MERRILL LYNCH PROFESSIONAL CLEARING CORP.
<u>(S.E.C. I.D. No. 8-33359)</u>

BALANCE SHEET
AS OF JUNE 30, 2009
(UNAUDITED)

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MEMBERS
NEW YORK STOCK EXCHANGE, INC.
AND OTHER PRINCIPAL U.S. EXCHANGES

222 BROADWAY, NEW YORK, NY, 10038

A Guaranteed Subsidiary of
Merrill Lynch, Pierce, Fenner & Smith Incorporated

MERRILL LYNCH PROFESSIONAL CLEARING CORP.

BALANCE SHEET AS OF JUNE 30, 2009 (UNAUDITED)

(Dollars in Thousands, Except Share and Per Share Amounts)

ASSETS		
Cash and cash equivalents		$ 2,237
Cash and securities segregated for regulatory purposes or deposited with clearing organizations		41,005
Securities financing transactions:		
Receivables under resale agreements	5,028,392	
Receivables under securities borrowed transactions	3,278	
		5,031,670
Trading assets, at fair value (includes securities pledged as collateral that can be sold or repledged of $157,122)		
Derivative contracts	320,522	
Equities	170,162	
		490,684
Receivables from affiliated companies		5,365,326
Other receivables:		
Customer and non-customer balances	3,676,771	
Brokers and dealers	183,454	
Interest and other	289	
		3,860,514
Loans receivable		81,134
Exchange memberships, at cost		32,131
Equipment and facilities— (net of accumulated depreciation and amortization of $23,213)		3,685
Other assets		61,009
Total Assets		$14,969,395

LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Trading liabilities, at fair value		
Derivative contracts	$ 226,101	
Equities	492,632	
		718,733
Payables to affiliated companies		395,196
Other payables:		
Customer and non-customer balances	11,382,979	
Brokers and dealers	26,980	
Interest and other	21,057	
		11,431,016
Other liabilities		208,667
Stockholders' Equity:		
Preferred stock, $1,000 liquidation preference per share; par value $1 per share; 10,000 shares authorized; 2,485 shares issued and outstanding		2,485
Common stock, par value $1 per share; 50,000 shares authorized; 3,000 shares issued and outstanding		3
Paid-in capital		2,047,012
Retained earnings		166,283
Total stockholders' equity		2,215,783
Total Liabilities and Stockholders' Equity		$14,969,395

See Notes to the Balance Sheet.

MERRILL LYNCH PROFESSIONAL CLEARING CORP.

NOTES TO BALANCE SHEET (UNAUDITED)
AS OF JUNE 30, 2009
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business— Merrill Lynch Professional Clearing Corp. (the "Company") is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"). Services provided to clients include prime brokerage, securities financing, brokerage and clearing services to broker-dealers, introducing broker-dealers and other professional trading entities on a fully-disclosed basis. The Company also trades as an option market maker on the International Securities Exchange ("ISE"). The Company is a guaranteed subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). MLPF&S is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML&Co."), which is a wholly-owned subsidiary of Bank of America Corporation ("Bank of America").

On January 1, 2009, ML&Co. was acquired by Bank of America through the merger of a wholly owned subsidiary of Bank of America. ML&Co. continues as a surviving corporation and a wholly owned subsidiary of Bank of America. As a result of the merger, all of the direct and indirect subsidiaries of ML&Co., including the Company, have become indirect subsidiaries of Bank of America. As a result of the acquisition, the components of the Company's shareholders' equity at December 26, 2008 were reclassified to paid-in-capital on January 1, 2009.

Effective January 1, 2009, the Company adopted calendar year-end reporting periods to coincide with those of Bank of America. The intervening period between the Company's previous fiscal year end (December 26, 2008) and the beginning of the current year (January 1, 2009) (the "stub period") is included in the Balance Sheet.

In connection with the acquisition of ML&Co. by Bank of America, the carrying value of the Company's goodwill as of December 26, 2008 was eliminated.

