BARCLAYS CAPITAL

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

BARCLAYS CAPITAL INC. AND SUBSIDIARIES

JUNE 30, 2009

(UNAUDITED)

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Barclays Capital, Inc.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
June 30, 2009 (Unaudited)

(in millions of dollars, except share data)

Assets	
Cash and cash equivalents	$977
Cash, securities and securities purchased under agreements to resell segregated in compliance with federal and other regulations	8,440
Securities purchased under agreements to resell	149,132
Financial instruments owned, at fair value, substantially all of which are pledged to counterparties	68,639
Securities borrowed	50,535
Receivables from brokers, dealers and clearing organizations	10,928
Receivables from customers	3,253
Accrued interest and dividend receivables	414
Exchange memberships - at cost (market value $10 million)	4
Other assets	810
Total assets	$293,132
Liabilities and Stockholder's Equity	
Securities sold under agreements to repurchase	$212,504
Securities loaned	26,490
Financial instruments sold, but not yet purchased, at fair value	24,248
Payables to customers	8,780
Payables to brokers, dealers and clearing organizations	7,683
Short-term borrowings	292
Accrued interest and dividend payables	166
Other liabilities	3,012
Total liabilities	$283,175
Commitments and contingencies (see Note 13)	
Subordinated debt	2,500
Stockholder's equity	
Common stock -$1,000 par value, 5,000 shares authorized:	
10 shares issued and outstanding	–
Additional paid-in capital	6,071
Retained earnings	1,395
Accumulated other comprehensive loss	(9)
Total stockholder's equity	7,457
Total liabilities and stockholder's equity	$293,132

The accompanying notes are an integral part of this consolidated statement of financial condition.

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1. ORGANIZATION

The consolidated statement of financial condition includes the accounts of Barclays Capital Inc. and its wholly-owned subsidiaries, Barclays Business Credit LLC ("BBC") and Arinagour Investments LLC ("Arinagour" and, together with BBC, the "subsidiaries").

Barclays Capital Inc. (the "Company"), a Connecticut company, is a registered securities broker- dealer and futures commission merchant ("FCM"). The Company is headquartered in New York, with registered domestic branch offices in Atlanta, Boston, Chicago, Dallas, Greenwich, Houston, Los Angeles, Menlo Park, Miami, Palm Beach, Philadelphia, San Juan, San Francisco, Santa Monica, Seattle, Washington D.C. and Wells. The Company also has registered branch offices in Buenos Aires, Argentina, and Montevideo, Uruguay. The Company's client base includes money managers, insurance companies, pension funds, hedge funds, depository institutions, corporations, trust banks, money market and mutual funds, domestic and international governmental agencies, official institutions and central banks. The Company's direct parent and sole stockholder is Barclays Group U.S., Inc. ("BGUS"), a U.S. bank holding company. The Company is ultimately wholly owned by Barclays Bank PLC ("BBPLC"), a United Kingdom company.

On September 22, 2008, BBPLC, with the involvement of the Company and certain other subsidiaries of BBPLC, completed the acquisition of the U.S. and Canadian investment banking, capital markets and private investment management businesses of Lehman Brothers, Inc. ("Lehman") (for further discussion, see Note 18, "Lehman Acquisition," to the consolidated statement of financial condition).

The Company is BBPLC's "4(k)(4)(E)" securities subsidiary under the Bank Holding Company Act, which permits it to engage in securities underwriting, dealing, or market-making activities. The Company's activities include transactions in asset-backed securities, agency mortgage-backed securities, international debt securities, and other corporate related securities and securities lending. The Company is also a primary dealer in U.S. government securities.

Barclay's Wealth America ("BWA") is the wealth management division of BBPLC and operates in the U.S.

through the Company. BWA provides high net worth clients with brokerage and investment management services.

BBC engages in the leveraged lease financing business and provides economic hedges for the Company by entering into interest rate swaps. BBC also manages a lease portfolio.

Arinagour was established to engage in a structured credit market transaction to provide funding to investors.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

This consolidated statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Material intercompany balances and transactions are eliminated in consolidation. The U.S. Dollar is the functional currency of the Company.

Use of Estimates

This consolidated statement of financial condition has been prepared in accordance with GAAP that requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the consolidated statement of financial condition. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and highly liquid investments with original maturities of less than three months.

Securities Purchased / Sold Under Agreements to Resell / Repurchase

Securities purchased under agreements to resell and securities sold under agreements to repurchase, which are treated as collateralized financings for financial statement purposes, in accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* ("SFAS 140") are carried at the amounts at which the securities will subsequently be resold or repurchased, plus accrued interest, which approximates fair value. Securities

purchased under agreements to resell transactions require the Company to deposit cash with the seller and to take possession of the securities. Securities sold under agreements to repurchase transactions, require the buyer to deposit cash with the Company and to take possession of the securities. The market value of the securities sold or purchased are generally in amounts in excess of the cash received or provided. The Company monitors the market value of securities purchased and sold on a daily basis, with additional collateral obtained or refunded as necessary.

Securities purchased under agreements to resell and securities sold under agreements to repurchase are presented on a net-by-counterparty basis when the requirements of FASB Interpretation ("FIN") No. 41, *Offsetting of Accounts Related to Certain Repurchase and Reverse Repurchase Agreements* ("FIN 41"), are satisfied.

Fair Value Measurements

Financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value are reflected in the consolidated statement of financial condition on a trade date basis. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Instruments that the Company owns (long positions) are marked to bid prices, and instruments that the Company has sold, but not yet purchased (short positions), are marked to offer prices.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Under SFAS No. 157, fair value measurements are not adjusted for transaction costs.

