

INTERACTIVE BROKERS LLC AND SUBSIDIARIES
(SEC I.D. No. 8-47257)

SUBSIDIARY OF IBG LLC

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2009
(UNAUDITED)

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Interactive Brokers LLC
Member, Securities Investor Protection Corporation (SIPC)
Two Pickwick Plaza
Greenwich, Connecticut 06830

INTERACTIVE BROKERS LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (UNAUDITED)

As of June 30, 2009

Assets

Cash and cash equivalents	\$	61,810,002
Cash and securities - segregated for regulatory purposes		6,172,548,246
Securities borrowed from an affiliate		947,178,923
Securities purchased under agreements to resell		445,179,996
Deposits with clearing organizations		3,603,373
Other receivables:		
Customers (net of allowance for doubtful accounts of \$16,579,428)		2,218,627,057
Brokers, dealers and clearing organizations		240,419,928
Affiliates		50,508,757
Interest		7,452,757
Other assets		39,775,475
Total assets	\$	<u>10,187,104,514</u>

Liabilities and members' capital

Liabilities:		
Payable to customers	\$	9,041,373,400
Securities loaned to an affiliate		148,104,399
Short-term borrowings		1,951,527
Other payables:		
Brokers, dealers and clearing organizations		56,923,256
Accounts payable, accrued expenses and other liabilities		38,767,450
Affiliates		35,319,813
Interest		2,836,240
		<u>9,325,276,085</u>
Members' capital		<u>861,828,429</u>
Total liabilities and members' capital	\$	<u>10,187,104,514</u>

See accompanying notes to the unaudited consolidated statement of financial condition.

INTERACTIVE BROKERS LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(UNAUDITED)
AS OF JUNE 30, 2009

1. ORGANIZATION AND NATURE OF BUSINESS

Interactive Brokers LLC (“IBLLC”), together with its wholly-owned subsidiaries (the “Company”), a Connecticut limited liability company, is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (“FINRA”) and various securities and commodities exchanges. The Company is also a member of the National Futures Association and a registered Futures Commission Merchant. The Company executes and clears securities and commodities transactions for customers. Certain transactions are cleared through other clearing brokers. Accordingly, the Company carries security accounts for customers and is subject to the requirements of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer-owned assets and reserve requirements. The Company also carries customer commodity accounts and is subject to the segregation requirements pursuant to the Commodity Exchange Act.

The Company’s subsidiary is FutureTrade Technologies LLC (“FTT”), a technology solutions provider to hedge funds and other institutional investors, and its wholly-owned subsidiary, Interactive Brokers Corp. (“IB Corp.”), which is a registered broker-dealer.

The Company is 99.9% owned by IBG LLC (“IBG LLC” or “the Group”). In addition to the Company, the Group is comprised of the following companies: Timber Hill LLC (“THLLC”), Timber Hill Europe AG (“THE”), Timber Hill Securities Hong Kong Limited (“THSHK”), Timber Hill Australia Pty Limited (“THA”), Timber Hill Canada Company (“THC”), Interactive Brokers Canada Inc. (“IBC”), Interactive Brokers (U.K.) Limited (“IBUK”) and Interactive Brokers Securities Japan, Inc. (“IBSJ”), among others..

The Group is consolidated into Interactive Brokers Group, Inc. (“IBG, Inc.”), which first issued shares of common stock in its Initial Public Offering (“IPO”) in May 2007. See Note 7 for additional information regarding the IPO.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

This unaudited consolidated statement of financial condition is presented in U.S. dollars and has been prepared in conformity with the FASB Accounting Standards Codification, which became effective as of July 1, 2009 and applies to all financial statements issued after September 15, 2009. The Codification replaced the previous four level Generally Accepted Accounting Principles (“GAAP”) hierarchy of authoritative accounting and reporting guidance (“Levels A through D”), other than the rules and interpretive releases of the SEC, with two levels, “authoritative” and “non-authoritative”. Authoritative guidance is comprised of literature issued by the FASB and its predecessor organizations, as presented in the Codification. The ASC is comprised of four (4) principal “Areas” - Presentation, Financial Statement Line Items, Broad Transactions and Industry Content. Non-authoritative guidance is comprised of all “non-grandfathered, non-SEC accounting literature” not included in the Codification. The preparation of financial statements in conformity

with the Codification requires management to make estimates and assumptions that affect the reported amounts and disclosures in the unaudited consolidated statement of financial condition and accompanying notes. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ materially from those estimates. Such estimates include the estimated fair value of financial instruments, the estimated useful lives of property and equipment, compensation accruals, allowance for doubtful accounts and estimated contingency reserves.