Basis of Presentation— The Balance Sheet is presented in accordance with United States Generally Accepted Accounting Principles, which include industry practices. The Balance Sheet is presented in United States Dollars.

Use of Estimates— In presenting the Balance Sheet, management makes estimates regarding:

- Valuations of assets and liabilities requiring fair value estimates;
- The outcome of litigation;
- The realization of deferred taxes and the recognition and measurement of uncertain tax positions;
- Certain allocated liabilities, such as valuation of share-based payment compensation arrangements; and
- Other matters that affect the reported amounts and disclosure of contingencies in the Balance Sheet.

Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the Balance Sheet, and it is possible that such changes could occur in the near term.

Fair Value Measurement— The Company accounts for its financial instruments at fair value or considers fair value in their measurement. Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157") defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. 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 (i.e., the exit price).

The Company accounts for certain financial assets and liabilities at fair value under various accounting literature, including SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133"). The Company also accounts for certain assets at fair value under applicable industry guidance, namely broker-dealer accounting guidance.

Legal Reserves— The Company regularly cooperates with regulatory inquiries and may be the subject of investigations and/or proceedings by governmental and self-regulatory agencies. In accordance with SFAS No. 5, *Accounting for Contingencies* ("SFAS No. 5"), the Company will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits and arbitrations, including class action lawsuits, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, the Company cannot predict what the eventual loss or range of loss related to such matters will be.

Income Taxes— The Company provides for income taxes on all transactions that have been recognized in the Balance Sheet in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). Accordingly, deferred taxes are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more-likely-than-not to be realized. Assessment of the need for a valuation allowance is made on a consolidated basis in accordance with the intercompany tax allocation policy of Bank of America.

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). The Company estimates the likelihood, based on its technical merits, that tax positions will be sustained upon examination considering the facts and circumstances and information available at the end of each period. The Company adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. In accordance with Bank of America's policy, any new or subsequent change in an unrecognized tax benefit related to Bank of America state consolidated, combined or unitary return in which the Company is a member will not be reflected in the Company's balance sheet. However, upon resolution of the item, any material impact determined to be attributable to the Company will be reflected in the Company's balance sheet. The Company accrues income-tax-related interest and penalties, if applicable, within income tax expense.

The results of operations of the Company are included in the consolidated U.S. federal income tax return, and certain combined and unitary state tax returns of Bank of America. In addition, the

Company files tax returns in certain states on a stand-alone basis. See Note 11 to the Balance Sheet for further discussion of income taxes.

Balance Sheet Captions— The following are descriptions related to specific balance sheet captions. Refer to the related footnotes for additional information.

Cash and Cash Equivalents— The Company defines cash equivalents as short-term, highly liquid securities and interest-earning deposits with maturities, when purchased, of 90 days or less, other than those used for trading purposes. The amounts recognized for cash and cash equivalents in the Balance Sheet approximate fair value amounts due to their short-term nature.

Cash and Securities Segregated for Regulatory Purposes or Deposited with Clearing Organizations— The Company maintains relationships with clients and therefore it is obligated by rules mandated by its primary regulators, including the SEC and the CFTC in the United States, to segregate or set aside cash and/or qualified securities to satisfy these regulations, which have been promulgated to protect customer assets. In addition, the Company is a member of various clearing organizations at which it maintains cash and/or securities required for the conduct of its day-to-day clearance activities. The amounts recognized for cash and securities segregated for regulatory purposes or deposited with clearing organizations in the Balance Sheet approximate fair value amounts.

Securities Financing Transactions— The Company enters into repurchase and resale agreements and securities borrowed and loaned transactions to accommodate customers, finance firm inventory positions, obtain securities for settlement, and earn interest rate spreads (also referred to as "matched-book" transactions). The Company also engages in securities financing for customers through margin lending. See the *Other Receivables and Payables—Customer and non-customer balances* section of this note for additional information.