SFAS No. 157 nullifies the consensus reached in Emerging Issues Task Force ("EITF") Issue No. 02-3, *"Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities"* that

prohibited the recognition of day one gain or loss on derivative contracts (and hybrid instruments measured at fair value under SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*, as modified by SFAS No. 155, "*Accounting for Certain Hybrid Financial Instruments*") where the Company was unable to verify all of the significant model inputs to observable market data and/or verify the model to market transactions. However, SFAS No. 157 requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model.

In addition, SFAS No. 157 prohibits the recognition of "block discounts" for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* ("FAS 157-3"). This statement clarifies that determining fair value in an inactive or dislocated market depends on

facts and circumstances and requires significant management judgment. This statement specifies that it is acceptable to use inputs based on management estimates or assumptions, or for management to make adjustments to observable inputs to determine fair value when markets are not active and relevant observable inputs are not available. The Company's fair value measurement policies are consistent with the guidance in FSP No. FAS 157-3.

Credit risk is an essential component of fair value. Cash products (e.g., bonds and loans) and derivative instruments (particularly those with significant future projected cash flows) trade in the market at levels which reflect credit considerations. The Company calculates the fair value of derivative assets by discounting future cash flows at a rate which incorporates counterparty credit spreads and the fair value of derivative liabilities by discounting future cash flows at a rate which incorporates the Company's own credit spreads. In doing so, credit exposures are adjusted to reflect mitigants, namely collateral agreements which reduce exposures based on triggers and contractual posting requirements. The Company manages its exposure to credit risk as it does other market risks and will price, economically hedge, facilitate and intermediate trades which involve credit risk. The Company records liquidity valuation adjustments to reflect the cost of exiting concentrated risk positions, including exposure to the Company's own credit spreads.

The Company has an established and well-documented process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that primarily use, as inputs, market-based or independently sourced market parameters, including but not limited to, yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. In addition to market information, models also incorporate transaction details, such as maturity. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, constraints on liquidity and unobservable parameters that are applied consistently over time.

In determining fair value, the Company separates its financial instruments owned, at fair value and its financial instruments sold, but not yet purchased, at fair value into two categories: cash instruments and derivative contracts.

- Cash Instruments. The Company's cash instruments are generally classified within level 1 or level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include certain U.S. government obligations, other sovereign government obligations, active listed equities and certain money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

  The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most government agency obligations, investment-grade corporate bonds, certain mortgage products, certain bank loans, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy, and may be adjusted to reflect illiquidity and or non-transferability, which are generally based on available market information.

  Certain cash instruments are classified within level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include less liquid corporate debt securities (including distressed debt instruments), certain types of equities, and less liquid mortgage-backed securities. When observable prices are not available, valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types – market approach, income approach and cost approach, for which sufficient and reliable data is available.

The transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. This valuation is adjusted generally only when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third party transactions in the underlying investment or comparable entities, and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

- Derivative Contracts. Derivative contracts can be exchange-traded or over-the-counter ("OTC"). Exchange-traded derivatives, including equity options, typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The Company generally values exchange-traded derivatives within portfolios using models which calibrate to market clearing levels and eliminate timing differences between the closing price of the exchange-traded derivatives and their underlying cash instruments. In such cases, exchange-traded derivatives are classified within level 2 of the fair value hierarchy.

  OTC derivatives, including interest rate swaps and TBA contracts, are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments.

Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. OTC derivatives are classified within level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence.

Certain OTC derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Where the Company does not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. The valuation of these less liquid OTC derivatives may utilize some level 1 and/or level 2 inputs that can be observed in the market, as well as unobservable level 3 inputs. Subsequent to initial recognition, at each measurement date, the Company updates the level 1 and level 2 inputs to reflect observable market changes. Level 3 inputs generally only change when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations, or other empirical market data. In circumstances where the Company cannot verify the model value to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Securities Borrowed / Loaned

Securities borrowed and securities loaned, which are treated as collateralized financings for financial statement purposes, are carried at the amounts at which the securities will subsequently be returned, plus accrued interest, which approximates fair value. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. Securities loaned transactions require the borrower to deposit cash or other collateral with the Company. With respect to securities loaned or borrowed, collateral in the form of cash or other collateral are in an amount generally in excess of the market value of securities loaned or borrowed. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. When we act as the lender of securities in a securities lending agreement and we receive securities that can be pledged or sold as collateral, we recognize an asset, representing the securities received and a liability, representing the obligation to return those securities.

Receivables From and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations consist primarily of fails to deliver or receive, margin balances, deposits at clearing organizations and amounts related to unsettled securities trading activity.

Income Taxes

Tax provisions are computed in accordance with SFAS 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of the Company's assets and liabilities. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. The Company's tax assets and liabilities are presented as a component of "Other assets" and "Other liabilities," respectively, in the consolidated statement of financial condition.

The Company and its subsidiaries are included in the federal consolidated income tax return of BGUS. The Company and its subsidiaries also file state and local income tax returns in New York State and New York City,

as well as other state and local jurisdictions, with affiliated companies. The Company has an intercompany tax sharing agreement with BGUS under which it computes and settles its income tax receivable/payable.