Fair Value

At June 30, 2009, substantially all of the Company's assets and liabilities, including financial instruments, were carried at fair value based on market prices, as published by exchanges and clearinghouses, or were assets which are short-term in nature and were carried at amounts that approximate fair value.

The Company applies the fair value hierarchy of ASC 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157), to prioritize 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 and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

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

In determining fair value, all financial instruments, except currency forward contracts, which are classified as Level 2 financial instruments, are classified within Level 1 of the fair value hierarchy. Level 1 financial instruments, which are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets, include Canadian government obligations, included in deposits with clearing organizations, in the unaudited consolidated statement of financial condition. Currency forward contracts are classified as Level 2 financial instruments as such instruments are not exchange-traded.

The following tables set forth, by level within the fair value hierarchy, financial instruments owned and financial assets and liabilities at fair value as of June 30, 2009. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Financial Assets, At Fair Value as of June 30, 2009				
	Level 1	Level 2	Level 3	Total
Cash and securities segregated for regulatory purposes	\$407,261,750	\$ -	\$ -	\$407,261,750
Deposits with clearing organizations	2,578,781			2,578,781
Receivables from brokers, dealers and clearing organizations		3,248,241		3,248,241
	<u>\$409,840,531</u>	<u>\$ 3,248,241</u>	<u>\$ -</u>	<u>\$413,088,772</u>

Financial Liabilities, At Fair Value as of June 30, 2009				
	Level 1	Level 2	Level 3	Total
Payables to brokers, dealers and clearing organizations	\$ -	\$ 3,248,241	\$ -	\$ 3,248,241
	<u>\$ -</u>	<u>\$ 3,248,241</u>	<u>\$ -</u>	<u>\$ 3,248,241</u>

Principles of Consolidation

The unaudited consolidated statement of financial condition includes the accounts of the Company and its wholly-owned subsidiaries. The Company's policy is to consolidate all entities of which it owns more than 50% unless it does not have control. All inter-company balances and transactions have been eliminated. The Company would also consolidate any Variable Interest Entities ("VIEs") pursuant to ASC 860, *Transfers and Servicing* and ASC 810 (which incorporate provisions from former FASB Interpretation ("FIN") No. 46(R)) of which it is the primary beneficiary. The Company currently is not the primary beneficiary of any such entities and therefore no VIEs are included in the unaudited consolidated financial statements.

At June 30, 2009, \$5,395,460 of assets and \$2,915,301 of liabilities were attributable to a consolidated subsidiary. The members' capital of this subsidiary was \$2,480,159 at June 30, 2009.

Cash and Cash Equivalents

The Company defines cash equivalents as short-term, highly liquid securities and cash deposits with original maturities of three months or less.

Cash and Securities — Segregated for Regulatory Purposes

The Company is obligated by rules mandated by its primary regulators including the Securities and Exchange Commission ("SEC") and the Commodities Futures Trading Commission ("CFTC") to segregate or set aside cash or qualified securities to satisfy such regulations, which regulations have been promulgated to protect customer assets. In addition, the Company is a member of various clearing organizations at which cash or securities are deposited as required to conduct day-to-day clearance activities. The Company maintains segregated accounts at major money-center banks. At June 30, 2009, the Company had more than 10% of its total cash and securities segregated for regulatory purposes at each of four of these banks.

Securities Borrowed and Securities Loaned

The Company borrows and loans securities in order to facilitate customer settlements. Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to provide the counterparty with collateral which may be in the form of cash, letters of credit, or other securities. With respect to securities

loaned, the Company receives collateral which may be in the form of cash or other securities in an amount generally in excess of the fair value of the securities loaned.

The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as required contractually. Receivables and payables with the same counterparty are not offset in the unaudited consolidated statement of financial condition.

Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are treated as collateralized financing transactions and are carried at contract value plus accrued interest. The Company's policy is to obtain possession of collateral, with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying collateral remains sufficient, this collateral is valued daily with additional collateral obtained or excess collateral returned when appropriate, as required through contractual provisions.

Securities received as collateral consisted of U.S. Treasury Bills and Treasury Notes. In the normal course of business, these securities have been deposited with clearing organizations, and segregated for regulatory purposes.

