	170	CN	ON
BBH	MAR	175	CO	OO	BZJ	MAR	175	CO	OO
BBH	MAR	180	CP	OP	BZJ	MAR	180	CP	OP
BBH	MAR	185	CQ	OQ	BZJ	MAR	185	CQ	OQ
BBH	MAR	190	CR	OR	BZJ	MAR	190	CR	OR
BBH	MAR	195	CS	OS	BZJ	MAR	195	CS	OS
BBH	MAR	200	CT	OT	BZJ	MAR	200	CT	OT
BBH	MAR	210	CB	OB	BZJ	MAR	210	CB	OB
GBZ	MAR	220	CD	OD	GZL	MAR	220	CD	OD
GBZ	MAR	230	CF	OF	GZL	MAR	230	CF	OF
GBZ	MAR	240	CH	OH	GZL	MAR	240	CH	OH
GBZ	MAR	250	CJ	OJ	GZL	MAR	250	CJ	OJ
GBZ	MAR	260	CL	OL	GZL	MAR	260	CL	OL
GBZ	MAR	270	CN	ON	GZL	MAR	270	CN	ON
GBZ	MAR	280	CP	OP	GZL	MAR	280	CP	OP
GBZ	MAR	290	CR	OR	GZL	MAR	290	CR	OR
BBH	APR	130	DF	PF	BZJ	APR	130	DF	PF
BBH	APR	135	DG	PG	BZJ	APR	135	DG	PG
BBH	APR	140	DH	PH	BZJ	APR	140	DH	PH
BBH	APR	145	DI	PI	BZJ	APR	145	DI	PI
BBH	APR	150	DJ	PJ	BZJ	APR	150	DJ	PJ
BBH	APR	155	DK	PK	BZJ	APR	155	DK	PK
BBH	APR	160	DL	PL	BZJ	APR	160	DL	PL
BBH	APR	165	DM	PM	BZJ	APR	165	DM	PM
BBH	APR	170	DN	PN	BZJ	APR	170	DN	PN
BBH	APR	175	DO	PO	BZJ	APR	175	DO	PO
BBH	APR	180	DP	PP	BZJ	APR	180	DP	PP
BBH	APR	185	DQ	PQ	BZJ	APR	185	DQ	PQ
BBH	APR	190	DR	PR	BZJ	APR	190	DR	PR
BBH	APR	195	DS	PS	BZJ	APR	195	DS	PS
BBH	APR	200	DT	PT	BZJ	APR	200	DT	PT
BBH	APR	210	DB	PB	BZJ	APR	210	DB	PB
GBZ	APR	220	DD	PD	GZL	APR	220	DD	PD
GBZ	APR	230	DF	PF	GZL	APR	230	DF	PF
GBZ	APR	240	DH	PH	GZL	APR	240	DH	PH
GBZ	APR	250	DJ	PJ	GZL	APR	250	DJ	PJ
GBZ	APR	260	DL	PL	GZL	APR	260	DL	PL
BBH	JUL	140	GH	SH	BZJ	JUL	140	GH	SH
BBH	JUL	145	GI	SI	BZJ	JUL	145	GI	SI
BBH	JUL	150	GJ	SJ	BZJ	JUL	150	GJ	SJ
BBH	JUL	155	GK	SK	BZJ	JUL	155	GK	SK
BBH	JUL	160	GL	SL	BZJ	JUL	160	GL	SL
BBH	JUL	165	GM	SM	BZJ	JUL	165	GM	SM

Biotech HOLDRs (BBH) (Before 2/5/2007) (100 shrs BBH)					Biotech HOLDRs (BZJ) (Beginning 2/5/2007) (See new deliverable above)				
			Calls	Puts			Calls	Puts	
BBH	JUL	170	GN	SN	BZJ	JUL	170	GN	SN
BBH	JUL	175	GO	SO	BZJ	JUL	175	GO	SO
BBH	JUL	180	GP	SP	BZJ	JUL	180	GP	SP
BBH	JUL	185	GQ	SQ	BZJ	JUL	185	GQ	SQ
BBH	JUL	190	GR	SR	BZJ	JUL	190	GR	SR
BBH	JUL	195	GS	SS	BZJ	JUL	195	GS	SS
BBH	JUL	200	GT	ST	BZJ	JUL	200	GT	ST
BBH	JUL	210	GB	SB	BZJ	JUL	210	GB	SB
GBZ	JUL	220	GD	SD	GZL	JUL	220	GD	SD
GBZ	JUL	230	GF	SF	GZL	JUL	230	GF	SF
GBZ	JUL	240	GH	SH	GZL	JUL	240	GH	SH
GBZ	JUL	250	GJ	SJ	GZL	JUL	250	GJ	SJ
GBZ	JUL	260	GL	SL	GZL	JUL	260	GL	SL
GBZ	JUL	270	GN	SN	GZL	JUL	270	GN	SN
GBZ	JUL	280	GP	SP	GZL	JUL	280	GP	SP

Biotech HOLDRs - 2008 Leap (YEE) (Before 2/5/2007) (100 shrs BBH)					Biotech HOLDRs - 2008 Leap (YHS) (Beginning 2/5/2007) (See new deliverable above)				
			Calls	Put			Calls	Put	
YEE	JAN	170	AN	MN	YHS	JAN	170	AN	MN
YEE	JAN	175	AO	MO	YHS	JAN	175	AO	MO
YEE	JAN	180	AP	MP	YHS	JAN	180	AP	MP
YEE	JAN	210	AB	MB	YHS	JAN	210	AB	MB
YEE	JAN	220	AD	MD	YHS	JAN	220	AD	MD

Biotech HOLDRs - 2009 Leap (OEE) (Before 2/5/2007) (100 shrs BBH)					Biotech HOLDRs - 2009 Leap (ZVT) (Beginning 2/5/2007) (See new deliverable above)				
			Calls	Put			Calls	Put	
OEE	JAN	150	AJ	MJ	ZVT	JAN	150	AJ	MJ
OEE	JAN	160	AL	ML	ZVT	JAN	160	AL	ML
OEE	JAN	170	AN	MN	ZVT	JAN	170	AN	MN
OEE	JAN	180	AP	MP	ZVT	JAN	180	AP	MP
OEE	JAN	190	AR	MR	ZVT	JAN	190	AR	MR
OEE	JAN	200	AT	MT	ZVT	JAN	200	AT	MT
OEE	JAN	210	AB	MB	ZVT	JAN	210	AB	MB
OEE	JAN	220	AD	MD	ZVT	JAN	220	AD	MD
OEE	JAN	230	AF	MF	ZVT	JAN	230	AF	MF

The new BBH option contracts representing 100 shares of BBH, will be admitted to trading on Tuesday, February 6, 2007. Strike prices and expiration months will be announced on a separate release prior to that date.

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