The Company follows FIN No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* ("FIN 48") which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. Under FIN 48, the Company determines whether it is more likely than not that an income tax position will be sustained upon examination by tax authorities. Sustainable income tax positions are then measured to determine the amount of benefit eligible in the financial statements. Each sustainable position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

Retirement Benefits

The Company accounts for retirement benefits in accordance with SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS No. 87, 88, 106 and 132-R ("SFAS 158")*. SFAS 158 requires an entity to recognize in its statement of financial condition the funded status of its defined benefit pension and postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. SFAS. 158 also requires an entity to recognize changes in the funded status of a defined benefit pension and postretirement plan within accumulated other comprehensive income, net of tax, to the extent such changes are not recognized in earnings as components of periodic net benefit cost.

Share Based Compensation

The Company applies SFAS No. 123-R, *Share-Based Payment* ("SFAS 123-R"), which is a revision to SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS 123-R focuses primarily on accounting for a transaction in which an entity obtains employee services in exchange for share-based payments. Under SFAS 123-R, the cost of employee services received in exchange for an award of equity instruments is generally measured based on the grant-date fair value of the award.

Recent Accounting Developments

SFAS No. 165. In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165") which codifies the guidance regarding the disclosure of events occurring subsequent to the balance sheet date. SFAS 165 does not change the definition of a subsequent event (i.e., an event or transaction that occurs after the balance sheet date but before the financial statements are issued) but requires disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. For the consolidated statement of financial condition at June 30, 2009, the Company evaluated subsequent events through August 25, 2009. Since SFAS 165 requires only additional disclosures concerning subsequent events, adoption of this standard did not affect amounts reported in the Company's consolidated statement of financial condition.

FSP No. FAS 157-4. In April 2009, the FASB issued FASB Staff Position ("FSP") No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ("FSP 157-4"). FSP 157-4 provides guidance for estimating fair value when the volume and level of activity for an asset or liability have decreased significantly. Specifically, FSP 157-4 lists factors which should be evaluated to determine whether a transaction is orderly, clarifies that adjustments to transactions or quoted prices may be necessary when the volume and level of activity for an asset or liability have decreased significantly, and provides guidance for determining the concurrent weighting of the transaction price relative to fair value indications from other valuation techniques when estimating fair value. FSP 157-4 is effective for periods ending after June 15, 2009. Because the Company's current fair value methodology is consistent with FSP 157-4, the adoption did not have a material effect on its consolidated statement of financial condition.

FSP No. FAS 107-1 and APB 28-1. In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP 107-1"). FSP 107-1 requires that the fair value disclosures prescribed by FASB Statement No. 107,

Disclosures about Fair Value of Financial Instruments, be included in financial statements prepared for interim periods. FSP 107-1 is effective for periods ending after June 15, 2009. The Company adopted FSP 107-1 in 2009. Since FSP 107-1 involves only additional disclosures regarding the fair value of financial instruments, the adoption did not affect amounts reported in the Company's consolidated statement of financial condition

FSP No. FAS 132(R)-1. On December 30, 2008, the FASB issued FSP No. FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* ("FSP 132(R)-1"). FSP 132 (R)-1 amends SFAS No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits* ("SFAS 132(R)"), to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The FSP also includes a technical amendment to SFAS No. 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. FSP 132(R)-1 applies to employers who are subject to the disclosure requirements of SFAS 132(R), and is effective for fiscal years ending after December 15, 2009. Early application is permitted. Upon initial application, the provisions of FSP 132(R)-1 are not required for earlier periods that are presented for comparative periods. The Company is evaluating the impact of adopting FSP 132(R)-1 on the consolidated statement of financial condition.

SFAS No. 162. In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with GAAP for nongovernmental entities (the "Hierarchy"). The Hierarchy within SFAS 162 is consistent with that previously defined in the AICPA Statement on Auditing Standards ("SAS") No. 69, *"The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles"* ("SAS 69"). SFAS 162 is effective 60 days following the U.S. Securities and Exchange Commission's (the "SEC") approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting*

Principles". The adoption of SFAS 162 will not have a material effect on its consolidated statement of financial condition because the Company has utilized the guidance within SAS 69.

SFAS No. 161. On January 1, 2009, the Company adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). SFAS 161 amends and expands the disclosure requirements of SFAS No. 133, and requires entities to provide enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair values and amounts of gains and losses on derivative contracts, and disclosures about credit-risk-related contingent features in derivative agreements. The requirements of SFAS 161 are effective for both interim and annual reporting periods beginning after November 15, 2008, with early application encouraged. Since SFAS 161 requires only additional disclosures concerning derivatives and hedging activities, it did not affect amounts reported in the Company's consolidated statement of financial condition.

FSP No. FAS 140-3. On January 1, 2009, the Company adopted FSP No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* ("FSP 140-3"). Under FSP 140-3, it is presumed that an initial transfer of a financial asset and a repurchase are considered part of the same arrangement, known as a linked transaction. However, if certain criteria are met, the initial transfer and repurchase financing may not be evaluated as a linked transaction and must be evaluated separately under SFAS 140. The adoption of FSP 140-3 did not have a material effect on the Company's consolidated statement of financial condition.

3. CASH, SECURITIES AND SECURITIES PURCHASED UNDER AGREEMENT TO RESELL AND SECURITIES SEGREGATED IN COMPLIANCE WITH FEDERAL AND OTHER REGULATIONS

Cash and securities of $3,612 million are segregated under the Commodity Exchange Act.

Additionally, cash of $2,100 million, as well as U.S. government securities with a fair value of $2,728 million that were obtained in connection with securities purchased under agreements to resell transactions, are segregated in special reserve bank accounts under Rule 15c3-3 of the Securities and Exchange Commission Act

and in accordance with the reserve requirement for Proprietary Accounts for Introducing Broker-Dealers ("PAIB") (for further discussion, see Note 19, "Regulatory Requirements," to the consolidated statement of financial condition).

4. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Trading securities and derivative contracts are included in Financial instruments owned, at fair value and Financial Instruments sold, but not yet purchased at fair value on the Company's consolidated statement of financial condition. The Company's financial instruments owned that are pledged to counterparties, are pledged on a settlement date basis. Accordingly, certain securities pledged that have been sold at June 30, 2009, but have not yet settled, are included in receivables from brokers, dealers and clearing organizations.

Financial Instruments sold, but not yet purchased, represent obligations of the Company to deliver a specified security at a contracted price. The Company has recorded this liability in the consolidated statement of financial condition as of June 30, 2009 at fair value. However, these transactions may result in market risk if the market price of the financial instruments increases subsequent to June 30, 2009. The Company seeks to limit this risk by holding offsetting financial instrument positions or other financial instruments.

The following table sets forth the Company's financial instruments owned, at fair value, substantially all of which are pledged to counterparties and financial instruments sold, but not yet purchased, at fair value (in millions):

	Financial Instruments Owned	Financial Instruments Sold, but not yet Purchased
Government and agency obligations	$50,806	$15,197
Equity securities	7,305	2,846
Corporate securities	5,835	2,459
Derivative contracts, net	3,099	3,746
Mortgage-backed and asset-backed securities	1,594	–
	$68,639	$24,248

Government and Agency Obligations

Included within these balances are instruments issued by a national government or agency thereof, denominated in the country's own currency or in a foreign currency (e.g., sovereign), agency and non-agency collaterized mortgage obligations and municipals.

Equity Securities

Balances generally reflect held positions in any instrument that has an equity ownership component, such as equity-related positions, public ownership equity securities that are listed on public exchanges, private equity-related positions, non-public ownership equity securities that are not listed on a public exchange and convertible preferred securities.

Corporate Securities

Longer-term debt instruments, generally with a maturity date falling at least a year after their issue date, not issued by governments and may or may not be traded on major exchanges, are included within this component along with convertible debenture instruments.

Derivative Contracts, net

Neither derivatives' notional amounts nor underlying instrument values are reflected as assets or liabilities in the consolidated statement of financial condition. Rather, the market, or fair values, related to derivative transactions are reported in the consolidated statement of financial condition as assets or liabilities in Derivative contracts, net, as applicable. Derivatives are presented below on a gross basis, prior to the application of the impact of counterparty netting. These balances generally represent future commitments to exchange payment streams based on contract or notional amounts or to purchase or sell other financial instruments or physical assets at specified terms on a specified date.

The Company enters into trading derivatives to satisfy the needs of its clients, for proprietary trading purposes and to manage the Company's exposure to market and credit risks resulting from its trading activities. As part of the Company's risk management policies, the Company manages risks associated with derivatives on an aggregate basis. The Company uses industry standard derivative contracts whenever appropriate.

The following table presents the gross fair value of derivative contracts at June 30, 2009. Assets, which are recognized as a component of Financial instruments owned, at fair value, represent unrealized gains, net of unrealized losses. Similarly, liabilities which are recognized as a component of Financial instruments sold, but not yet purchased, at fair value, represent amounts owed to counterparties:

(in millions)	Contract / Notional	Gross Trading Assets – Derivative Contracts	Contract / Notional	Gross Trading Liabilities – Derivative Contracts
Equity options	$67,341	$4,432	$69,500	$4,857
TBA contracts	52,939	2,155	66,791	2,360
Interest rate swaps	2,102	874	5,152	891
	$122,382	$7,461	$141,443	$8,108

As of June 30, 2009, the Company's derivative contracts had no requirements to post additional collateral or terminate these transactions in the event of a reduction in the Company's long-term credit rating.

Mortgage-backed and Asset-backed Securities

Mortgage-backed and Asset-backed Securities include bonds collateralized by residential and commercial real estate loans, home equity loans, auto loans, credit card receivables, student loans and various other cash-flow producing assets.

Fair Value Hierarchy

The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the consolidated statement of financial condition and by SFAS No. 157 valuation hierarchy (as described above in Note 2):

(in millions)	Quoted Market Prices in Active Markets (Level 1)	Internal Models with Significant Observable Market Parameters (Level 2)	Internal Models with Significant Unobservable Market Parameters (Level 3)	FIN 39 Netting[(a)]	Total
Financial instruments owned					
Government and Agency Obligations	$27,181	$28,828	$ –	($5,203)	$50,806
Equity Securities	7,084	205	16	–	7,305
Corporate Securities	574	5,313	168	(220)	5,835
Mortgage-backed and Asset-backed Securities	10	1,473	111	–	1,594
Total Financial Instruments Owned	$34,849	$35,819	$295	($5,423)	$65,540

Financial instruments sold, but not yet purchased					
Government and Agency Obligations	$18,322	$2,078	$ –	($5,203)	$15,197
Equity Securities	2,814	32	–	–	2,846
Corporate Securities	45	2,630	4	(220)	2,459
Total Financial Instruments Sold, but not yet Purchased	$21,181	$4,740	$4	($5,423)	$20,502
Derivative assets	$4,390	$3,071	$ –	($4,362)	$3,099
Derivative liabilities	$4,943	$3,165	$ –	($4,362)	$3,746

(a) FIN 39 permits the netting of derivative contracts receivable and derivative contracts payable when a legally enforceable master netting agreement exists between the Company and a derivative counterparty. A master netting agreement is an agreement between two counterparties who have multiple derivative contracts with each other that provide for the net settlement of all contracts, through a single payment, in a single currency, in the event of default on or termination of any one contract.