Financial Instruments

Deposits with Clearing Organizations

Deposits with clearing organizations consist of cash and securities owned by the Company which have been deposited with clearing organizations in the normal course of business. These securities consisted of Canadian Treasury Bills, carried at amortized cost, which approximate fair value. These transactions are recorded on a trade date basis. At June 30, 2009, the Company had \$1,024,592 in cash and \$2,578,781 in Canadian Treasury Bills that were pledged with the Company's clearing organizations.

Currency forward and swap contracts

The Company enters into currency swap contracts for customer funds denominated in foreign currencies to obtain U.S. dollars, with a locked-in rate of return, which are deposited with U.S. banks in order to satisfy regulatory segregation requirements. The Company also executes currency forward and swap contracts on behalf of its affiliates. These transactions are recorded on a trade date basis at fair value based on quoted market prices. A currency forward contract is an agreement to exchange a fixed amount of one currency for a specified amount of a second currency at a specified future date. A currency swap contract is an agreement to exchange a fixed amount of one currency for a specified amount of a second currency at the outset and in reverse at completion of the swap term. Interest rate differences between currencies are captured in the contractual swap rates. The fair value of the Company's open currency forward contracts at June 30, 2009 were \$3,172,743 and \$4,968,870, which represent mark-to-market gains and losses on currency forward contracts, respectively.

Foreign Currency Translation

Foreign currency denominated assets and liabilities are translated into U.S. Dollars at the period-end exchange rates. Foreign currency denominated revenues and expenses are translated at the exchange rates in effect at the transaction dates.

Customer Receivables and Payables

Customer securities transactions are recorded on a settlement date basis and customer commodities transactions are recorded on a trade date basis. Receivables from and payables to customers include amounts due on cash and margin transactions, including futures contracts transacted on behalf of the Company's customers. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected on the unaudited consolidated statement of financial condition.

Receivables from institutional non-cleared customers and payables for execution and clearing fees and expenses are recorded as fees receivables and fees payable, which are included in other assets and accounts payable, accrued expenses and other liabilities on the unaudited consolidated statement of financial condition, respectively.

Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables from brokers, dealers and clearing organizations include amounts receivable for securities not delivered by the Company to the purchaser by the settlement date ("fails-to-deliver") and margin deposits. Payables to brokers, dealers and clearing organizations include amounts payable for securities not received by the Company from a seller by the settlement date ("fails-to-receive"). Receivables and payables to brokers, dealers and clearing organizations also include amounts related to futures contracts executed on behalf of the Company's customers.

Stock-Based Compensation

The Company follows ASC 718, *Compensation – Stock Compensation* (formerly SFAS No. 123(R)), to account for its stock-based compensation plans. ASC 718 requires all share-based payments to employees to be recognized in the financial statements using a fair value-based method. As a result, the Company expenses the fair value of stock granted to employees over the related vesting period.

Goodwill and Intangible Assets

In connection with the Company's acquisition of FutureTrade Technologies LLC, the Company recorded goodwill and other intangible assets. A judgmental aspect of accounting for goodwill and intangible assets is whether an impairment in the asset has been sustained. As of June 30, 2009 these assets were not impaired. The Company performs an annual evaluation for impairment. At June 30, 2009, intangible assets of \$248,085 and goodwill of \$551,048 were included in other assets on the unaudited consolidated statement of financial condition.

Property, Equipment and Software Costs

Property, equipment and software consist primarily of technology hardware, software, internally developed software and leasehold improvements. Property and equipment are reported at historical cost, net of accumulated depreciation and amortization. Depreciation and amortization

are computed using the straight-line method. Equipment is depreciated over the estimated useful lives of the assets, while leasehold improvements are amortized over the lesser of the estimated economic useful life of the asset or the term of the lease. Computer equipment is depreciated over three to five years and office furniture and equipment are depreciated over five to seven years. Qualifying costs for internally developed software are capitalized and amortized over the expected useful life of the developed software, not to exceed three years.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* (which incorporates formerly SFAS No. 109 and FIN No. 48), “Income Taxes,” which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of assets and liabilities, including the accounting for uncertainty of income tax positions recognized in financial statements, prescribing a “more likely than not” threshold and measurement attribute for recognition in the financial statements of an asset or liability resulting from a tax position taken or expected to be taken in an income tax return. As of June 30, 2009, no new income tax assets or liabilities have been recognized.

