



Information Circular: **HOLDERS TRUSTS**

To: Head Traders, Technical Contacts, Compliance Officers, Head of ETF Trading, Structured Products Traders

From: PHLX Listing Qualifications Department

Background Information on the Funds

As more fully set forth in the Registration Statement and Prospectus for each HOLDERS Trusts Depository Receipts ("HOLDERS"), each of the HOLDERS is designed to achieve diversification of investment in a specific underlying industry, sector or group through a single, exchange-listed instrument ("Depository Receipts") representing an undivided beneficial ownership in the common stock of a group of specified companies.

Each HOLDERS Trust holds shares of common stock issued by specified companies that, when initially selected, were involved in a specific underlying industry, sector or group. The Trusts were formed under a depository trust agreement and are not registered investment companies under the Investment Company Act of 1940. The Trusts' assets may increase or decrease as a result of in-kind deposits and withdrawals of the underlying securities during the life of the Trusts. The underlying stocks included in a HOLDER do not change except for changes due to corporate events (such as spin-offs) or reconstitution events (such as mergers and acquisitions). When spin-offs and changes occur, the owner of a HOLDER is treated exactly as if he or she owned the underlying stock directly. Thus, when an issuer spins off a new security, an owner of a HOLDER will receive that security in his or her brokerage account outside of the HOLDERS investment.

Under no circumstances will the common stock of a new company be added to the common stocks underlying a series of HOLDERS. However, the assets of a HOLDERS Trust may increase or decrease as a result of in-kind deposits or withdrawals of the underlying securities during the life of the Trust.

HOLDERS may be acquired in two ways: (1) through an in-kind deposit of the required number of shares of common stock of the underlying issuers with the Trustee, or (2) through a cash purchase in the secondary trading market. The Trusts only will issue and cancel, and you only may obtain, hold, trade or surrender, HOLDERS in a round-lot of 100 HOLDERS and round-lot multiples. The Trusts will only issue HOLDERS upon the deposit of the whole shares represented by a round-lot of 100 HOLDERS. In the event that a fractional share comes to be represented by a round-lot of HOLDERS, the Trusts may require a minimum of more than one round-lot of 100 HOLDERS for an issuance so that the Trusts will always receive whole share amounts for issuance of HOLDERS.

The number of outstanding HOLDERS will increase and decrease as a result of in-kind deposits and withdrawals of the underlying securities. The Trusts will stand ready to issue

additional HOLDRS on a continuous basis when an investor deposits the required shares of common stock with the Trustee.

The owner of HOLDRs has the right to withdraw the underlying securities, upon request, by delivering a round-lot or integral multiple of round-lot of HOLDRs to the Trustee and paying certain fees. In return, the underlying securities will be delivered in whole share amounts and cash will be delivered in lieu of fractional shares.

The Bank of New York, a New York state-chartered banking organization, is the trustee and custodian and receives compensation as set forth in the depositary trust agreements. The Trustee is responsible for receiving deposits of underlying securities and delivering HOLDRS representing the underlying securities issued by the Trusts. The Trustee holds the underlying securities on behalf of the Holders.

Owners of HOLDRS have the right to receive all shareholder disclosure materials and proxy materials distributed by the issuers of the underlying securities, and have the right to instruct the Trustee to vote the underlying securities. In addition, the Trustee distributes dividends and other payments that are declared and paid to the Trustee by the underlying securities, net of taxes or fees, to owners of HOLDRs.

Ownership of HOLDRs is maintained in book-entry form by or through The Depositary Trust Company. Beneficial owners of HOLDRs will not have the right to receive physical certificates evidencing their ownership.

The Federal Income Tax laws treat a U.S. holder of HOLDRs as directly owning the underlying securities. The HOLDRs themselves will not result in any Federal tax consequences separate from the tax consequences associated with ownership of the underlying securities.

The registration statements for the Trusts describe the various fees and expenses for the HOLDRS.

For a more complete description of the HOLDRS and the underlying securities, visit www.HOLDRS.com.

Principal Risks

Interested persons are referred to the discussion in the prospectus for a series of HOLDRs of the principal risks of an investment in it. These include the risk of a decline in the value of the underlying securities, risks associated with concentrated investments in particular industry, sector, or group, the risk that the HOLDRs may trade at a discount to the aggregate value of the underlying securities, the risk that the underlying securities are not necessarily representative of the specified industry, sector or group and that diversification may be lost as a result of business developments, reorganizations, or market fluctuations, the volatility of stock prices in the specific industry, sector or group, risks associated with the need of specific companies to keep pace with rapid changes in technology in order to remain competitive, the possibility that laws, regulations, or lack of consumer acceptance could impede the growth and profitability of the specific industry, sector, or group.

Exchange Rules Applicable to Trading in the HOLDRS

Trading in the HOLDRS on PHLX's PSX system is on a UTP basis and is subject to PHLX rules..

Trading Hours

The HOLDRS will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during PSX's Pre-Market and Post-Market Sessions, market participants should note that additional risks may exist with respect to trading the Funds during these sessions, when the underlying index's values may not be disseminated.

Suitability

Members and member organizations recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer, as provided by PHLX Rule 763.

PHLX members and member organizations also should review [NASD Notice to Members 03-71](#) for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

Trading Halts

PHLX will halt trading in a series of HOLDRS in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because of a halt in the trading of the underlying securities of the HOLDRS or a halt for other regulatory reasons. In addition, PHLX will stop trading a series of HOLDRS if the primary market de-lists it.

Delivery of a Prospectus

PHLX members and member organizations should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund.

Prospectuses may be obtained through the Fund's website. The prospectus for the Funds does not contain all of the information set forth in the Funds' registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). For further information about the Fund, please refer to the registration statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, PHLX Rule 803(o) requires that PHLX members and member organizations, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared

by the Trust for the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, PHLX members and member organizations shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by a PHLX member or member organization to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

A PHLX member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to PHLX members and member organizations under this rule.

Upon request of a customer, PHLX members and member organizations also shall provide a copy of the prospectus.

This Information Circular is not a statutory prospectus. PHLX members and member organizations should consult the prospectus for a HOLDR and the HOLDRS' website at www.HOLDRS.com for relevant information.

Inquiries regarding this Information Circular should be directed to:

- Will Slattery, PHLX Listing Qualifications, at 301.978.8088
- PSX Market Sales at 800.846.0477

Appendix A – HOLDERS Trusts Depository Receipts

Exchange-Traded Fund	Symbol	CUSIP Number
Biotech HOLDRS	BBH	09067D201
Broadband HOLDRS	BDH	11130P104
B2B HOLDRS	BHH	056033103
Europe 2001 HOLDRS	EKH	29875G105
Internet HOLDRS	HHH	46059W102
Internet Architecture HOLDRS	IAH	46060A107
Internet Infrastructure HOLDRS	IIH	46059V104
Oil Services HOLDRS	OIH	678002106
Pharmaceutical HOLDRS	PPH	71712A206
Regional Bank HOLDRS	RKH	75902E100
Retail HOLDRS	RTH	76127U101
Semiconductor HOLDERS	SMH	816636203
Software HOLDRS	SWH	83404B103
Telecom HOLDRS	TTH	87927P200
Utilities HOLDRS	UTH	918019100