Resale and repurchase agreements are accounted for as collateralized financing transactions and recorded at their contractual amounts, plus accrued interest. Resale and repurchase agreements recorded at their contractual amounts plus accrued interest approximate fair value since the fair value of these items is not materially sensitive to shifts in market interest rates because of the short-term nature of these instruments or to credit risk because the resale and repurchase agreements are fully collateralized.

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, collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

Substantially all repurchase and resale activities are transacted under master netting agreements that give the Company the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty. The Company offsets certain repurchase and resale agreement balances with the same counterparty on the Balance Sheet.

The Company may use qualifying securities received as collateral for resale agreements to satisfy regulatory requirements such as Rule 15c3-3 of the Securities Exchange Act of 1934.

Securities borrowed and loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash, letters of credit, or other securities. The Company receives collateral in the form of cash or other securities for securities loaned transactions. On a daily basis, the Company monitors the market value of securities borrowed or loaned against the collateral value and the Company may require counterparties to deposit additional collateral or return collateral pledged, when appropriate. The carrying value of these instruments approximates fair value as these items are not materially sensitive to shifts in market interest rates because of their short-term nature and/or their variable interest rates.

All firm-owned securities pledged to counterparties where the counterparty has the right, by contract or custom, to sell or repledge the securities are disclosed parenthetically in *Trading assets* on the Balance Sheet.

Trading Assets and Liabilities— The Company's trading activities consist of market making in listed options on the ISE. Trading assets and trading liabilities consist of listed options and cash equity securities used for trading purposes or for managing risk exposure in trading inventory. See Note 3 to the Balance Sheet for additional information on the accounting for derivatives.

Trading assets and liabilities are recorded on a trade date basis at fair value, which is primarily based on quoted market prices. Included in trading liabilities are securities that the Company has sold but did not own and will therefore be obligated to purchase at a future date ("short sales").

Receivables and Payables – Affiliates— The Company enters into repurchase and resale agreements and securities borrowed and loaned transactions to finance firm inventory positions and obtain securities for settlement with other companies affiliated by common ownership. The Company also engages in trading activities such as providing securities brokerage, dealing, financing and underwriting services with affiliated companies. See Note 2 to the Balance Sheet for a further discussion.

Other Receivables and Payables—*Customer and Non-Customer balances*— Customer and non-customer securities and commodities transactions are recorded on a settlement date basis. Receivables from and payables to customers and non-customers include amounts due on cash and margin transactions, including futures contracts transacted on behalf of the Company's customers. Due to their short-term nature, such amounts approximate fair value. Securities owned by customers and non-customers, including those that collateralize margin or other similar transactions, are not reflected on the Balance Sheet.

Other Receivables and Payables—*Brokers and Dealers*— Receivables from brokers and dealers primarily include amounts receivable for securities not delivered by the Company to a purchaser by the settlement date ("fails to deliver"), margin deposits, commissions and net receivables arising from unsettled trades. Payables to brokers and dealers primarily include amounts payable for securities not received by the Company from a seller by the settlement date ("fails to receive"), and net payables arising from unsettled trades.

Other Receivables and Payables—*Interest and Other*— Interest and other receivables include interest receivable on U.S. Government obligations, customer and non-customer receivables, securities financing transactions and receivables from dividends. Interest and other payables include interest payable for customer and non-customer payables, securities financing transactions and amounts payable for dividends.

Loans Receivable— Loans receivable consists primarily of unsecured non-purpose loans extended to clients which are carried at the contract amounts which approximate fair value.

Exchange Memberships— Exchange memberships are held at cost and reviewed for impairment.

*Equipment and Facilities***—** Equipment and facilities primarily consist of furniture and fixtures, technology hardware and software, office equipment, and leasehold improvements. Equipment and facilities 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 its estimated useful life, while leasehold improvements are amortized over the lesser of the improvement's estimated economic useful life or the term of the lease.

*Other Assets and Other Liabilities***—** Other assets consist primarily of deferred tax assets, which are mainly related to a net operating loss available for carryforward and other receivables. Other liabilities consist primarily of taxes payables and accrued expenses.