The Company operates in the United States as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. Accordingly, the Company’s income is not subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, which SFAS is now a sub-topic within ASC 805, *Business Combinations*. ASC 805-10 replaced SFAS No. 141, mandating changes in the accounting for business combinations most notably that changes in purchase price allocations, if made, are required to be applied retrospectively, whereas under SFAS No. 141, such changes were applied prospectively. ASC 805-10 was effective for an entity’s fiscal year beginning after December 15, 2008, and early adoption was not permitted. The Company cannot anticipate whether ASC 805-10 will have a material effect on its unaudited consolidated statement of financial condition as such effect would be solely dependent on whether or when the Company enters into business combinations in the future and the terms of such transactions.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*, which SFAS is now a sub-topic within ASC 815, *Derivatives and Hedging*. ASC 815-10 requires enhanced disclosures about an entity’s derivative and hedging activities, and is effective for financial statements issued for fiscal years beginning after November 2008. Adoption of ASC 815-10 did not have a material effect on our unaudited consolidated statement of financial condition.

In November 2008, the SEC issued its “Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers” (“IFRS Roadmap”). The IFRS Roadmap would require SEC registrants to prepare their financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board in 2014. IFRS is increasingly being applied by financial statement preparers in countries outside the U.S. One of the stated purposes of the IFRS Roadmap is that adopting IFRS will provide a global set of high-quality accounting standards so that U.S. investors would have an enhanced ability to compare financial information of U.S.

companies with that of non-U.S. Companies. In issuing the IFRS Roadmap, the SEC stated that, in 2011, it will determine whether to proceed with rulemaking to require the use of IFRS by U.S. registrants beginning in 2014. Management is assessing the potential impact of adopting IFRS on the Company's unaudited consolidated statement of financial condition.

ASC 855, *Subsequent Events* (formerly SFAS No. 165), was issued in May 2009, effective for interim and annual periods ending after June 15, 2009 and extends disclosure requirements of subsequent events to include the date through which subsequent events have been evaluated for adjustment to or disclosure in financial statements and the basis for that date. The date to be used will represent either the date the financial statements were "issued" or the date such financial statements were "available to be issued". ASC 855 defines "issued" as the date when financial statements are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with the Codification and defines "available to be issued" as financial statements that are complete in a form and format that complies with the Codification and all approvals necessary for issuance have been obtained. As an SEC registrant, the Company is required to evaluate subsequent events through the date its financial statements are issued. Adoption of ASC 855 for the period ended June 30, 2009 did not have a material effect on the Company's unaudited consolidated statement of financial condition.

ASC 860, *Transfers and Servicing*, incorporates former SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB No. 140*, which was issued in June 2009 and will be effective for interim and annual periods beginning after January 1, 2010. These pending provisions of ASC 860 will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. The concept of a "qualifying special-purpose entity" ("SPE") is eliminated under these pending provisions of ASC 860, which also changes the requirements for derecognizing financial assets and requires additional disclosures. Management is assessing the potential impact of adopting these pending provisions of ASC 860 on the Company's unaudited consolidated statement of financial condition.

ASC 810, *Consolidations*, incorporates former SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*. These pending provisions of ASC 810 revise former FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities*, and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) and therefore should be consolidated. Consolidation of Variable Interest Entities ("VIE's") would be based on the target entity's purpose and design as well as the reporting entity's ability to direct the target's activities, among other criteria. SFAS No. 167 was issued in June 2009 and will be effective for interim and annual periods beginning after January 1, 2010. Management is assessing the potential impact of adopting these pending provisions of ASC 810 on the Company's unaudited consolidated statement of financial condition.

3. BROKERAGE ACTIVITIES AND RELATED RISKS

Brokerage activities expose the Company to credit risks. These risks are managed in accordance with established risk management policies and procedures adopted by the Company. Management has established a risk management process that includes:

- A regular review of the risk management process by the executive management as part of their oversight role;

- Defined risk management policies and procedures supported by a rigorous analytic framework; and
- Articulated risk tolerance levels as defined by executive management that are regularly reviewed to ensure that the Company's risk-taking is consistent with its business strategy, capital structure, and current and anticipated market conditions.

Credit Risk

The Company is exposed to risk of loss if a counterparty or issuer fails to perform its obligations under contractual terms (“default risk”). Both cash instruments and derivatives expose the Company to default risk. The Company has established policies and procedures for reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Company executes, settles and finances various customer securities transactions. Execution of these transactions includes the purchase and sale of securities by the Company that exposes the Company to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to other customers or counterparties. The Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were purchased, and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, the Company may purchase the underlying security in the market and seek reimbursement for losses from the counterparty.

