



## Information Circular: **HOLDERS TRUSTS**

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

**From:** PHLX Listing Qualifications Department

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**This Information Circular relates to the **HOLDERS Trusts Depository Receipts ("HOLDERS") Funds listed in Appendix A (the "Funds").****

### **Background Information on the Funds**

As more fully set forth in the Registration Statement and Prospectus for each HOLDERS Trust, 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 HOLDERS 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 HOLDERS 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 HOLDERS 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, except for CP HOLDERS, which may require the in-kind deposit of the quantity and classes of securities in an amount to create integral multiples of 500 CP HOLDERS to represent beneficial ownership of the underlying securities in only whole share amounts. In the event that a fractional share comes to be represented by such exchanges, the Trusts may require more securities so that the Trusts will always receive whole share amounts for issuance of HOLDERS.

The number of outstanding HOLDRS 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 for all HOLDRS except CP HOLDRS, the trustee and custodian of which is BNY Trust Company of Canada. The Trustees are responsible for receiving deposits of underlying securities and delivering HOLDRS representing the underlying securities issued by the Trusts. The Trustees hold the underlying securities on behalf of the HOLDRS.

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 Trustees to vote the underlying securities. In addition, the Trustees distribute dividends and other payments that are declared and paid to the Trustees 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 Depository Trust Company in the United States and BNY Trust Company of Canada in Canada. 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](http://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 of the Shares 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 the Shares of the 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](http://www.HOLDRS.com) for relevant information.**

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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

<b>Exchange-Traded Fund</b>	<b>Symbol</b>	<b>CUSIP Number</b>
Market 2000+ HOLDERS	MKH	57059Y204
Wireless HOLDERS	WMH	97653L208
CP HOLDERS	HCH	12616K106