

MEMORANDUM

To: All Option Members, Member Organizations and ROTs
 From: Market Watch
 Date: October 12, 2007
 Re: Utilities HOLDRs (UTH) - Cash Distribution

On October 10, 2007, TXU Corporation, a component of UTH, was acquired by Texas Energy Future Holdings and each share was converted into \$69.25 cash. As a result, the merger consideration will be distributed to UTH shareholders. The distribution ratio is \$1,662.00 per each 100 UTH round lot to shareholders of record, Wednesday, October 17, 2007. The distribution date is October 19, 2007. **The AMEX has set the ex-distribution date as Monday, October 15, 2007.**

EFFECTIVE DATE: Monday, October 15, 2007
SYMBOL(s): UTH/OUF/LBT becomes IDZ/ZDZ/KRS respectively
POSITION LIMITS: No Change
STRIKE PRICE: No Change
NEW DELIVERABLE: 1) 100 Utilities HOLDRs (UTH)
 2) \$1,662.00 cash (\$16.62 x 100)

FOR PREVIOUSLY ADJUSTED OUTSTANDING UBO/ZSW SERIES:

The deliverable for UBO/ZSW option contracts will be further adjusted to require delivery of 100 Utilities HOLDRs (UTH) plus 15 Spectra Energy Corp. (SE) shares plus \$1,662.00 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:

Utilities HOLDRs (UTH) (Before 10/15/2007) (100 shrs UTH)					Utilities HOLDRs (IDZ) (Beginning 10/15/2007) (See new deliverable above)				
			Calls	Puts				Calls	Puts
UTH	OCT	120	JD	VD	IDZ	OCT	120	JD	VD
UTH	OCT	125	JE	VE	IDZ	OCT	125	JE	VE
UTH	OCT	130	JF	VF	IDZ	OCT	130	JF	VF
UTH	OCT	135	JG	VG	IDZ	OCT	135	JG	VG
UTH	OCT	140	JH	VH	IDZ	OCT	140	JH	VH
UTH	OCT	145	JI	VI	IDZ	OCT	145	JI	VI
UTH	OCT	150	JJ	VJ	IDZ	OCT	150	JJ	VJ
UTH	OCT	155	JK	VK	IDZ	OCT	155	JK	VK
UTH	NOV	120	KD	WD	IDZ	NOV	120	KD	WD
UTH	NOV	125	KE	WE	IDZ	NOV	125	KE	WE
UTH	NOV	130	KF	WF	IDZ	NOV	130	KF	WF
UTH	NOV	135	KG	WG	IDZ	NOV	135	KG	WG
UTH	NOV	140	KH	WH	IDZ	NOV	140	KH	WH
UTH	NOV	145	KI	WI	IDZ	NOV	145	KI	WI
UTH	NOV	150	KJ	WJ	IDZ	NOV	150	KJ	WJ
UTH	NOV	155	KK	WK	IDZ	NOV	155	KK	WK
UTH	NOV	160	KL	WL	IDZ	NOV	160	KL	WL
UTH	NOV	165	KM	WM	IDZ	NOV	165	KM	WM
UTH	NOV	170	KN	WN	IDZ	NOV	170	KN	WN
UTH	JAN	110	AB	MB	IDZ	JAN	110	AB	MB
UTH	JAN	120	AD	MD	IDZ	JAN	120	AD	MD