*Borrowing Activities***—** Funding is principally obtained through loans from ML&Co. See Note 2, Related Party Transactions, for more information.

New Accounting Pronouncements— In July 2009, the FASB issued SFAS No. 168, *FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS No. 168"). SFAS No. 168 approved the FASB Accounting Standards Codification (the "Codification") as the single source of authoritative nongovernmental GAAP. The Codification is effective for interim or annual periods ending after September 15, 2009. All existing accounting standards have been superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The adoption of *SFAS* No. 168 will not impact the Company's Balance Sheet.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events,* ("SFAS No. 165"). SFAS No. 165 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In addition, SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The adoption of SFAS No. 165, effective June 30, 2009, did not impact the Company's Balance Sheet. The Company evaluated subsequent events through the date of the filing.

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 FAS 157-4"). FSP FAS 157-4 provides guidance for determining whether a market is inactive and a transaction is distressed in order to apply the existing fair value measurement guidance in SFAS No. 157. The Company elected to early adopt FSP FAS 157-4 effective January 1, 2009. The adoption did not have a material impact on the Company's Balance Sheet.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB Opinion 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP FAS 107-1"). FSP FAS 107-1 requires expanded disclosures for all financial instruments as defined by SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* such as loans that are not measured at fair value through earnings. The expanded disclosure requirements for FSP FAS 107-1 are effective for the Company for the six months ending June 30, 2009. Since FSP FAS 107-1 only requires certain additional disclosures, it did not affect the Company's Balance Sheet.

In October 2008, the FASB issued Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP FAS 157-3"). FSP FAS 157-3 clarifies the application of SFAS 157 in periods of market dislocation and provides an example to illustrate key considerations for determining the fair value of a financial asset when the market for that asset is not active. FSP FAS 157-3 became effective upon issuance. The clarifying guidance provided in FSP FAS 157-3 did not result in a change to the Company's application of SFAS 157 and did not have an impact on the Balance Sheet.

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* ("FSP FAS 133-1 and FIN 45-4"), which amend FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45") to require an additional disclosure about the current status of the payment/performance risk of guarantees. FSP FAS 133-1 and FIN 45-4 are effective prospectively for financial statement issued for fiscal years and interim periods ending after November 15, 2008. See Note 8 for further information regarding these disclosures. Since the FSP only requires certain additional disclosures, it did not affect the Company's Balance Sheet.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, on Amendment of FASB Statement No. 133* ("SFAS No. 161"). SFAS No. 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133. It also applies to non-derivative hedging instruments and all hedged items designated and qualifying as hedges under SFAS No. 133. SFAS No. 161 amends the current qualitative and quantitative disclosure requirements for derivative instruments and hedging activities set forth in SFAS No. 133 and generally increases the level of disaggregation required in an entity's financial statement. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk related contingent features in derivative agreements. SFAS No. 161 is effective prospectively for financial statement issued for fiscal years beginning after November 15, 2008. Since SFAS No. 161 only requires certain additional disclosures, it did not affect the Company's Balance Sheet.

2. RELATED PARTY TRANSACTIONS

The Company has transactions with ML&Co., MLPF&S, Merrill Lynch Government Securities, Inc. ("MLGSI") and other companies affiliated by common ownership.

The Company enters into repurchase and resale agreements and securities borrowed and loaned transactions with other companies affiliated by common ownership to finance firm inventory positions and obtain securities for settlement.

The Company clears certain securities and commodities transactions through an affiliated company on a non-disclosed basis. Receivables from affiliated companies consist of omnibus accounts for securities and commodities transactions with MLPF&S on behalf of the Company's clients.

Payables to affiliated companies consist of loans from ML&Co. which are due on demand and bear interest based on ML&Co.'s average cost of funds.

Related party receivables are comprised of:

Receivables from affiliated companies	$ 5,365,326
Receivables under resale agreements	5,028,392
Receivables under securities borrowed transactions	3,278
	$ 10,396,996

Related party payables are comprised of:

Payables to affiliated companies	$ 395,196

3. TRADING ACTIVITIES AND DERIVATIVE INSTRUMENTS

Certain client trading activities, the Company's selective proprietary positions and option market maker trading activities expose the Company to market and credit risks.

