

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: June 25, 2007

Re: Biotech HOLDRs (BBH) - Special Cash Distribution

On June 18, 2007, MedImmune Corp., a component of BBH, was acquired by AstraZeneca (AZN) and each share was converted into \$58.00 cash. As a result, the merger consideration will be distributed to BBH shareholders. The distribution ratio is \$868.77 per each 100 BBH round lot to shareholders of record, June 29, 2007. The distribution date has yet to be determined. **The AMEX has set the ex-distribution date as Wednesday, June 27, 2007.**

EFFECTIVE DATE: Wednesday, June 27, 2007
SYMBOL(s): BBH/YEE/OEE becomes EHD/XAF/ZWA, respectively
POSITION LIMITS: No Change
STRIKE PRICE: No Change
NEW DELIVERABLE: 1) 100 Biotech HOLDRs (BBH)
2) \$868.77 cash (\$8.68765 x 100)

FOR PREVIOUSLY ADJUSTED OUTSTANDING BZJ/GZL/ZVT SERIES:

The deliverable for all adjusted options contracts will be further adjusted to require delivery of 100 BBH Shares plus \$1,044.44 cash. The option symbols, strike prices and multiplier will remain unchanged.

FOR PREVIOUSLY ADJUSTED OUTSTANDING LHE SERIES:

The deliverable for all adjusted options contracts will be further adjusted to require delivery of 100 BBH Shares plus \$1,770.88 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 6/27/2007) (100 shrs BBH)					Biotech HOLDRs (EHD) (Beginning 6/27/2007) (See new deliverable above)				
			Calls	Puts				Calls	Puts
BBH	JUL	150	GJ	SJ	EHD	JUL	150	GJ	SJ
BBH	JUL	155	GK	SK	EHD	JUL	155	GK	SK
BBH	JUL	160	GL	SL	EHD	JUL	160	GL	SL
BBH	JUL	165	GM	SM	EHD	JUL	165	GM	SM
BBH	JUL	170	GN	SN	EHD	JUL	170	GN	SN
BBH	JUL	175	GO	SO	EHD	JUL	175	GO	SO
BBH	JUL	180	GP	SP	EHD	JUL	180	GP	SP
BBH	JUL	185	GQ	SQ	EHD	JUL	185	GQ	SQ
BBH	JUL	190	GR	SR	EHD	JUL	190	GR	SR
BBH	JUL	195	GS	SS	EHD	JUL	195	GS	SS
BBH	JUL	200	GT	ST	EHD	JUL	200	GT	ST
BBH	JUL	210	GB	SB	EHD	JUL	210	GB	SB
BBH	JUL	220	GD	SD	EHD	JUL	220	GD	SD
BBH	JUL	230	GF	SF	EHD	JUL	230	GF	SF
BBH	JUL	240	GH	SH	EHD	JUL	240	GH	SH
BBH	JUL	250	GZ	SZ	EHD	JUL	250	GU	SU

