



**Information Circular 10-307**

Date: July 1, 2010

To: ETP Holders

From: James C. Yong  
Chief Regulatory Officer

Re: EATON VANCE TAX-ADVANTAGED BOND AND OPTION STRATEGIES FUND TO BEGIN TRADING ON NSX

Pursuant to Regulatory Circular 08-005, we are issuing this Information Circular to advise you that the following security of the fund discussed herein (the "Fund") has been approved for trading on the National Stock Exchange, Inc. ("NSX" or the "Exchange") as a UTP Derivative Securities product pursuant to NSX Rule 15.9:

**Security:** (the "Shares")

**Symbol:**

Eaton Vance Tax-Advantaged Bond and Option Strategies Fund

**EXD**

**Commencement of Trading:** July 2, 2010

**Issuer:** Eaton Vance Tax-Advantaged Bond and Option Strategies Fund

**Primary Listing Exchange:** NYSE

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in this new product pursuant to the Exchange's unlisted trading privileges, as well as to provide certain characteristics and features of the Shares. For a more complete description of the Issuer, the Shares and the underlying market instruments or indexes, consult the prospectus or prospectuses (the "Prospectus"), or contact the Primary Listing Exchange. The Prospectus is hereafter referred to as the "Issuer Disclosure Materials."

The Issuer Disclosure Materials contain the following information:

The Fund

Eaton Vance Tax-Advantaged Bond and Option Strategies Fund (the "Fund") is a newly organized, diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund is an unincorporated business trust established under the laws of the Commonwealth of Massachusetts by an Agreement and Declaration of Trust dated January 14, 2010 and filed with the Secretary of the Commonwealth on such date (the "Declaration of Trust"). The Fund offers investors the opportunity for tax-advantaged current income and gains with regular distributions. Investments are based on the research, trading and portfolio management of the Fund's investment adviser, Eaton Vance Management ("Eaton Vance" or the "Adviser"), and the sub-adviser, Parametric

Risk Advisors LLC (“PRA” or the “Sub-Adviser”), incorporating an investment program that is generally not available to individual investors. An investment in the Fund may not be appropriate for all investors. There is no assurance that the Fund will achieve its investment objective.

### *Investment Objective*

The Fund’s investment objective is to provide tax-advantaged current income and gains. The Fund uses a tax-advantaged short-term, high quality bond strategy (the “Bond Strategy”) and a rules-based option overlay strategy (the “Option Overlay Strategy”) to pursue its investment objective. By combining these two strategies, the Fund seeks to provide investors with a portfolio that will generate attractive after-tax returns with low volatility and low correlation to stock and long-duration fixed income market returns. There is no assurance that the Fund will achieve its investment objective.

### *Portfolio Contents*

Under normal market circumstances, the Fund’s investment program will include (1) investing in a diversified portfolio of short-term, high quality debt obligations, consisting primarily of municipal obligations that are exempt from regular federal income tax (“Tax-Free Municipal Securities”), taxable municipal obligations (“Taxable Municipal Securities”), direct obligations of the U.S. Treasury (“Treasury Securities”) and/or obligations of U.S. Government agencies, instrumentalities and government-sponsored enterprises (“Agency Securities”) and (2) employing a rules-based option overlay strategy that consists of writing a series of call spreads and put spreads on the S&P 500 Composite Stock Price Index (the “S&P 500”), SPDR Trust Series 1 units (“SPDRs”) and/or another proxy for the S&P 500.

Under normal market conditions, the Fund will invest at least 80% of its net assets in the Bond Strategy and will apply the Option Overlay Strategy to at least 80% of net assets.

The Fund’s Bond Strategy consists of investing in a diversified portfolio of short-term, high quality debt obligations selected and managed seeking after-tax total return. The Fund’s Municipal Security investments will normally consist primarily of securities that, at time of purchase, are rated in the two highest rating categories (AA or higher by Standard & Poor’s Ratings Services (“S&P”) or Fitch Ratings (“Fitch”) or Aa or higher by Moody’s Investors Service, Inc. (“Moody’s”)) or, if unrated, determined by the Adviser to be of comparable quality. The Fund may invest up to 30% of its net assets in Municipal Securities that are rated A at the time of purchase by S&P, Fitch or Moody’s or, if unrated, determined by the Adviser to be of comparable quality. The Treasury and Agency Securities in which the Fund will invest generally will be rated AAA by one or more of S&P, Fitch and Moody’s or, if unrated, determined by the Adviser to be of comparable quality. The Fund expects initially to have an overall average portfolio credit quality of approximately AA+/Aa1 and to maintain an average portfolio duration of approximately 2.0 - 4.5 years. Although the Fund may invest in securities of any maturity or duration, it does not intend to engage in significant interest rate market timing or to alter its duration target range.