5. RECEIVABLES FROM AND PAYABLES TO BROKERS, DEALERS AND CLEARING ORGANIZATIONS

Receivables from and payables to brokers, dealers and clearing organizations, as reported on the consolidated statement of financial condition at June 30, 2009 consist of the following (in millions):

	Receivables from Brokers, Dealers and Clearing Organizations	Payables to Brokers, Dealers and Clearing Organizations
Margin balances	$6,865	$2,984
Fails to deliver or receive	3,050	893
Trade date payables, net balances	-	3,469
Other	1,013	337
	$10,928	$7,683

6. OTHER ASSETS AND OTHER LIABILITIES

At June 30, 2009, other assets primarily consist of deferred federal tax assets of $262 million, deferred state tax assets of $141 million and loans to employees of $201 million. Other liabilities primarily consist of current federal tax liabilities of $631 million, current state tax liabilities of $134 million, accrued service recharges of $814 million and $769 million for accrued compensation.

7. INCOME TAXES

At June 30, 2009, the Company recorded $366 million of net deferred tax assets which represents an allocation of the consolidated deferred tax asset recorded on the consolidated financial statements of BGUS. This balance is comprised of deferred tax assets of $403 million resulting from temporary differences primarily related to deferred compensation and various reserves. These deferred tax assets were offset by deferred tax liabilities of $37 million resulting from temporary differences primarily related to leases.

No valuation allowance is recorded at June 30, 2009 because the Company believes the net deferred tax assets will more likely than not be realized.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

Gross unrecognized tax benefits at December 31, 2008	$4
Increases for tax positions taken during prior years	–
Gross unrecognized tax benefits at June 30, 2009	$4

The Company's unrecognized tax benefits, including interest of $1 million, are recorded on the balance sheet as current income taxes payable. The Company has not recorded any amounts for penalties related to its unrecognized tax benefits. The amount of unrecognized tax benefits, including interest thereon, at June 30, 2009 that, if recognized, would affect the Company's effective tax rate is $3 million.

If any tax return examination by federal, state or local tax authorities is concluded during the next twelve months, it is possible that the amount of accrued liability for uncertain tax positions could change. It is not possible to estimate the amount of any such change at this time.

The Company and its subsidiaries are included in the federal consolidated income tax return of BGUS. BGUS' federal corporate income tax returns for years 2005 and after remain subject to examination. The Company and its subsidiaries' state and local corporate income and franchise tax returns for years 2004 and after remain subject to examination by major tax jurisdictions.

8. SHORT-TERM BORROWINGS

At June 30, 2009, short-term borrowings consist of uncollateralized overnight loans payable to affiliates of $292 million. The loans from affiliates bear interest at rates based upon the London Interbank Offered Rate ("LIBOR").

9. SUBORDINATED DEBT

At June 30, 2009, the Company has subordinated debt with BGUS for $2,500 million, which had an initial maturity date of September 30, 2009. Under the provisions of this loan, provided that the Company has not given written notification to FINRA to cancel the roll-over, an automatic one year roll over of the maturity date will occur within seven months to maturity. The Company gave no such notification and the subordinated debt will mature on September 30, 2010. The loan bears interest at rates based on LIBOR.

10. TRANSACTIONS WITH AFFILIATED COMPANIES

The Company enters into securities transactions with affiliates. At June 30, 2009, the following balances with such affiliates were included in the consolidated statement of financial condition in the following line items (in millions):

Cash and cash equivalents	$727
Securities purchased under agreements to resell	97,942
Financial instruments owned, at fair value, substantially all of which are pledged to counterparties	874
Securities borrowed	3,153
Receivables from brokers, dealers and clearing organizations	3,863
Receivables from customers	313
Accrued interest and dividend receivables	23
Other assets	1
Securities sold under agreements to repurchase	80,459
Securities loaned	12,771
Financial instruments sold, but not yet purchased, at fair value	891
Payables to customers	1,626
Payables to brokers, dealers and clearing organizations	4,029
Short-term borrowings	292

Accrued interest and dividend payables	7
Other liabilities	749
Subordinated debt	2,500

Affiliates provide substantially all operational, front office and support services to the Company and its subsidiaries under service agreements. Additionally, the Company performs services on behalf of its affiliates.

11. BENEFIT PLANS

Pension Plan

The Company and its subsidiaries that have adopted the pension plan, provide pension benefits for eligible employees through a defined benefit pension plan of an affiliate. All eligible employees participate in the pension plan on a non-contributory basis, and are fully vested after five years of service. The Company makes contributions to the plan based upon the minimum funding standards under the Internal Revenue Code. Employees hired on or after September 22, 2008 are not eligible to participate in the plan.

401(k) Contribution Plan

The Company has adopted the Barclays Bank PLC Thrift Savings Plan (referred to as the "401(k) Plan") effective January 1, 1980. Once an eligible employee is hired they are given an opportunity to participate in the plan immediately or during the annual enrollment period. Employees who formally elect to participate may elect contributions of up to 50% of their base pay on a pre tax basis to be contributed to the plan each pay period, subject to Internal Revenue Service Limits. Additionally, employees who formally elect to participate may elect contributions up to 6% of their base pay on a post tax basis to be contributed to the plan each pay period, subject to Internal Revenue Service Limits. The Company matches up to 6% of the employee base pay each pay period based on the employee pre tax contribution election on the date of the match.