The Company enters into securities purchased under agreements to resell and securities sold under agreements to repurchase transactions (“repos”) in addition to securities borrowing and lending arrangements, all of which may result in credit exposure in the event the counterparty to a transaction is unable to fulfill its contractual obligations. In accordance with industry practice, repos are collateralized by securities with a market value in excess of the obligation under the contract. Similarly, securities borrowed and loaned agreements are collateralized by deposits of cash. The Company attempts to minimize credit risk associated with these activities by monitoring collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Company when deemed necessary.

Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. Financial instruments include non-U.S. dollar currency balances and currency forward contracts. Currency forward contracts are agreements to exchange future payments in one currency for payments in another currency. These agreements are used to effectively convert assets or liabilities denominated in different currencies. The Company uses currency forward contracts to manage the levels of its non-U.S. dollar currency balances to hedge its global exposure.

Concentrations of Credit Risk

The Company's exposure to credit risk associated with its brokerage and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions. As of June 30, 2009, the Company did not have any concentrations of credit risk.

4. SEGREGATION OF FUNDS AND RESERVE REQUIREMENTS

As a result of customer activities, IBLLC is obligated by rules mandated by its primary regulators, the SEC and the CFTC to segregate or set aside cash or qualified securities to satisfy such rules which have been promulgated to protect customer assets. In addition, the IBLLC is a member of various clearing organizations at which cash or securities are deposited as required to conduct of day-to-day clearance activities.

In accordance with the Securities Exchange Act of 1934, IBLLC is required to maintain a separate bank account for the exclusive benefit of customers. At June 30, 2009, IBLLC held cash and securities of \$5,887,912,986 and securities purchased under agreements to resell of \$112,686,592 to satisfy this requirement.

During the year ended June 30, 2009, IBLLC performed the computations for the assets in the proprietary accounts of its introducing brokers (commonly referred to as "PAIB") in accordance with the customer reserve computation set forth under SEC Rule 15c3-3 (Customer Protection). At June 30, 2009, IBLLC had segregated \$2,000,187 of cash and securities.

In accordance with the Commodity Exchange Act, IBLLC is required to segregate all monies, securities and property received to margin and to guarantee or secure the trades or contracts of customers in regulated commodities. At June 30, 2009, IBLLC had cash and commodities of \$264,273,768, securities purchased under agreements to resell with a market value of \$247,464,580, payables to brokers, dealers and clearing organizations of (\$5,802,810) and commodities option contracts with net short market value of (\$17,453,133) segregated to satisfy this requirement. At June 30, 2009, the net market values of long and short commodity option contracts are included in payables to brokers, dealers and clearing organizations.

In accordance with CFTC regulation 30.7, IBLLC is required to secure all monies, securities and property received to margin and to guarantee or secure the trades or contracts of customers on foreign boards of trade. At June 30, 2009, IBLLC had cash and securities in the amount of \$16,380,263 and receivables from brokers, dealers and clearing organizations of \$158,176,971 segregated to satisfy this requirement.

Pursuant to the requirements of subparagraph (k)(2)(i) of SEC Rule 15c3-3, IB Corp. has established a special cash account for the exclusive benefit of certain of its customers to fund and pay amounts collected for the payment of expenses on behalf of such customers. At June 30, 2009, \$1,211,042 was segregated to satisfy this requirement.

5. NET CAPITAL REQUIREMENTS

IBLLC is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. IBLLC has elected to use the alternative method permitted by the rule, which requires that IBLLC maintain minimum net capital, as defined, equal to the greater of \$500,000 or 2% of aggregate debit balances arising from customer transactions, as defined. IBLLC is also subject to the CFTC's minimum financial requirements (Regulation 1.17), which require that IBLLC maintain minimum net capital, as defined, the greater of \$5,000,000 or 8% of the total risk margin requirement for all positions carried in customer accounts plus 4% of the total risk margin requirement for all positions carried in non-customer accounts. The Uniform Net Capital Rule also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debits. At June 30, 2009, IBLLC had net capital of \$696,556,790, which was \$636,761,815 in excess of required net capital of \$59,794,975.