Market Risk— Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, credit spreads, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded. The following discussion describes the types of market risk faced by the Company.

Interest Rate Risk— Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company uses Eurodollar futures to manage interest rate risk.

Equity Price Risk— Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock. Instruments typically used by the Company to manage equity price risk include equity options and stocks. Equity options, for example, can require the writer to purchase or sell a specified stock or to make a cash payment based on changes in the market price of that stock, basket of stocks, or stock index.

Counterparty Credit Risk— The Company is exposed to risk of loss if an issuer or a counterparty 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 mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, limiting transactions with specific counterparties, maintaining qualifying collateral and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Company executes, settles, and finances various customer and non-customer securities and commodities transactions. Execution of these transactions includes the purchase and sale of securities by the Company. These activities may expose the Company to default risk arising from the potential that a customer, non-customer or counterparty 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 its customers, non-customers or counterparties. The Company seeks to control the risks associated with its customer and non-customer margin activities by requiring customers and non-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 acquired 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 securities in the market and seek reimbursement for any losses from the counterparty.

*Concentrations of Credit Risk***—** The Company provides financing and related services to a diverse group of domestic and foreign clients including professional market participants. The Company's exposure to credit risk associated with these transactions is measured on an individual client basis, as well as by groups of clients that share similar attributes. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing client and market conditions.

Concentration of Risk to the U.S. Government and its Agencies

At June 30, 2009, the Company's significant concentration of net credit risk was with the U.S. Government and its agencies. The Company's indirect exposure results from maintaining U.S. Government and agencies securities as collateral for resale agreements. The Company's direct credit exposure on these transactions is with the counterparty; thus the Company has credit exposure to the U.S. Government and its agencies only in the event of the counterparty's default. Securities issued by the U.S. Government and its agencies held as collateral June 30, 2009, was in excess of $5,028,392, all of which was from affiliated companies.

The Company's significant industry credit concentration is with financial institutions, including both affiliates and third parties. Financial institutions include other brokers and dealers, commercial banks, financing companies, insurance companies, and investment companies. This concentration arises in the normal course of the Company's brokerage, trading and financing activities.

Trading Derivatives— A derivative is an instrument whose value is "derived" from an underlying instrument or index, such as interest rates, equity securities, currencies, or credit spreads. Derivatives include futures, forwards, swap or option contracts, or other financial instruments with similar characteristics. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (e.g., interest rate swaps or currency forwards) or to purchase or sell other financial instruments at specified terms on a specified date (e.g., options to buy or sell securities or currencies).

The fair values of the Company's trading derivatives, which consisted of futures and listed options, as of June 30, 2009, were $320,522 in trading assets and $226,101 in trading liabilities.

Derivative balances by primary risk

Derivative instruments contain numerous market risks. In particular, most derivatives have interest rate risk, as they contain an element of financing risk which is affected by changes in interest rates. Additionally, derivatives expose the Company to counterparty credit risk, although this is generally mitigated by collateral margining and netting arrangements. For disclosure purposes below, the primary risk of a derivative is largely determined by the business that is engaging in the derivative activity. For instance, a derivative that is initiated by an equities derivative desk will generally have equity price risk as its primary underlying market risk and is classified as such for the purposes of this disclosure, despite the fact that there may be other market risks that affect the value of the instrument.

The following table identifies the primary risk for derivative instruments at June 30, 2009, which is provided on a gross basis.

	Contract/ Notional	Trading Assets- Derivative Contracts	Contract/ Notional	Trading Liabilities- Derivative Contracts
Equity contracts	$844,544	$320,522	$1,048,122	$226,101
Interest rate contracts	$245,000	-	-	-

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements — SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The Company accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurements.

Fair Value Hierarchy

In accordance with SFAS No. 157, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access (examples include active exchange-traded equity securities, listed derivatives, most U.S. Government and agency securities, and certain other sovereign government obligations).