UTH	JAN	125	AE	ME	IDZ	JAN	125	AE	ME
UTH	JAN	130	AF	MF	IDZ	JAN	130	AF	MF
UTH	JAN	135	AG	MG	IDZ	JAN	135	AG	MG
UTH	JAN	140	AH	MH	IDZ	JAN	140	AH	MH
UTH	JAN	145	AI	MI	IDZ	JAN	145	AI	MI
UTH	JAN	150	AJ	MJ	IDZ	JAN	150	AJ	MJ
UTH	JAN	155	AK	MK	IDZ	JAN	155	AK	MK
UTH	JAN	160	AL	ML	IDZ	JAN	160	AL	ML
UTH	JAN	165	AM	MM	IDZ	JAN	165	AM	MM
UTH	JAN	170	AN	MN	IDZ	JAN	170	AN	MN
UTH	FEB	120	BD	ND	IDZ	FEB	120	BD	ND
UTH	FEB	125	BE	NE	IDZ	FEB	125	BE	NE
UTH	FEB	130	BF	NF	IDZ	FEB	130	BF	NF
UTH	FEB	135	BG	NG	IDZ	FEB	135	BG	NG
UTH	FEB	140	BH	NH	IDZ	FEB	140	BH	NH
UTH	FEB	145	BI	NI	IDZ	FEB	145	BI	NI
UTH	FEB	150	BJ	NJ	IDZ	FEB	150	BJ	NJ
UTH	FEB	155	BK	NK	IDZ	FEB	155	BK	NK
UTH	FEB	160	BL	NL	IDZ	FEB	160	BL	NL
UTH	FEB	165	BM	NM	IDZ	FEB	165	BM	NM
UTH	MAY	130	EF	QF	IDZ	MAY	130	EF	QF
UTH	MAY	135	EG	QG	IDZ	MAY	135	EG	QG
UTH	MAY	140	EH	QH	IDZ	MAY	140	EH	QH
UTH	MAY	145	EI	QI	IDZ	MAY	145	EI	QI
UTH	MAY	150	EJ	QJ	IDZ	MAY	150	EJ	QJ
UTH	MAY	155	EK	QK	IDZ	MAY	155	EK	QK
UTH	MAY	160	EL	QL	IDZ	MAY	160	EL	QL

Utilities HOLDRs - 2009 Leap (OUF)
(Before 10/15/2007)
(100 shrs UTH)

			Calls	Put
OUF	JAN	110	AB	MB
OUF	JAN	115	AC	MC
OUF	JAN	120	AD	MD
OUF	JAN	125	AE	ME
OUF	JAN	130	AF	MF
OUF	JAN	135	AG	MG
OUF	JAN	140	AH	MH
OUF	JAN	145	AI	MI
OUF	JAN	150	AJ	MJ
OUF	JAN	155	AK	MK
OUF	JAN	160	AL	ML
OUF	JAN	165	AM	MM
OUF	JAN	170	AN	MN
OUF	JAN	175	AO	MO
OUF	JAN	180	AP	MP

Utilities HOLDRs - 2009 Leap (ZDZ)
(Beginning 10/15/2007)
(See new deliverable above)

			Calls	Put
ZDZ	JAN	110	AB	MB
ZDZ	JAN	115	AC	MC
ZDZ	JAN	120	AD	MD
ZDZ	JAN	125	AE	ME
ZDZ	JAN	130	AF	MF
ZDZ	JAN	135	AG	MG
ZDZ	JAN	140	AH	MH
ZDZ	JAN	145	AI	MI
ZDZ	JAN	150	AJ	MJ
ZDZ	JAN	155	AK	MK
ZDZ	JAN	160	AL	ML
ZDZ	JAN	165	AM	MM
ZDZ	JAN	170	AN	MN
ZDZ	JAN	175	AO	MO
ZDZ	JAN	180	AP	MP

Utilities HOLDRs - 2010 Leap (LBT)
(Before 10/15/2007)
(100 shrs UTH)

			Calls	Put
LBT	JAN	120	AD	MD
LBT	JAN	130	AF	MF
LBT	JAN	140	AH	MH
LBT	JAN	150	AJ	MJ
LBT	JAN	160	AL	ML
LBT	JAN	170	AN	MN

Utilities HOLDRs - 2010 Leap (KRS)
(Beginning 10/15/2007)
(See new deliverable above)

			Calls	Put
KRS	JAN	120	AD	MD
KRS	JAN	130	AF	MF
KRS	JAN	140	AH	MH
KRS	JAN	150	AJ	MJ
KRS	JAN	160	AL	ML
KRS	JAN	170	AN	MN

The new UTH option contracts representing 100 shares of UTH, will be admitted to trading on Tuesday, October 16, 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.