

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: October 9, 2007

Re: **Semiconductor HOLDRs (SMH) - Stock Distribution**

Effective Tuesday, October 2, 2007, Maxim Integrated Products, Inc. (MXIM) was delisted from the NASDAQ. As a result, Semiconductor HOLDRs (SMH) has declared a distribution of 0.05 MXIM share per each SMH will be made to shareholders of record, October 16, 2007. Distribution will be Thursday, October 18, 2007. **Ex-distribution date is October 12, 2007.**

**For previously adjusted WRO/ZTO series, the deliverable will become 100 SMH shares + 5 MXIM shares + \$4.26 cash. The option symbols & strike prices will remain unchanged. The multiplier will also remain unchanged at 100.**

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

Adjustment Date: **Effective Friday, October 12, 2007.**  
 Symbol(s): **SMH/OTO/YRH becomes JUO/XCL/WZP**  
 Strike Price: Unchanged  
 Multiplier: 100 (e.g., Premium of 1.00 = \$100)  
 New Deliverable: **1) 100 Shares of Semiconductor HOLDRs (SMH)**  
**2) 5 Shares of Maxim Integrated Products Inc. (MXIM)**

**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.

Semiconductor HOLDRs (SMH)					Semiconductor HOLDRs (JUO)				
(Before 10/12/2007)					(Beginning 10/12/2007)				
(100 shrs SMH)					(See new deliverable above)				
			Calls	Puts				Calls	Puts
SMH	OCT	25	JE	VE	JUO	OCT	25	JE	VE
SMH	OCT	27 1/2	JY	VY	JUO	OCT	27 1/2	JY	VY
SMH	OCT	30	JF	VF	JUO	OCT	30	JF	VF
SMH	OCT	32 1/2	JZ	VZ	JUO	OCT	32 1/2	JZ	VZ
SMH	OCT	35	JG	VG	JUO	OCT	35	JG	VG
SMH	OCT	37 1/2	JU	VU	JUO	OCT	37 1/2	JU	VU
SMH	OCT	40	JH	VH	JUO	OCT	40	JH	VH
SMH	OCT	42 1/2	JV	VV	JUO	OCT	42 1/2	JV	VV
SMH	OCT	45	JI	VI	JUO	OCT	45	JI	VI
SMH	OCT	47 1/2	JW	VW	JUO	OCT	47 1/2	JW	VW
SMH	NOV	25	KE	WE	JUO	NOV	25	KE	WE
SMH	NOV	27 1/2	KY	WY	JUO	NOV	27 1/2	KY	WY
SMH	NOV	30	KF	WF	JUO	NOV	30	KF	WF
SMH	NOV	32 1/2	KZ	WZ	JUO	NOV	32 1/2	KZ	WZ
SMH	NOV	35	KG	WG	JUO	NOV	35	KG	WG
SMH	NOV	37 1/2	KU	WU	JUO	NOV	37 1/2	KU	WU
SMH	NOV	40	KH	WH	JUO	NOV	40	KH	WH
SMH	NOV	42 1/2	KV	WV	JUO	NOV	42 1/2	KV	WV
SMH	NOV	45	KI	WI	JUO	NOV	45	KI	WI
SMH	NOV	47 1/2	KW	WW	JUO	NOV	47 1/2	KW	WW
SMH	NOV	50	KJ	WJ	JUO	NOV	50	KJ	WJ

