

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

SUBSIDIARY OF IBG LLC

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
AS OF JUNE 30, 2008  
(UNAUDITED)

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

# INTERACTIVE BROKERS LLC

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(UNAUDITED)

As of June 30, 2008

### Assets

Cash and cash equivalents	\$	110,319,656
Cash and securities - segregated for regulatory purposes		5,243,834,014
Securities borrowed from affiliates		737,995,123
Securities deposited with clearing organizations		100,398,210
Other receivables:		
Customers (net of allowance for doubtful accounts of \$3,613,632)		2,485,012,456
Brokers, dealers and clearing organizations		217,474,519
Affiliates		50,075,126
Interest		14,542,553
Other assets		46,875,051
Total assets	\$	<u>9,006,526,708</u>

### Liabilities and members' capital

Liabilities:		
Payable to customers	\$	7,676,892,622
Securities loaned to an affiliate		454,925,397
Other payables:		
Brokers, dealers and clearing organizations		144,223,589
Accounts payable, accrued expenses and other liabilities		44,039,595
Affiliates		23,373,145
Interest		11,770,110
Members' capital		<u>651,302,250</u>
Total liabilities and members' capital	\$	<u>9,006,526,708</u>

See accompanying notes to unaudited consolidated statement of financial condition.

**INTERACTIVE BROKERS LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**(UNAUDITED)**  
**AS OF JUNE 30, 2008**

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**1. ORGANIZATION AND NATURE OF BUSINESS**

Interactive Brokers LLC and 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 various securities and commodities exchanges and the Financial Industry Regulatory Authority (“FINRA”). 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 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”), Interactive Brokers (India) Private Limited (“IBI”), Interactive Brokers Hungary Kft (“IBH”) and IB Exchange Corp. (“IBEC”). The Company directly owns FutureTrade Technologies, LLC (“FTT”), and its wholly-owned subsidiary, FutureTrade Securities, LLC (“FTS”), which is an SEC registered broker-dealer.

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. In connection with the IPO, IBG, Inc. purchased 10.0% of the membership interests in IBG LLC, our parent company, became the sole managing member of IBG LLC and began to consolidate IBG LLC’s financial results into its consolidated financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The unaudited consolidated statement of financial condition is presented in U.S. dollars and has been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of unaudited consolidated statement of financial condition in conformity with U.S. GAAP 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***

The Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements” as of January 1, 2008. 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 and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under SFAS No. 157 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, the Company groups all securities deposited with clearing organizations and securities segregated for regulatory purposes into a single category of instruments classified within Level 1 of the fair value hierarchy because these instruments are valued using quoted market prices, as published by exchanges and clearing houses or otherwise broadly distributed in active markets. The financial instruments are comprised of U.S. and Canadian government obligations. Securities segregated for regulatory purposes include mutual funds, trust deposits and U.S. government obligations. The Company does not adjust quoted prices for such instruments, even in the event that the Company may hold a large position whereby a purchase or sale could reasonably impact quoted prices.

The Company also adopted SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115” as of January 1, 2008. SFAS No. 159 permits entities to choose, at specified election dates, to measure any financial instruments and certain other items at fair value that are not currently required to be measured at fair value. At adoption, the Company had no assets or liabilities for which it elected the fair value option.

### ***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. Pursuant to the revised Financial Accounting Standards Board (“FASB”) Interpretation (“FIN”) No. 46, “Consolidation of Variable Interest Entities,” the Company would also consolidate any Variable Interest Entities (“VIEs”) of which it is the primary beneficiary. At June 30, 2008, the Company does not have any interests in VIEs.

At June 30, 2008, \$15,015,986 of assets, \$3,921,922 of liabilities were attributable to a consolidated subsidiary. The members' capital of this subsidiary was \$11,094,064 at June 30, 2008.

### ***Cash and Cash Equivalents***

The Company defines cash and 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***

As a result of activities with customers, 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.

### ***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.

### ***Financial Instruments***

#### ***Securities Deposited with Clearing Organization***

Securities deposited with clearing organizations consist of securities owned by the Company which have been deposited with clearing organizations in the normal course of business. These securities consisted of U.S. and Canadian Treasury Bills, carried at amortized cost, which approximate fair value. These transactions are recorded on a trade date basis. At June 30, 2008, the Company had \$98,147,054 in U.S. Treasury Bills and \$2,151,156 in Canadian Treasury Bills that were pledged with the Company's clearing organizations.

#### ***Cross-Currency Swap Transactions***

The Company enters into cross-currency swap transactions for customer funds denominated in foreign currencies to obtain U.S. dollars, with a locked-in rate of return, to make bank deposits denominated in U.S. dollars to satisfy regulatory segregation requirements. The Company also executes cross-currency swap transactions on behalf of its affiliates. These transactions are recorded on a trade date basis at fair value based on quoted market prices. A

cross-currency swap is an agreement to exchange a fixed amount of one currency for a specified amount of a second currency at the outset and at completion of the swap term. Interest rate differences, between currencies, are captured in the contractual swap rates.

### ***Foreign Currency Translation***

Foreign currency denominated assets and liabilities are translated into U.S. Dollars at the period-end exchange rates.

### ***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. Customer receivables are presented net of allowance for doubtful accounts. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected on the unaudited consolidated statement of financial condition.

The Company charges its customers fees and commissions at predetermined rates for executing and clearing customer transactions. Related receivables from institutional non-cleared customers are recorded as fees receivable which are included in other assets on the unaudited consolidated statement of financial condition.