Level 2. Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As required by SFAS No. 157, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3).

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

Fair Value Measurements on a Recurring Basis
As of June 30, 2009

	Level 1	Level 2	Level 3	Total
Assets:				
Equities	$ 170,162	$ -	$ -	$ 170,162
Derivative contracts	320,522	-	-	320,522
Liabilities:				
Equities	$ (492,632)	$ -	$ -	$ (492,632)
Derivative contracts	(226,101)	-	-	(226,101)

5. SECURITIES FINANCING TRANSACTIONS

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

Under these agreements and transactions, the Company receives collateral, including U.S. Government and agencies, and equity 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 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 $63,640,501, of which $21,820,309 was received from affiliated companies. The fair value of these securities that had been sold or repledged was $46,179,914, of which $12,767,546 have been sold or repledged to affiliated companies.

6. SUBORDINATED BORROWINGS

At June 30, 2009, the amount available on the Company's revolving subordinated borrowing with ML&Co. was $3,000,000 with a maturity date of April 30, 2011, of which no amount was outstanding. This borrowing, which has been approved for regulatory capital purposes, bears interest at variable rates based on one month London Interbank Offered Rate ("LIBOR").

On March 27, 2007, the Company entered into a subordinated loan agreement with ML&Co. for $500,000, with a maturity date of April 30, 2011. This borrowing, which has been approved for regulatory capital purposes, bears interest at variable rates based on one month LIBOR. On January 29, 2009, the Company decreased its outstanding balance of the subordinated loan with ML&Co. by $500,000, thus reducing the outstanding balance to $0.

7. STOCKHOLDERS' EQUITY

The Company is authorized to issue 10,000 shares of $1 par value preferred stock, with a liquidation preference of $1,000, and 50,000 shares of $1 par value common stock. During the period ended June 30, 2009, the Company issued and redeemed preferred stock, representing the Company's Joint Back Office arrangements with clients, of 120 and 290 shares, respectively. At June 30, 2009, there were 2,485 preferred and 3,000 common shares issued and outstanding.

8. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Litigation— In the ordinary course of business as a global financial services institution, the Company is routinely a defendant in many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. The Company is also subject to regulatory examinations, information gathering requests, inquiries, and investigations. In connection with formal and informal inquiries by its regulators, it receives numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of its regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek unspecified or very large damages or where the matters present novel legal theories or involve a large number of parties, the Company cannot state with confidence what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with SFAS No. 5, the Company establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Company does not establish reserves. In many matters, including most class action lawsuits, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the matter is close to resolution, in which case no accrual is made until that time. Based on current knowledge, management does not believe that loss contingencies arising from pending litigation and regulatory matters, including the litigation and regulatory matter described below, will have a material adverse effect on the financial position or liquidity of the Company.

The actions against the Company include, but are not limited to, the following:

Rosen Capital Partners LP and Rosen Capital Institutional LP v. Merrill Lynch Professional Clearing Corp.

Plaintiffs assert that the Company fraudulently induced them to transfer prime brokerage accounts to Merrill Lynch in September 2008, breached agreements as to the margin they would be required to maintain, and improperly froze and interfered with plaintiffs' accounts during October 2008. Plaintiffs seek damages of $90,000 and assert claims for breach of contract, implied covenant of good faith, fraud, and negligence.

Commitments— The Company has entered into various non-cancelable, long-term lease agreements for premises and equipment that expire through the year 2015. Future minimum rental commitments with initial or remaining terms expiring after June 30, 2009, are presented below:

Year Ending	**Total**
2009	$ 4,380
2010	8,915
2011	7,678
2012	7,348
2013	6,837
Thereafter	2,303
Total	$ 37,461

The Company obtains letters of credit from issuing banks to satisfy various counterparty collateral requirements in lieu of depositing cash or securities collateral. Letters of credit aggregated $13,000 at June 30, 2009.