BBH	AUG	145	HI	TI	EHD	AUG	145	HI	TI
BBH	AUG	150	HJ	TJ	EHD	AUG	150	HJ	TJ
BBH	AUG	155	HK	TK	EHD	AUG	155	HK	TK
BBH	AUG	160	HL	TL	EHD	AUG	160	HL	TL
BBH	AUG	165	HM	TM	EHD	AUG	165	HM	TM
BBH	AUG	170	HN	TN	EHD	AUG	170	HN	TN
BBH	AUG	175	HO	TO	EHD	AUG	175	HO	TO
BBH	AUG	180	HP	TP	EHD	AUG	180	HP	TP
BBH	AUG	185	HQ	TQ	EHD	AUG	185	HQ	TQ
BBH	AUG	190	HR	TR	EHD	AUG	190	HR	TR
BBH	AUG	195	HS	TS	EHD	AUG	195	HS	TS
BBH	AUG	200	HT	TT	EHD	AUG	200	HT	TT
BBH	AUG	210	HB	TB	EHD	AUG	210	HB	TB
BBH	AUG	220	HD	TD	EHD	AUG	220	HD	TD
BBH	AUG	230	HF	TF	EHD	AUG	230	HF	TF
BBH	OCT	155	JK	VK	EHD	OCT	155	JK	VK
BBH	OCT	160	JL	VL	EHD	OCT	160	JL	VL
BBH	OCT	165	JM	VM	EHD	OCT	165	JM	VM
BBH	OCT	170	JN	VN	EHD	OCT	170	JN	VN
BBH	OCT	175	JO	VO	EHD	OCT	175	JO	VO
BBH	OCT	180	JP	VP	EHD	OCT	180	JP	VP
BBH	OCT	185	JQ	VQ	EHD	OCT	185	JQ	VQ
BBH	OCT	190	JR	VR	EHD	OCT	190	JR	VR
BBH	OCT	195	JS	VS	EHD	OCT	195	JS	VS
BBH	OCT	200	JT	VT	EHD	OCT	200	JT	VT
BBH	OCT	210	JB	VB	EHD	OCT	210	JB	VB
BBH	OCT	220	JD	VD	EHD	OCT	220	JD	VD
BBH	OCT	230	JF	VF	EHD	OCT	230	JF	VF
BBH	OCT	240	JH	VH	EHD	OCT	240	JH	VH
BBH	OCT	250	JZ	VZ	EHD	OCT	250	JU	VU
BBH	JAN	160	AL	ML	EHD	JAN	160	AL	ML
BBH	JAN	165	AM	MM	EHD	JAN	165	AM	MM
BBH	JAN	170	AN	MN	EHD	JAN	170	AN	MN
BBH	JAN	175	AO	MO	EHD	JAN	175	AO	MO
BBH	JAN	180	AP	MP	EHD	JAN	180	AP	MP
BBH	JAN	185	AQ	MQ	EHD	JAN	185	AQ	MQ
BBH	JAN	190	AR	MR	EHD	JAN	190	AR	MR
BBH	JAN	195	AS	MS	EHD	JAN	195	AS	MS
BBH	JAN	200	AT	MT	EHD	JAN	200	AT	MT
BBH	JAN	210	AB	MB	EHD	JAN	210	AB	MB

Biotech HOLDRs - 2009 Leap (OEE)
(Before 6/27/2007)
(100 shrs BBH)

			Calls	Put
OEE	JAN	170	AN	MN
OEE	JAN	175	AO	MO
OEE	JAN	180	AP	MP
OEE	JAN	185	AQ	MQ
OEE	JAN	190	AR	MR
OEE	JAN	195	AS	MS
OEE	JAN	200	AT	MT
OEE	JAN	210	AB	MB
OEE	JAN	220	AD	MD
OEE	JAN	230	AF	MF

Biotech HOLDRs - 2009 Leap (XAF)
(Beginning 6/27/2007)
(See new deliverable above)

			Calls	Put
XAF	JAN	170	AN	MN
XAF	JAN	175	AO	MO
XAF	JAN	180	AP	MP
XAF	JAN	185	AQ	MQ
XAF	JAN	190	AR	MR
XAF	JAN	195	AS	MS
XAF	JAN	200	AT	MT
XAF	JAN	210	AB	MB
XAF	JAN	220	AD	MD
XAF	JAN	230	AF	MF

Biotech HOLDRs - 2010 Leap (YEE)
 (Before 6/27/2007)
 (100 shrs BBH)

			Calls	Put
YEE	JAN	160	AL	ML
YEE	JAN	170	AN	MN
YEE	JAN	180	AP	MP
YEE	JAN	190	AR	MR
YEE	JAN	200	AT	MT

Biotech HOLDRs - 2010 Leap (ZWA)
 (Beginning 6/27/2007)
 (See new deliverable above)

			Calls	Put
ZWA	JAN	160	AL	ML
ZWA	JAN	170	AN	MN
ZWA	JAN	180	AP	MP
ZWA	JAN	190	AR	MR
ZWA	JAN	200	AT	MT

The new BBH option contracts representing 100 shares of BBH, will be admitted to trading on Thursday, June 28, 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 Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.