Postretirement

The Company follows SFAS No. *106, Employers' Accounting for Postretirement Benefits Other than Pensions*, which requires the recognition of postretirement benefit costs on an accrual basis over the active working lives of employees, rather than on a cash

basis. Only employees hired as of April 1, 1997 are eligible for postretirement benefits.

12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of its business, the Company enters into transactions involving financial instruments with off-balance-sheet risk in order to meet financing and hedging needs of customers and to reduce the Company's own exposure to market and interest rate risk in connection with proprietary trading activities. These financial instruments include forward and futures contracts, options on futures contracts and interest rate swaps. Each of these financial instruments contains varying degrees of off-balance-sheet risk as changes in the fair values of the financial instruments subsequent to June 30, 2009 may, in certain circumstances, be in excess of the amounts recognized in the consolidated statement of financial condition. The Company is also at risk from the potential inability of counterparties to perform under the terms of the contracts.

In the normal course of business, the Company enters into securities sales transactions as principal. If the securities subject to such transactions are not in the possession of the Company (for example, securities loaned to other brokers or dealers, used as collateral for bank loans, or failed to receive), the Company may incur a loss if the security the Company is obligated to deliver is not received and the market value has increased over the contract amount of the sale transaction.

The Company also executes customer transactions in commodity futures contracts (including options on futures), all of which are transacted on a margin basis subject to individual exchange regulations. These transactions may expose the Company to off-balance-sheet risk in the event margin deposits are not sufficient to fully cover losses which customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations.

In the normal course of business, the Company may pledge or deliver customer or other counterparty securities as collateral in support of various financing sources such as bank loans, securities loaned and repurchase agreements. Additionally, the Company

pledges customer securities as collateral to satisfy margin deposits of various exchanges. In the event the counterparty is unable to meet its contracted obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at current market prices in order to return them to the owner.

13. COLLATERAL, COMMITMENTS AND CONTINGENCIES

At June 30, 2009, the approximate fair value of collateral received that can be resold or repledged by the Company, excluding the impact of FIN 41, were (in millions):

Sources of collateral	
Securities purchased under agreements to resell	$226,957
Securities received from securities borrowed transactions	88,354
Customers' securities	4,554
	$319,865

At June 30, 2009, the approximate fair value of collateral received that were resold or repledged by the Company, excluding the impact of FIN 41, were (in millions):

Uses of collateral	
Securities sold under agreements to repurchase	$288,839
Securities loaned	51,148
	$339,987

In addition, the Company has pledged $27,477 million of securities collateral, under tri-party agreements, which cannot be resold or repledged by the counterparty.

The Company has $3,164 million of cash and $2,609 million of its own securities owned on deposit with clearing organizations for trade facilitation purposes. These securities cannot be resold or repledged by the counterparty.

At June 30, 2009, the Company had unused lines of credit of $6,410 million with an affiliate and $600 million with third parties.

At June 30, 2009, the Company has committed $21,062 million on forward starting repurchase trades and

$21,503 million in forward starting reverse repurchase transactions.

BBPLC and some of their subsidiaries (collectively "Barclays") have for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On March 19, 2007, the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by Barclays and two other financial institutions contesting a ruling by the District Court allowing the Newby litigation to proceed as a class action. On January 22, 2008, the United States Supreme Court denied plaintiffs' request for review of the Fifth Circuit's March 19, 2007 decision. On March 5, 2009, the District Court granted summary judgment in Barclays' favor in relation to the plaintiffs' claims against Barclays. The District Court also denied the plaintiffs' request to amend the complaint to assert revised claims against Barclays on behalf of the class. The plaintiffs' time in which to file an appeal regarding the District Court's March 5, 2009 decision has not yet expired. Barclays considers that the Enron claims against it are without merit and is defending them vigorously. It is not possible to estimate Barclays' possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

Like other United Kingdom ("UK") financial institutions, Barclays faces numerous UK County Court claims and complaints by customers who allege that its unauthorized overdraft charges either contravene the UK Unfair Terms in Consumer Contracts Regulations 1999 ("UTCCR") or are unenforceable penalties or both. In July 2007, by agreement with all parties, the UK Office of Fair Trading ("OFT") commenced proceedings against seven banks and one building society including Barclays, to resolve the matter by way of a "test case" process. Preliminary issues hearings took place in January, July and December 2008 with judgments handed down in April and October 2008 and January 2009 (a further judgment not concerning Barclays' terms). As to current terms, in April 2008 the UK County Court held in favor of the banks on the issue of the penalty doctrine. The OFT did not appeal that decision. In the same judgment the UK County Court held in favor of the OFT on the issue of the applicability of the UTCCR. The banks appealed that

decision. As to past terms, in a judgment on October 8, 2008, the UK County Court held that Barclays' historic terms, including those of Woolwich, were not capable of being penalties. The OFT indicated at the January 2009 hearing that it was not seeking permission to appeal the UK County Court's findings in relation to the applicability of the penalty doctrine to historic terms. Accordingly, it is now clear that no declarations have or will be made against Barclays that any of its unauthorized overdraft terms assessed in the test case constitute unenforceable penalties and that the OFT will not pursue this aspect of the test case further. The banks' appeal against the decision in relation to the applicability of the UTCCR (to current and historic terms) was heard in late October 2008 and dismissed by the Court of Appeal's judgment of February 26, 2009. Subsequently, the banks were granted leave to appeal to the House of Lords which heard the banks' appeal on June 23-25, 2009 with judgment reserved. It is not clear yet when the House of Lords' ruling will become available. If the banks' appeal is upheld the test case should be at an end. If it is dismissed then it is likely that the proceedings will still take a significant period of time to conclude. Pending resolution of the test case process, existing and new claims in the UK County Courts remain stayed, and there is a UK Financial Services Authority waiver of the complaints handling process (which is reviewable in December 2009) and a standstill of UK Financial Ombudsman Service decisions. Barclays is defending the test case vigorously. It is not possible to estimate Barclays' possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period.