Guarantees— The Company issues various guarantees to counterparties. In accordance with FIN 45, FSP 133-1 and FIN 45-4, the Company is required to disclose information for guarantee arrangements such as the maximum potential amount of future payments under the guarantee, the term and carrying value of the guarantee, the nature of any collateral or recourse provisions and the current payment status of the guarantee.

The Company has one guarantee on behalf of a client with a foreign stock exchange for approximately $7,011. The guarantee is secured by the assets in the client’s accounts and has no expiration. No contingent liability is recorded on the Balance Sheet since this transaction is fully collateralized. Management believes the potential for the Company to be required to make a payment under this arrangement is remote.

The Company also provides guarantees to securities clearinghouses and exchanges. 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. The Company’s liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, management believes the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried in the Balance Sheet for these transactions.

In connection with its prime brokerage business, the Company provides to counterparties guarantees of the performance of its prime brokerage clients. Under these arrangements, the Company stands ready to meet the obligations of its clients with respect to securities transactions. If the client fails to fulfill its obligation, the Company must fulfill the client's obligation with the counterparty. The Company is secured by the assets in the client's account as well as any proceeds received from the securities transaction entered into by the Company on behalf of the client. Management believes the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried in the Balance Sheet for these transactions.

In connection with its securities clearing business, the Company performs securities execution, clearance and settlement services on behalf of other broker-dealer clients for whom it commits to settle, with the applicable clearinghouse, trades submitted for or by such clients. Trades are submitted either individually, in groups or series, or if specific arrangements are made with a particular clearinghouse and client, all transactions with such clearing entity by such client. The Company's liability under these arrangements is not quantifiable and could exceed any cash deposit made by a client. However, management believes the potential for the Company to be required to make unreimbursed payments under these arrangements is remote due to the contractual requirements associated with clients' activity and the regular review of clients' capital. Accordingly, no contingent liability is carried in the Balance Sheet for these transactions.

9. EMPLOYEE BENEFIT PLANS

See Note 1 for a discussion of the Bank of America acquisition of ML&Co., which was completed on January 1, 2009. Effective January 1, 2009 the contribution and pension plans sponsored by ML&Co. were assumed by Bank of America.

Defined Contribution Pension Plans— The U.S. defined contribution plans consist of the Retirement Accumulation Plan ("RAP") and the 401(k) Savings & Investment Plan ("401(k)"). These plans cover substantially all U.S. employees who have met service requirements.

Defined Benefit Pension Plans— ML&Co. has purchased a group annuity contract which guarantees the payment of benefits vested under a U.S. defined benefit plan that was terminated in accordance with the applicable provisions of the Employee Retirement Income Security Act of 1974. The Company also maintains arrangements to provide certain supplemental benefits for certain U.S. employees.

Postretirement Benefits Other Than Pensions— The Company provides health insurance benefits to retired employees under ML&Co.-sponsored plans that cover substantially all U.S. employees who have met age and service requirements. The health care coverage is contributory with certain retiree contributions adjusted periodically. Non-contributory life insurance was offered to employees that had retired prior to February 1, 2000. At June 30, 2009, neither the Company nor ML&Co. had funded these plans.

Postemployment Benefits— The Company provides certain postemployment benefits for employees on extended leave due to injury or illness and for terminated employees. Employees who are disabled due to non-work related illness or injury are entitled to disability income, medical coverage and life insurance. The Company also provides severance benefits to terminated employees.

Severance benefits may be provided to terminated employees under the terms of a severance pay plan. Although all full-time employees are eligible for severance benefits, no additional amounts were accrued as of June 30, 2009, since future severance costs are not estimable.

10. EMPLOYEE INCENTIVE PLANS

See Note 1 for a discussion of the Bank of America acquisition of ML&Co., which was completed on January 1, 2009. Effective January 1, 2009 the incentive plans sponsored by ML&Co. were assumed by Bank of America.

The Company accounts for stock-based compensation in accordance with SFAS No. 123(R), *Share-Based Payment* ("SFAS No. 123(R)").