The Fund’s Option Overlay Strategy consists of writing a series of S&P 500 call and put option spread transactions, employing a systematic, rules-based approach that seeks to take advantage of the general imbalance of natural buyers of stock index options over natural sellers, which is reflected in the customary excess of option price-implied volatilities over observed

market volatilities. The strategy seeks to mitigate risk by selling option “spreads,” rather than standalone options, by staggering roll dates across the option position portfolio, and by utilizing exchange-traded options guaranteed for settlement by the Options Clearing Corporation, a market clearinghouse.

The Fund’s Option Overlay Strategy is intended to be substantially non-directional and to provide returns that are substantially uncorrelated to the returns of the S&P 500. In implementing the Option Overlay Strategy, the Fund generally intends to enter into written call and put option spread positions that primarily have a maturity of approximately four weeks, and to stagger the timing of its spread originations and expirations through each four-week period. For each option spread combination, the Fund intends to sell S&P 500 call spreads and put spreads with substantially equivalent notional values and identical expiration dates. The Fund will determine the number and composition of the call and put option spreads in each combination based largely on the market exposures and maximum net loss potential of such positions. Under normal circumstances, the Fund intends to limit its maximum option loss potential realizable for each call and put spread combination over its roll cycle to not more than 10% of the associated net asset value of the Fund, based on observable market inputs at the time the option spread combination is entered into and determined without consideration of net premiums received.

A written call option spread consists of selling call options on an instrument and buying an equal number of call options on the same instrument at a higher exercise price. A written put option spread consists of selling put options on an instrument and buying an equal number of put options on the same instrument at a lower exercise price. The Fund will generally write S&P 500 call spreads and put spreads that are “out of the money” ( *i.e.* , the exercise price of the call options sold generally will be above the current level of the index when written and the exercise price of put options sold generally will be below the current level of the index when written). The economics of writing call spreads and put spreads differs from writing equivalent calls and puts in that (a) the net premiums received are reduced by the premiums paid on the purchased options and (b) the risk of loss if written options expire in-the-money is subject to a cap defined by the difference in exercise price of the written and purchased options positions.

In its option program, the Fund intends to utilize primarily FLEXible EXchange<sup>®</sup> Options (“FLEX Options”), which are customized option contracts available through the Chicago Board Options Exchange. FLEX.

Options provide investors with the ability to customize exercise prices and expiration dates, while achieving price discovery in competitive, transparent auctions markets and avoiding the counterparty exposure of over-the-counter options positions.

Exchange-traded options on broad-based stock indices generally qualify for treatment as “section 1256 contracts,” as defined in the Internal Revenue Code of 1986, as amended (the “Code”), on which capital gains and losses are generally treated as 60% long-term and 40% short-term, regardless of holding period. Options on SPDRs do not qualify as “section 1256 contracts,” and dispositions thereof will result in short-term or, under some circumstances, long-term capital gains or losses. The Fund does not currently intend to utilize SPDR options in connection with the Option Overlay Strategy unless there is a change of circumstance, legal or otherwise, that makes their utilization necessary or practical to the implementation of the Fund’s

investment strategy.

### *Tax-Advantaged Investing*

In implementing the Fund's investment strategy, the Adviser will seek to employ strategies designed to minimize the federal income taxes incurred by Common Shareholders in connection with their investment in the Fund, including (1) investing in Tax-Free Municipal Securities the income on which is exempt from regular federal income tax as a major component of the Bond Strategy; (2) utilizing in the Option Overlay Strategy index options that qualify for treatment as "section 1256 contracts" under the Code, on which capital gains and losses are generally treated as 60% long-term and 40% short-term, regardless of holding period, and (3) considering the tax implications of portfolio transactions, including the character (short-term or long-term) of realized gains and losses, as an ongoing element of the investment program.

### *The Adviser and Sub-Adviser*

The Fund's investment adviser is Eaton Vance Management ("Eaton Vance" or the "Adviser"). As of March 31, 2010, Eaton Vance and its affiliates managed approximately \$173.1 billion of fund and separate account assets on behalf of clients. Eaton Vance has engaged its indirect controlled affiliate Parametric Risk Advisors LLC ("PRA" or the "Sub-Adviser") as sub-adviser to the Fund. PRA managed approximately \$3.5 billion in assets as of March 31, 2010. Eaton Vance will be responsible for the Fund's overall investment program, structuring and managing the Fund's Bond Strategy and supervising the performance of the Sub-Adviser. PRA will be responsible for developing, monitoring and implementing the Fund's Option Overlay Strategy.