Barclays is engaged in various other litigation proceedings both in the UK and a number of overseas jurisdictions, including the United States, involving claims by and against it which arise in the ordinary course of business. Barclays does not expect the ultimate resolution of any of the proceedings to which Barclays is party to have a significant adverse effect on the financial position of Barclays and Barclays has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claims.

The Company itself is involved in a number of judicial and arbitration matters arising in connection with the

conduct of its business, including some proceedings related to Enron. The Company's management believes, based on currently available information, that the results of such proceedings will not have a significant adverse effect on the statement of financial condition of the Company.

14. GUARANTEES

In the ordinary course of its business, the Company indemnifies certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company, its customers and its affiliates. In addition, the Company is a member of payment, clearing and settlement networks as well as securities exchanges around the world that may require the Company to meet the obligations of such networks and exchanges in the event of member defaults. In connection with its prime brokerage and clearing businesses, the Company may agree to clear and settle on behalf of its clients the transactions entered into by them with other brokerage firms. The Company's obligations in respect of such transactions are secured by the assets in the client's account as well as any proceeds received from the transactions cleared and settled by the Company on behalf of the client. The Company is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the Company will have to make material payments under these arrangements, and no liabilities related to these guarantees and indemnifications have been recognized in the consolidated statement of financial condition as of June 30, 2009.

15. CONCENTRATIONS OF CREDIT RISK

As a securities broker-dealer, the Company is engaged in various securities trading and brokerage activities. The Company's securities transactions both as principal and as agent, on behalf of investors, are executed with institutions, including other brokers and dealers, commercial banks, insurance companies, pension plans, mutual funds, hedge funds and other financial institutions. In the event that counterparties to transactions do not fulfill their obligations, the Company may be exposed to credit risk. The Company's exposure to credit risk associated with the nonperformance of counterparties in fulfilling their contractual obligations

can be directly affected by volatile trading markets and/or the extent to which such obligations are unsecured.

The Company's policy is to monitor its customer and counterparty risk through the use of a variety of credit exposure and market exposure reporting and control procedures, including marking to market securities and collateral and requiring adjustments of collateral levels as considered appropriate. In connection with its derivatives trading activities, the Company may enter into master netting agreements and collateral arrangements with counterparties. These agreements may provide the Company with the ability to offset a counterparty's rights and obligations, request additional collateral when necessary or liquidate the collateral in the event of counterparty default. In addition, the Company has a policy of reviewing the credit standing of each counterparty and customer with whom it conducts business as considered necessary.

16. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments owned and financial instruments sold, but not yet purchased are carried at fair value. The fair value is generally obtained from quoted market prices in active markets, broker or dealer price quotations, or alternative pricing sources with reasonable levels of price transparency. Additionally, derivative contracts are carried at fair value which is recorded on the consolidated statement of financial condition in Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value.

The Company estimates that the aggregate fair value of other financial instruments recognized on the consolidated statement of financial condition (including cash and cash equivalents, securities segregated in compliance with federal and other regulations, securities purchased under agreements to resell and securities sold under agreements to repurchase, securities borrowed, securities loaned, receivables and payables, certain other assets and other liabilities, and short-term debt) approximates their carrying value, as such financial instruments are short-term in nature, bear interest at current market rates or are subject to repricing.

17. SHARE BASED COMPENSATION

BBPLC operates certain share schemes for its employees throughout the world, including the employees of the Company. Shares for distribution under these schemes are held by a trust and will be vested for individual employees when they satisfy specific vesting conditions. Where the costs of these bonus schemes are incurred by the Company, the Company will fund the costs in cash to repay BBPLC. The liabilities related to these share payments are recorded by the trust.

The Company makes recommendations on the bonus awards for its employees which are approved annually by the Remuneration Committee and depending upon the threshold limit, employees will be awarded BBPLC stock. The main current share-related schemes from which the Company's employees benefit are as follows:

Executive Share Award Scheme ("ESAS")

For certain employees of the Company an element of their annual bonus is in the form of a deferred award of a provisional allocation of BBPLC shares under ESAS. The total value of the bonus made to the employee of which ESAS is an element is dependent upon the business unit, BBPLC and individual employee performance. Any performance conditions related to the ESAS element of the annual bonus are substantially fulfilled at grant date. The ESAS element must be held for at least three years and is subject to potential forfeit if the individual resigns and commences work with a competitor business. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award.

Incentive Share Plan ("ISP")

The Incentive Share Plan (Incentive Shares) was introduced in May 2009. Incentive Shares are granted to participants in the form of a provisional allocation of BBPLC Shares, and vest upon achieving continued service after either two or three years. Participants do not pay to receive an award or to receive a release of shares. Incentive shares qualify for dividends.

Performance Share Plan ("PSP")

The PSP was approved by shareholders at the 2005 Annual General Meeting ("AGM") to replace the Incentive Share Option Plan ("ISOP") scheme.