To align the interests of employees with those of stockholders, Bank of America sponsors several employee compensation plans that provide eligible employees, including those of the Company, with stock or options to purchase stock. The Company participates in compensation plans sponsored by Bank of America, which provide eligible employees with shares of Bank of America's common stock or options to purchase such stock, and deferred cash compensation.

The Company participates in Bank of America sponsored deferred compensation plans in which employees who meet certain minimum compensation thresholds may participate on either a voluntary or mandatory basis. Contributions to the plans are made on a tax-deferred basis by participants. Participants' returns on these contributions may be indexed to various mutual funds and other funds. The Company also participates in several Bank of America sponsored, cash-based employee award programs, under which certain employees are eligible to receive future cash compensation, generally upon fulfillment of the service and vesting criteria for the particular program.

11. INCOME TAXES

At June 30, 2009, the Company had a current tax payable to Bank of America of $66,823 recorded in *Other liabilities*.

Significant components of the Company's net deferred tax assets and liabilities at June 30, 2009, which are included in *Other assets*, are comprised of:

Net operating loss carryforwards	$	7,608
Employee based compensation		5,207
Depreciation		3,356
Goodwill		870
Other		572
Deferred tax assets	$	17,613
Deferred tax liabilities		(3,358)
Deferred tax assets, net	$	14,255

No valuation allowance was required at June 30, 2009 because it is more likely than not the deferred tax assets will be fully realized.

At June 30, 2009, the Company has U.S. Federal net operating loss carryforwards of approximately $21,736, which begin to expire in 2025.

The balance of unrecognized tax benefits was $11,648 at June 30, 2009. Of this balance, approximately $7,313 (net of federal benefit of state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods.

ML&Co. is under examination by the Internal Revenue Service ("IRS") and other states in which Merrill Lynch has significant business operations, such as New York. The tax years under examination vary by jurisdiction. Below is a chart of tax years that remain subject to examination by major tax jurisdiction:

Jurisdiction	**Years Subject to Examination**
US Federal	2004-2008
New York State and City	2002-2008

The IRS audits for the years 2005, 2006 and 2007 may be completed in 2009. The IRS proposed adjustments for two issues in the audit for the tax year 2004 which ML&Co. has protested to the Appeals office. The issues involve the eligibility for the dividends received deduction and foreign tax credits with respect to certain transactions. ML&Co. intends to protest proposed adjustments for these two issues in later years. New York State and New York City audits are in progress for the years 2002 through 2006. While it is reasonably possible that a significant reduction in unrecognized tax benefits may occur within twelve months of June 30, 2009, quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes.

12. REGULATORY REQUIREMENTS

As a registered broker-dealer and futures commission merchant, the Company is subject to the higher of the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Act") and the capital requirements of the CFTC of Rule 1.17. The Company computes its net capital under the alternative method permitted by Rule 15c3-1 which requires that minimum net capital shall not be less than 2% of aggregate debit items ("ADI") arising from customer transactions. The CFTC also requires that minimum net capital should not be less than 8% of the customer risk maintenance margin requirement plus 4% of the non-customer risk margin requirement. At June 30, 2009, the Company's regulatory net capital of $1,630,519 was 47.13% of ADI and exceeded the minimum requirement of $73,522 by $1,556,997.

The Company is also subject to the customer protection requirements of Rule 15c3-3 under the Act. For the June 30, 2009 customer reserve computation was in a net receivable condition and therefore no deposit was required.

The Company also is required to perform a computation of reserve requirements for Proprietary Accounts of Introducing Brokers ("PAIB") pursuant to Rule 15c3-3 of the Act. At June 30, 2009, securities with a contract value of $2,130,000 obtained under resale agreement with an affiliate have been segregated in a special reserve account for the exclusive benefit of PAIB.

As a futures commission merchant, the Company is required to perform computations of the requirements of Section 4d(2) and Regulation 30.7 under the Commodity Exchange Act. As of June 30, 2009, assets segregated and held in separate accounts totaled $1,539,042 and exceeded requirements by $634,996.

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