### *Exchange Listing*

The Fund has been approved for listing of its Common Shares on the New York Stock Exchange ("NYSE"), subject to notice of issuance, under the ticker symbol "EXD."

Eaton Vance believes that the Fund may be appropriate for investors seeking an investment vehicle that combines the potential for tax-advantaged current income and gains with regular distributions.

Investment in the Fund involves significant risk. ETP Holders should consult the Prospectus for detailed considerations concerning specific risks, dividends, distributions, taxes and other important matters.

### **NSX Rules Applicable to Trading in the Shares**

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The Shares are also a UTP Derivative Securities product as specified in NSX Rule 15.9, and as such are subject to the additional provisions specific to that NSX Rule. In particular, ETP Holders are reminded of their obligations under the following NSX Rules:

1. Trading Hours: This product will trade during the regular trading hours of the

Exchange (between 9:30 am to 4:00 pm Eastern Time (“ET”)), during pre-market hours (8:00 am to 9:29:59 am ET) and during post-market hours (4:00:01 pm to 6:30 pm ET). Please note that trading in the Shares during the Exchange’s pre-market and post-market hours may result in additional trading risks which include: (1) lower liquidity in the Opening or Late Trading Sessions may impact pricing, (2) higher volatility in the Opening or Late Trading Sessions may impact pricing, (3) wider spreads may occur in the Opening or Late Trading Sessions. The minimum trading increment is \$.01.

2. Recommendations To Customers: NSX Rule 3.7 provides that the ETP Holder shall use due diligence to learn the essential facts relative to every customer prior to trading the Shares or recommending a transaction in the Shares that an investment in the Shares is suitable for the customer.

3. Product Description: In the event that a Fund relies upon an order by the Securities and Exchange Commission exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and makes available a written product description, NSX Rule 15.9B(3)(c) requires that ETP Holders shall provide all purchasers of a series of exchange-traded funds (“ETFs”) a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, the ETP Holders shall include a written description with any sales material relating to a series of ETFs that is provided to customers or the public. Any other written materials provided by an ETP Holder to customers or the public making specific reference to the series of ETFs as an investment vehicle must include a statement substantially in the following form:

“A circular describing the terms and characteristics of [*the series of ETFs*] has been prepared by the [*open-ended management investment company name*] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [*the series of ETFs*].”

An ETP Holder carrying an omnibus account for a non-ETP Holder is required to inform such non-ETP Holder that execution of an order to purchase a series of ETFs for such omnibus account will be deemed to constitute an agreement by the non-ETP Holder to make such written description available to its customers on the same terms as are directly applicable to the ETP Holder under this Rule.

4. Customer Requests for a Prospectus: NSX Rule 15.9B(3)(d) provides that, upon request of a customer, an ETP Holder shall provide a prospectus for the particular series of UTP Derivative Securities.

5. Trading Halts: NSX Rule 15.9B(4) provides that, in addition to the Exchange’s authority to suspend or halt trading under NSX Rules 11.20 (Trading Halts Due To Extraordinary Market Volatility), 12.11 (Trading Suspensions) and 15.7 (Suspension and/or Delisting By Exchange), if a temporary interruption occurs in the calculation or wide dissemination of the intraday indicative value (or similar value) or the value of the underlying index or instrument and the listing market halts trading in the product, the Exchange, upon notification by the listing market of such halt due to such temporary interruption, also shall immediately halt trading in that

product on the Exchange. The Shares will be traded following a trading halt in accordance with Interpretations and Policy .03 of NSX Rule 11.20.

In addition, for a UTP Derivative Securities product where a net asset value is disseminated, if the primary listing exchange notifies the Exchange that the net asset value is not being disseminated to all market participants at the same time, the Exchange will immediately halt trading in such security. The Exchange may resume trading in the UTP Derivative Security only when the net asset value is disseminated to all market participants at the same time or trading in the UTP Derivative Security resumes on the listing market.

**THIS INFORMATION CIRCULAR IS NOT A STATUTORY PROSPECTUS. ETP HOLDERS SHOULD CONSULT THE ISSUER DISCLOSURE MATERIALS (AS DEFINED ABOVE) FOR ALL RELEVANT INFORMATION RESPECTING THE SHARES.**

Inquiries regarding this Information Circular should be directed to James C. Yong, Chief Regulatory Officer, at (312) 786-8893.