

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Listings/Market Watch

Date: January 10, 2007

Re: Utilities HOLDRs Trust (UTH) - Stock Distribution

Utilities HOLDRs (UTH) has declared a distribution of Common Stock of Spectra Energy (SE) to UTH shareholders of record, January 16, 2007. Distribution will be Thursday, January 18, 2007. **The AMEX has set the ex-distribution date as January 11, 2007.** The distribution will be 0.15 shares of Spectra Energy per share of Utilities HOLDRs.

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

Adjustment Date: **Effective Thursday, January 11, 2007.**
 Symbol(s): **UTH/LBT/OUF becomes UBO/LPW/ZSW**
 Strike Price: Unchanged
 Multiplier: 100 (e.g., Premium of 1.00 = \$100)
 New Deliverable: **1) 100 Shares of Utilities HOLDRs (UTH)**
2) 15 Shares of Spectra Energy (SE)

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.

Utilities HOLDRs (UTH) (Before 1/11/2007) (100 shrs UTH)					Utilities HOLDRs (UBO) (Beginning 1/11/2007) (See new deliverable above)				
			Calls	Puts				Calls	Puts
UTH	JAN	90	AR	MR	UBO	JAN	90	AR	MR
UTH	JAN	95	AS	MS	UBO	JAN	95	AS	MS
UTH	JAN	100	AT	MT	UBO	JAN	100	AT	MT
UTH	JAN	105	AA	MA	UBO	JAN	105	AA	MA
UTH	JAN	110	AB	MB	UBO	JAN	110	AB	MB
UTH	JAN	115	AC	MC	UBO	JAN	115	AC	MC
UTH	JAN	120	AD	MD	UBO	JAN	120	AD	MD
UTH	JAN	125	AE	ME	UBO	JAN	125	AE	ME
UTH	JAN	130	AF	MF	UBO	JAN	130	AF	MF
UTH	JAN	135	AG	MG	UBO	JAN	135	AG	MG
UTH	JAN	140	AH	MH	UBO	JAN	140	AH	MH
UTH	FEB	110	BB	NB	UBO	FEB	110	BB	NB
UTH	FEB	115	BC	NC	UBO	FEB	115	BC	NC
UTH	FEB	120	BD	ND	UBO	FEB	120	BD	ND
UTH	FEB	125	BE	NE	UBO	FEB	125	BE	NE
UTH	FEB	130	BF	NF	UBO	FEB	130	BF	NF
UTH	FEB	135	BG	NG	UBO	FEB	135	BG	NG
UTH	FEB	140	BH	NH	UBO	FEB	140	BH	NH
UTH	MAY	115	EC	QC	UBO	MAY	115	EC	QC
UTH	MAY	120	ED	QD	UBO	MAY	120	ED	QD
UTH	MAY	125	EE	QE	UBO	MAY	125	EE	QE
UTH	MAY	130	EF	QF	UBO	MAY	130	EF	QF
UTH	MAY	135	EG	QG	UBO	MAY	135	EG	QG
UTH	MAY	140	EH	QH	UBO	MAY	140	EH	QH

UTH	AUG	125	HE	TE
UTH	AUG	130	HF	TF
UTH	AUG	135	HG	TG
UTH	AUG	140	HH	TH

UBO	AUG	125	HE	TE
UBO	AUG	130	HF	TF
UBO	AUG	135	HG	TG
UBO	AUG	140	HH	TH

Utilities HOLDRs - 2008 Leap (LBT)
(Before 1/11/2007)
(100 shrs UTH)

			Calls	Put
LBT	JAN	90	AR	MR
LBT	JAN	100	AT	MT
LBT	JAN	110	AB	MB
LBT	JAN	120	AD	MD
LBT	JAN	125	AE	ME
LBT	JAN	130	AF	MF
LBT	JAN	135	AG	MG
LBT	JAN	140	AH	MH
LBT	JAN	145	AI	MI

Utilities HOLDRs - 2008 Leap (LPW)
(Beginning 1/11/2007)
(See new deliverable above)

			Calls	Put
LPW	JAN	90	AR	MR
LPW	JAN	100	AT	MT
LPW	JAN	110	AB	MB
LPW	JAN	120	AD	MD
LPW	JAN	125	AE	ME
LPW	JAN	130	AF	MF
LPW	JAN	135	AG	MG
LPW	JAN	140	AH	MH
LPW	JAN	145	AI	MI

Utilities HOLDRs - 2009 Leap (OUF)
(Before 1/11/2007)
(100 shrs UTH)

			Calls	Put
OUF	JAN	100	AT	MT
OUF	JAN	110	AB	MB
OUF	JAN	120	AD	MD
OUF	JAN	130	AF	MF
OUF	JAN	140	AH	MH

Utilities HOLDRs - 2009 Leap (ZSW)
(Beginning 1/11/2007)
(See new deliverable above)

			Calls	Put
ZSW	JAN	100	AT	MT
ZSW	JAN	110	AB	MB
ZSW	JAN	120	AD	MD
ZSW	JAN	130	AF	MF
ZSW	JAN	140	AH	MH

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

The new UTH option contracts representing 100 shares of UTH, will be admitted to trading on Friday, January 12, 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 the Listings/Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.