IB Corp., a wholly-owned subsidiary of IBLLC, is subject to the regulatory requirements promulgated by the SEC and other regulatory and exchange authorities. Net capital and excess net capital at June 30, 2009 as defined by these regulatory authorities were \$1,458,944 and \$1,208,944, respectively.

6. RELATED PARTY TRANSACTIONS

IBLLC, IBUK and IBC are registered broker-dealers in the US, Great Britain and Canada, respectively, and engage in execution and clearing securities services for customers and affiliates. THLLC, THE, THC, THA and THSHK are registered securities dealers in US, Switzerland, Canada, Australia and Hong Kong, respectively, and trade on a proprietary basis. IBG LLC is the holding company for the group of operating companies. These companies share administrative, financial and technological resources, as well as engage in security transactions such as trade execution in the ordinary course of business with the Company.

Included in assets in the unaudited consolidated statement of financial condition were the following amounts with related parties at June 30, 2009:

Securities borrowed from an affiliate	\$947,178,923
Receivable from brokers, dealers and clearing organizations:	
Receivable from brokers and dealers	175,314,191
Mark-to-market gain on cross-currency swaps	3,248,241
Receivable from customers - director, officer and affiliates account balances	28,511,921
Receivable from affiliates:	
Loan receivable - unsecured demand note	50,000,000
Advances receivable	507,181
Other	1,576
	<hr/>
	50,508,757
Interest receivable	126,249

Included in liabilities in the unaudited consolidated statement of financial condition were the following amounts with related parties at June 30, 2009:

Securities loaned to an affiliate	\$148,104,399
Payable to customers - director, officer and affiliates account balances	153,423,417
Payable to affiliates:	
Employee incentive plans payable	15,709,682
Advances payable	9,401,558
Consulting fee payable	5,277,732
Administrative fee payable	2,592,993
Brokerage fee payable	1,913,580
Rent payable	412,978
Other	11,290
	<hr/>
	35,319,813
Interest payable	2,062,985

7. DEFINED CONTRIBUTION AND EMPLOYEE INCENTIVE PLANS

Defined Contribution Plan

The Group offers substantially all employees of U.S.-based operating companies who have met minimum service requirements the opportunity to participate in a defined contribution retirement plan qualifying under the provisions of Section 401(k) of the Internal Revenue Code. The general purpose of this plan is to provide employees with an incentive to make regular savings in order to provide additional financial security during retirement. The plan provides for the Company to match 50% of the employees' pretax contribution, up to a maximum of 10% of eligible earnings. The employee is vested in the matching contribution incrementally over six years.

Employee Incentive Plans

See Note 8 for information regarding changes to the Group's employee incentive plans and the adoption of new plans by IBG, Inc. in connection with its IPO.

Return on Investment Dollar Units ("ROI Dollar Units")

Between 1998 and 2006, IBG LLC granted all non-member employees ROI Dollar Units, which are redeemable under the amended provisions of the plan, and in accordance with regulations issued by the Internal Revenue Service (Section 409A of the Internal Revenue Code). Upon redemption, the grantee is entitled to accumulated earnings on the face value of the certificate, but not the actual face value. For grants made in 1998 and 1999, grantees may redeem the ROI Dollar Units after vesting on the fifth anniversary of the date of their grant and prior to the tenth anniversary of the date of their grant. For grants made between January 1, 2000 and January 1, 2005, grantees must elect to redeem the ROI Dollar Units upon the fifth, seventh or tenth anniversary date. These ROI Dollar Units will vest upon the fifth anniversary of the date of their grant and will continue to accumulate earnings until the elected redemption date. For grants made on or after January 1, 2006, all ROI Dollar Units shall vest on the fifth anniversary date of their grant and will be automatically redeemed. Subsequent to the IPO, no additional ROI Dollar Units

have been or will be granted, and non-cash compensation to employees will consist primarily of grants of shares of Common Stock as described below under “2007 Stock Incentive Plan.”

As of June 30, 2009, payables to employees of the Company for ROI Dollar Units were \$5,806,953, of which \$2,620,717 were vested. These amounts are included in accounts payable, accrued expenses and other liabilities in the unaudited consolidated statement of financial condition.