### ***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.

### ***Goodwill and Intangible Assets***

In connection with the Company's acquisition of FTT, 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, 2008 these assets were not impaired. The Company will perform an annual evaluation for impairment. At June 30, 2008, intangible assets of \$7,993,050 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. Total property, equipment and software costs of \$15,389,349, net of accumulated depreciation and amortization of \$13,995,344, was included in other assets at June 30, 2008.

### ***Recently Issued Accounting Pronouncements***

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" SFAS No. 141(R) replaces 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. SFAS No. 141(R) is effective for an entity's fiscal year beginning after December 15, 2008, and early adoption is not permitted. Adoption of SFAS No. 141(R) is not expected to have a material effect on the Company's unaudited consolidated statement of financial condition.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51." SFAS No. 160 requires non-controlling ("minority") interests in a reporting entity to be reported as a component of the entity's stockholder's equity. SFAS No. 160 is effective for an entity's fiscal year beginning after December 15, 2008, and early adoption is not permitted. Adoption of SFAS No. 160 is not expected to have a material effect on the Company's unaudited consolidated statement of financial condition.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 161 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 SFAS No. 161 is not expected to have a material effect on the Company's unaudited consolidated statement of financial condition.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities in accordance with U.S. GAAP. This Statement will be effective 60 days following the SEC's 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." Adoption of SFAS No. 162 is not expected to have a material effect on 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. To accomplish this, 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.

### ***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, 2008, the Company did not have any concentrations of credit risk.



#### **4. SEGREGATION OF FUNDS AND RESERVE REQUIREMENTS**

As a result of customer activities, Interactive Brokers LLC (“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, 2008, IBLLC held cash and securities segregated for the benefit of customers in the amount of \$4,771,585,468 to satisfy this requirement.

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, 2008, cash and securities in the amount of \$462,723,580 were segregated.

In accordance with CFTC regulation 30.7, IBLLC is required to segregate 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, 2008, cash and securities in the amount of \$117,041,618 were segregated.

Included in the segregation amounts for commodities are the net market values of long and short commodity option contracts of (\$54,128,858), as well as other allowed receivables. At June 30, 2008, these amounts are included in receivables from brokers, dealers and clearing organizations and in payables to brokers, dealers and clearing organizations.

#### **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 lesser of \$1,000,000 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, 2008, IBLLC had net capital of \$483,305,949, which was \$421,307,913 in excess of required net capital of \$61,998,036.

FTS, a wholly-owned subsidiary of IBLLC, is subject to the regulatory requirements promulgated by the SEC or other regulatory and exchange authorities. Net capital and excess net capital at June 30, 2008 as defined by these regulatory authorities was \$2,866,820 and \$2,616,820, respectively.

#### **6. RELATED PARTY TRANSACTIONS**

IBLLC, IBUK and IBC are registered broker-dealers in the U.S., 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 U.S., 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, 2008:

Securities borrowed from affiliates	\$ 737,995,123
Receivable from brokers, dealers	100,788,294
Interest receivable	785,884
Receivable from affiliates:	
Loan receivable - unsecured demand note	50,000,000
Advances receivable	72,158
Brokerage fee receivable	2,968

Included in liabilities in the unaudited consolidated statement of financial condition were the following amounts with related parties at June 30, 2008:

Payable to customers - director and officer account balances	\$ 259,432,865
Securities loaned to an affiliate	454,925,397
Payable to brokers, dealers	5,139,936
Interest payable	860,450
Payable to affiliates:	
Employee incentive plans payable	10,182,146
Consulting fee payable	5,278,715
Brokerage fee payable	3,285,758
Administrative fee payable	3,188,650
Advances payable	1,437,875

## 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***

### ***Return on Investment Dollar Units (“ROI Dollar Units”)***

From 1998 through January 1, 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 IBG, Inc. IPO, no additional ROI Dollar Units 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, 2008, payables to employees for ROI Dollar Units were \$6,433,359, of which \$1,312,545 was vested. These amounts are included in accounts payable, accrued expenses and other liabilities on the unaudited consolidated statement of financial condition.

### ***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 eligible participants.

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.

The shares of IBG, Inc. Common Stock granted at the time of the IPO were issued to IBG LLC and were distributed or will be distributable to employees 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.

### ***2007 ROI Unit Stock Plan***

Certain employees of the Company currently hold ROI Dollar Units 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").

The shares 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 the anniversary of the IPO following 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, 2008, 82,242 shares of Class A common stock, with a total grant date fair value of approximately \$2.5 million were distributed to employees pursuant to the 2007 ROI Unit Stock Plan and the Stock Incentive Plan. As provided for under the terms of the plans, certain employees elected to sell, and the Company facilitated the sale of, 23,691 of the distributed shares to meet the employees' personal income tax withholding obligations arising from this share distribution.

## 8. 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, 2008, 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 unaudited consolidated statement of financial condition, results of operations or cash flows of the Company. Contingency reserves have been established in accordance with SFAS No. 5, "Accounting for Contingencies". 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 under FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." 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*

The Company has a non-cancelable operating lease covering office space, through its subsidiary, that expires in January 2012.

Minimum future rental payment commitments are as follows:

2008	\$ 266,945
2009	571,050
2010	588,676
2011	556,443
2012	35,450
	<u>\$ 2,018,564</u>

## 9. 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, 2008, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was \$4,191,620,967, consisting of \$3,475,692,835 from customers and \$715,928,132 from securities borrowed. The fair value of these securities that had been sold or repledged was \$1,147,289,283.

The Company has pledged certain firm-owned assets which are included in securities deposited with clearing organizations. The fair value at June 30, 2008 of such securities that have been pledged, where the counter has the right to repledge, was \$100,398,210 which consisted of U.S. and Canadian Treasury Bills.

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