Performance shares are ‘free’ BBPLC shares for which no exercise price is payable and which qualify for dividends. Performance share awards are communicated to participants as an initial allocation. BBPLC’s performance over a three-year period determines the final number of shares that may be released to participants. These shares generally vest over a performance period of three years.

Incentive Share Option Plan (“ISOP”) – Closed Scheme

The ISOP was open by invitation to the employees and Directors of BBPLC and is a closed scheme. Options are granted at the market price at the date of grant calculated in accordance with the rules of the ISOP, and are normally exercisable between three and ten years from that date. The final number of shares over which the option may be exercised is determined by reference to set performance criteria. All options outstanding under ISOP have been fully vested.

The weighted average fair value of shares granted during the year at the measurement date is $1.62 for the ESAS plan. The fair value of these awards are recognized based on market value at the grant date and since the terms of the ESAS scheme require shares to be held for a set number of years from the date of vest, the calculation of the vest date fair value of such awards includes a reduction for this post vesting restriction. For the ISP plan, the weighted average fair value of the shares granted during the year at the measurement date is $3.70. There were no grants in 2009 under PSP.

The expected dividends for all schemes are assumed to grow in line with the expected increases in share prices for the industry sector until exercise.

18. LEHMAN ACQUISITION

On September 22, 2008, BBPLC with the involvement of the Company and certain other subsidiaries of BBPLC, completed the acquisition of the U.S. and Canadian investment banking and capital markets businesses of Lehman, including the fixed income and equities cash trading, brokerage, dealing, trading and advisory businesses, investment banking operations and the business as a futures commission merchant, as well as the private investment management business. Assets acquired and liabilities assumed in connection with the acquisition were assigned, as directed by BBPLC, to the Company and certain BBPLC subsidiaries. The

acquisition resulted in an increase of approximately $3.6 billion in the net equity of the Company, taking into account a cash contribution of $4 billion and the net value of the excess of liabilities assumed from Lehman over assets received. In addition, BBPLC, through BGUS, provided $2.5 billion of subordinated debt to the Company.

The initial accounting for the acquisition has been determined only provisionally by BBPLC and the assets acquired and the liabilities assumed by the Company are based on these provisional amounts, as the contribution is between entities under common control and is required to be at the basis on the date of the transaction. Any revisions to the fair values that result from the conclusion of the acquisition process with respect to assets not yet received by the Company will be recognized as an adjustment to the initial accounting if and when those assets are received by the Company; however any such revisions must be effected within twelve months of the acquisition date. Any increase in value of these assets that result from the conclusion of the acquisition process would be deemed an increase in the value of the capital contribution by BBPLC. The initial valuation of the assets acquired and liabilities assumed is based on an allocation of the purchase price resulted in no goodwill or intangible assets being recognized by BBPLC and therefore none were pushed down to the Company.

The following schedule provides the impact to the consolidated statement of financial condition from the assets that were received and the liabilities that were assumed by the Company, and the increase to capital as a result of the contribution by BBPLC (in millions):

Assets	
Cash equivalents	$2,362
Cash received as capital contribution	4,000
Cash received from issuance of subordinated debt	2,500
Cash, securities and securities purchased under agreements to resell segregated in compliance with federal and other regulations	1,635
Financial instruments owned, at fair value, substantially all of which are pledged to counterparties	39,971
Receivables from brokers, dealers and clearing organizations	3,235

Receivables from customers	2,233
Other assets	951
Total assets	$56,887
Liabilities and Equity	
Securities sold under agreements to repurchase	$45,000
Customer and other payables	4,265
Payables to brokers, dealers and clearing organizations	273
Other liabilities	1,319
Total liabilities	50,857
Subordinated debt	2,500
Equity	
Additional paid-in-capital	3,530
Total liabilities and equity	$56,887

19. REGULATORY REQUIREMENTS

The Company is a registered securities broker-dealer with the Securities and Exchange Commission and a FCM with the Commodity Futures Trading Commission ("CFTC") and, accordingly, is subject to Rule 15c3-1 of the SEC and Rule 1.17 of the CFTC, which specify uniform minimum net capital requirements, as defined. The Company has elected to compute net capital in accordance with the "Alternative Net Capital Requirement" ("ANC") as permitted by Rule 15c3-1, under which the Company is required to maintain tentative net capital, as defined, in excess of $6,000 million and minimum net capital, as defined, of the greater of $500 million or 2% of aggregate debit items. Additionally, the CFTC requires that an FCM maintain capital of the greater of 8% of customer maintenance margin requirements plus 4% of non-customer maintenance margin requirements, as defined, or $500 million. At June 30, 2009, the Company had tentative net capital of $6,385 million and net capital of $4,925 million, which was $4,419 million in excess of the amount required of $506 million.

In accordance with the SEC's No Action Letter dated November 3, 1998, the Company has elected to compute a reserve requirement for PAIB. The PAIB calculation is completed for a correspondent firm that uses the Company as its clearing broker-dealer in order to classify its assets held by the Company as allowable assets in their net capital calculation. At June 30, 2009,

the Company did not have a reserve requirement for PAIB.

In connection with the acquisition of certain assets of Lehman Brothers, the Company was granted temporary permission by the SEC to apply the ANC methodology to compute the net capital requirements of a U.S. broker-dealer under Appendix E of Rule 15c3-1. The Company has submitted its application to the SEC to continue applying the ANC methodology on a permanent basis and is awaiting formal approval of that application.

SENIOR OFFICERS

Gerard S. LaRocca
Chairman and Chief Executive, Americas

Erin Mansfield
President

Martin Kelly
Chief Financial Officer

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