Employee Incentive Plans

IBG, Inc. currently has an approximate 10.5% member interest in IBG LLC, is the sole managing member of IBG LLC and consolidates IBG LLC’s financial results into its financial statements. IBG Holdings LLC, a Delaware limited liability company, owns the remaining 89.5%. Under the provisions of an exchange agreement, IBG, Inc. expects to acquire over time the remaining member interests in IBG LLC that it does not own. The primary manner in which the acquisition of member interests is expected to be paid is from the proceeds from sales of additional shares of IBG, Inc. Class A Common Stock (“Common Stock”). 360 million shares of authorized Common Stock have been reserved for such future sales.

In connection with the IPO, IBG, Inc. adopted the 2007 Stock Incentive Plan and the 2007 ROI Unit Stock Plan, each of which is discussed below.

2007 Stock Incentive Plan

Under the Interactive Brokers Group, Inc. 2007 Stock Incentive Plan (the “Stock Incentive Plan”), up to 9.2 million shares of Common Stock may be granted and issued to directors, officers, employees, contractors and consultants of IBG, Inc. and its subsidiaries. The purpose of the Stock Incentive Plan is to promote IBG, Inc.’s long-term financial success by attracting, retaining and rewarding talented employees.

The Stock Incentive Plan is administered by the Compensation Committee of IBG, Inc.’s board of directors. The Compensation Committee has discretionary authority to determine which employees are eligible to participate in the Stock Incentive Plan. The Compensation Committee establishes the terms and conditions of the awards under the Stock Incentive Plan, including the number of awards offered to each employee and all other terms and conditions applicable to such awards in individual grant agreements. Awards are expected to be made primarily through grants of Common Stock. The Stock Incentive Plan will provide that awards will be subject to issuance over time and may be forfeited upon an employee's termination of employment or violation of certain applicable covenants prior to issuance, unless determined otherwise by the Compensation Committee.

The Stock Incentive Plan provides that, upon a change in control, the Compensation Committee may, at its discretion, fully vest any granted but unissued shares of Common Stock awarded under the Stock Incentive Plan, or provide that any such granted but unissued shares of Common Stock will be honored or assumed, or new rights substituted therefore by the new employer on a substantially similar basis and on terms and conditions substantially comparable to those of the Stock Incentive Plan.

IBG, Inc. granted awards in connection with the IPO and is expected to continue to grant awards on or about January 1 of each year to specific employees as part of an overall plan of equity compensation. Shares of restricted Common Stock granted to employees of the Company at the time of the IPO have been or will be issued in accordance with the following schedule:

- 10% on the date of the IPO; and
- an additional 15% on each of the first six anniversaries of the date of the IPO, assuming continued employment with Group companies and compliance with non-competition and other applicable covenants.

On May 9, 2009, 94,433 shares of Class A common stock, with a total fair value of approximately \$1.5 million, were distributed to employees pursuant to the Stock Incentive Plan. There were no forfeitures for the six months ended June 30, 2009 under this plan.

2007 ROI Unit Stock Plan

Certain employees of the Company currently hold ROI Dollar Units (as described in Note 7) that entitle each holder thereof to accumulated earnings on the face value of the certificate representing his or her ROI Dollar Units. In connection with the IPO, ROI Dollar Units were, at the employee's option, redeemable for cash as currently provided for under the current ROI Dollar Unit plan, or the accumulated earnings attributable to the ROI Dollar Units as of December 31, 2006 may have been elected to be invested in shares of Common Stock pursuant to the Interactive Brokers Group, Inc. 2007 ROI Unit Stock Plan (the "ROI Unit Stock Plan"). 193,873 shares of restricted Common Stock to be issued to employees of the Company under the ROI Unit Stock Plan have been or will be distributed in accordance with the following schedule, subject to the conditions below:

- 10% on the date of the IPO (or on the first anniversary of the IPO, in the case of U.S. ROI Unit holders who made the above-referenced elections after December 31, 2006); and
- an additional 15% on each of the first six anniversaries of the date of the IPO (or on each of the next six anniversaries of the date of the IPO, in the case of U.S. ROI Unit holders who made the above-referenced elections after December 31, 2006), assuming continued employment with IBG, Inc. and compliance with other applicable covenants.

Shares, granted under the 2007 ROI Unit Stock Plan and the Stock Incentive Plan, are subject to forfeiture in the event an employee ceases employment with the Company. The plans provide that employees who discontinue employment with the Company without cause and continue to meet the terms of the plans' post-employment provisions will forfeit 50% of unvested previously granted shares unless the employee is over the age of 59, in which case the employee would be eligible to receive 100% of unvested shares previously granted. Distributions of remaining shares to former employees will occur on or about the calendar quarter end following the anniversary of the discontinuation of employment over a five (5) year vesting schedule, 12.5% in each of the first four years and 50% in the fifth year.