SMH	JAN	25	AE	ME	JUO	JAN	25	AE	ME
SMH	JAN	30	AF	MF	JUO	JAN	30	AF	MF
SMH	JAN	32 1/2	AZ	MZ	JUO	JAN	32 1/2	AZ	MZ
SMH	JAN	35	AG	MG	JUO	JAN	35	AG	MG
SMH	JAN	37 1/2	AU	MU	JUO	JAN	37 1/2	AU	MU
SMH	JAN	40	AH	MH	JUO	JAN	40	AH	MH
SMH	JAN	42 1/2	AV	MV	JUO	JAN	42 1/2	AV	MV
SMH	JAN	45	AI	MI	JUO	JAN	45	AI	MI
SMH	JAN	47 1/2	AW	MW	JUO	JAN	47 1/2	AW	MW
SMH	JAN	50	AJ	MJ	JUO	JAN	50	AJ	MJ
SMH	FEB	27 1/2	BY	NY	JUO	FEB	27 1/2	BY	NY
SMH	FEB	30	BF	NF	JUO	FEB	30	BF	NF
SMH	FEB	32 1/2	BZ	NZ	JUO	FEB	32 1/2	BZ	NZ
SMH	FEB	35	BG	NG	JUO	FEB	35	BG	NG
SMH	FEB	37 1/2	BU	NU	JUO	FEB	37 1/2	BU	NU
SMH	FEB	40	BH	NH	JUO	FEB	40	BH	NH
SMH	FEB	42 1/2	BV	NV	JUO	FEB	42 1/2	BV	NV
SMH	FEB	45	BI	NI	JUO	FEB	45	BI	NI
SMH	FEB	47 1/2	BW	NW	JUO	FEB	47 1/2	BW	NW
SMH	MAY	27 1/2	EY	QY	JUO	MAY	27 1/2	EY	QY
SMH	MAY	30	EF	QF	JUO	MAY	30	EF	QF
SMH	MAY	32 1/2	EZ	QZ	JUO	MAY	32 1/2	EZ	QZ
SMH	MAY	35	EG	QG	JUO	MAY	35	EG	QG
SMH	MAY	37 1/2	EU	QU	JUO	MAY	37 1/2	EU	QU
SMH	MAY	40	EH	QH	JUO	MAY	40	EH	QH
SMH	MAY	42 1/2	EV	QV	JUO	MAY	42 1/2	EV	QV
SMH	MAY	45	EI	QI	JUO	MAY	45	EI	QI
SMH	MAY	47 1/2	EW	QW	JUO	MAY	47 1/2	EW	QW

Semiconductor HOLDRs - 2009 Leap (OTO)  
(Before 10/12/2007)  
(100 shrs SMH)

			Calls	Put
OTO	JAN	25	AE	ME
OTO	JAN	30	AF	MF
OTO	JAN	32 1/2	AZ	MZ
OTO	JAN	35	AG	MG
OTO	JAN	40	AH	MH
OTO	JAN	45	AI	MI
OTO	JAN	50	AJ	MJ
OTO	JAN	55	AK	MK

Semiconductor HOLDRs - 2009 Leap (XCL)  
(Beginning 10/12/2007)  
(See new deliverable above)

			Calls	Put
XCL	JAN	25	AE	ME
XCL	JAN	30	AF	MF
XCL	JAN	32 1/2	AZ	MZ
XCL	JAN	35	AG	MG
XCL	JAN	40	AH	MH
XCL	JAN	45	AI	MI
XCL	JAN	50	AJ	MJ
XCL	JAN	55	AK	MK

Semiconductor HOLDRs - 2010 Leap (YRH)  
(Before 10/12/2007)  
(100 shrs SMH)

			Calls	Put
YRH	JAN	20	AD	MD
YRH	JAN	30	AF	MF
YRH	JAN	40	AH	MH
YRH	JAN	50	AJ	MJ
YRH	JAN	60	AL	ML

Semiconductor HOLDRs - 2010 Leap (WZP)  
(Beginning 10/12/2007)  
(See new deliverable above)

			Calls	Put
WZP	JAN	20	AD	MD
WZP	JAN	30	AF	MF
WZP	JAN	40	AH	MH
WZP	JAN	50	AJ	MJ
WZP	JAN	60	AL	ML

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

The new SMH option contracts representing 100 shares of SMH, will be admitted to trading on Monday, October 15, 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.