On May 9, 2009, 29,481 shares of Class A common stock, with a total fair value of approximately \$0.5 million, were distributed to employees pursuant to the 2007 ROI Unit Stock There were no forfeitures for the six months ended June 30, 2009 under this plan.

8. PROPERTY AND EQUIPMENT

Property and equipment which are included in other assets in the unaudited consolidated statement of financial condition and are comprised of leasehold improvements, computer hardware, software

developed for the Group's internal use and office furniture and equipment, at June 30, 2009 consisted of:

Leasehold improvements	\$14,164,228
Computer equipment	7,197,820
Internally developed software	6,117,193
Office furniture and equipment	460,412
	<u>27,939,653</u>
Less - accumulated depreciation and amortization	(9,293,055)
Property and equipment, net	<u><u>\$18,646,598</u></u>

9. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Litigation

The Company is subject to certain pending and threatened legal actions which arise out of the normal course of business. As of June 30, 2009, the Company has been named party to various to legal actions. The Company intends to vigorously defend these actions as necessary. Litigation is inherently unpredictable, particularly in proceedings where claimants seek substantial or indeterminate damages, or which are in their early stages. The Company cannot predict with certainty the actual loss or range of loss related to such legal proceedings, the manner in which they will be resolved, the timing of final resolution or the ultimate settlement. In the opinion of management, after consultation with counsel, the resolution of all ongoing legal proceedings will not have a material adverse effect on the Company's unaudited consolidated statement of financial condition. Contingency reserves have been established in accordance ASC 450, *Contingencies* (formerly SFAS No. 5). Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change.

Guarantees

The Company provides guarantees to securities and futures clearinghouses and exchanges which meet the accounting definition of a guarantee ASC 460, *Guarantees* (formerly FIN No. 45). Under the standard membership agreement, members are required to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. In the opinion of management, the Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried in the unaudited consolidated statement of financial condition for these arrangements.

In connection with its retail brokerage business, the Company performs securities and commodities execution, clearance and settlement on behalf of its customers for whom it commits to settle trades submitted by such customers with the respective clearing houses. If a customer fails to fulfill its obligation, the Company must fulfill the customer's obligation with the trade counterparty.

The Company is fully secured by assets in customers' accounts and any proceeds received from securities and commodities transactions entered into by the Company on behalf of customers. No

contingent liability is carried on the unaudited consolidated statement of financial condition for these fully collateralized transactions.

Leases

Directly and through affiliates, the Company has non-cancelable operating leases covering office space with terms through January 2019, with renewal options through January 2026. Office leases are subject to escalation clauses based on specified costs incurred by the landlord and contains a renewal election.

The Company's proportionate share of minimum future rental payment commitments, inclusive of amounts allocated by affiliates, is as follows:

2009	\$2,157,643
2010	4,393,773
2011	4,392,852
2012	3,906,160
2013	3,944,139
2014 and thereafter	<u>8,162,615</u>
	<u>\$26,957,182</u>

10. COLLATERAL

The Company enters into repurchase and resale agreements and secured borrowing and lending transactions to obtain securities for settlement, to meet customers' needs and to earn residual interest rate spreads.

Under these agreements and transactions, the Company either receives or provides collateral, including U.S. Government, corporate debt, equity and non-U.S. government securities. The Company receives collateral in connection with resale agreements, securities borrowing transactions, customer margin loans, and other loans. Under many agreements the Company is permitted to sell or repledge the securities received as collateral and use these securities to secure repurchase agreements, enter into securities lending transactions or deliver to counterparties to cover short positions. At June 30, 2009, the fair value of securities received as collateral, where the Company is permitted to sell or repledge the securities was \$4,458,544,187, consisting of \$3,098,771,018 from customers, \$445,308,382 from securities purchased under agreements to resell and \$914,464,787 from securities borrowed. The fair value of these securities that had been sold or repledged was \$1,227,173,392, of which \$112,686,542 was deposited in a separate bank account for the exclusive benefit of customers in accordance with SEC Rule 15c3-3.

The Company has pledged certain firm-owned assets which are included in securities deposited with clearing organizations. The fair value at June 30, 2009 of such securities that have been pledged, where the counterparty has the right to repledge, was \$2,578,781 which consisted of Canadian Treasury Bills.
