

1091657 | 30

FC26974

DRW Investments, LLC

Financial Statements for the year ended 31 December 2008



DRW Investments, LLC

Contents

Directors' Responsibilities	3
Accountants Report	4

Financial Statements	
Balance Sheet	5
Profit and Loss account	6
Statement of Changes in Member's Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 16

DRW Investments, LLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with section 700 of Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Smith & Williamson

— · Limited · —

Accountants' Report to the Member on the Unaudited Financial Statements of DRW Investments LLC

In accordance with the engagement letter dated 16 June 2008 and in order to assist you to fulfil your duties under section 700 of the Companies Act 1985, we have compiled the financial statements of the company which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Members Changes in Equity, the Statement of Cash Flows and the related notes numbered 1 to 10 from the accounting records and information and explanations you have given to us.

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Board of Directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on page 3 for the year ended 31 December 2008 your duty to ensure that the company has kept proper accounting records and to prepare accounts that give a true and fair view under section 700 of the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit in the United Kingdom for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.



Smith & Williamson Limited
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date 28 October 2009

DRW Investments, LLC**Balance Sheet
December 31, 2008**

	Notes	2008 \$	2007 \$
Assets			
Cash		1,627,520	896,248
Receivable from clearing brokers, net		99,382,046	161,790,927
Securities owned, at market value		4,768,346,262	1,255,745,018
Securities purchased under agreements to resell		1,825,561,109	62,842,370
Memberships in exchanges, at cost (fair value \$9,185,377)		5,118,285	4,688,084
Subordinated loan receivable		3,000,000	3,000,000
Other assets		1,244,543	1,950,979
Total assets		6,704,279,765	1,490,913,626
Liabilities and Member's Equity			
Liabilities			
Payable to clearing broker		132,885,347	-
Securities sold, not yet purchased, at market value		4,544,933,157	1,313,393,432
Securities sold under agreements to repurchase		1,770,342,762	36,898,478
Payable to affiliates		90,661,107	29,671,098
Accrued expenses		33,065,811	8,900,332
Total liabilities		6,571,888,184	1,388,863,340
Member's Equity		132,391,581	102,050,286
Total liabilities and member's equity		6,704,279,765	1,490,913,626

The accompanying notes are an integral part of these financial statements.

The accounts were approved by the Board of Directors on 15 October 2009 and were signed on its behalf by:



D R Wilson Jnr
Director

Company Registered Name: DRW Investments, LLC
Company Registered Number: FC026974

DRW Investments, LLC

Profit and Loss Account

Year Ended December 31, 2008

	Notes	2008 \$	2007 \$
Revenue:			
Proprietary trading, net		622,194,734	185,145,585
Interest and dividends		33,330,173	11,703,893
Other		<u>958,738</u>	<u>592,267</u>
Total revenue		<u>656,483,645</u>	<u>197,441,745</u>
Expenses:			
Trading expenses:			
Commissions, trade execution and related fees		52,244,901	32,551,015
Interest and dividends		38,184,323	16,718,190
Other trading expenses		<u>1,312,308</u>	<u>4,901,460</u>
Total trading expenses		<u>91,741,532</u>	<u>54,170,665</u>
Operating expenses:			
Employee compensation and benefits		124,776,540	40,519,120
Other operating expenses	4	<u>34,475,081</u>	<u>6,370,415</u>
Total operating expenses		<u>159,251,621</u>	<u>46,889,535</u>
Total expenses		<u>250,993,153</u>	<u>101,060,200</u>
Net income		<u><u>405,490,492</u></u>	<u><u>96,381,545</u></u>

The accompanying notes are an integral part of these financial statements.

DRW Investments, LLC

Statement of Changes in Member's Equity
Year Ended December 31, 2008

	2008	2007
	\$	\$
Balance, January 1	102,050,286	54,544,764
Capital contributions	56,355,686	84,950,936
Capital withdrawals	(431,504,883)	(133,826,959)
Net income	<u>405,490,492</u>	<u>96,381,545</u>
Balance, December 31	<u>132,391,581</u>	<u>102,050,286</u>

The accompanying notes are an integral part of these financial statements.

DRW Investments, LLC

Statement of Cash Flows
Year ended December 31, 2008

	2008 \$	2007 \$
Cash Flows from Operating Activities		
Net income	405,490,492	96,381,545
Adjustments to reconcile net income to cash provided by operating activities:		
Gain on sale of membership in exchange	-	(12,008,984)
Changes in operating assets and liabilities:		
Receivable from clearing brokers	62,408,881	(153,279,262)
Securities owned	(3,512,601,244)	177,928,483
Securities purchased under agreements to resell	(1,762,718,739)	282,009,721
Other assets	706,436	(1,947,506)
Payable to clearing broker, net	132,885,347	(1,050,321,939)
Securities sold, not yet purchased	3,231,539,725	714,210,676
Securities sold under agreements to repurchase	1,733,444,284	(42,023,722)
Payable to affiliates	60,990,009	14,430,792
Accrued expenses	24,165,479	8,850,425
Net cash provided by operating activities	<u>376,310,670</u>	<u>34,230,229</u>
Cash Flows from Investing Activities		
Proceeds from sale of membership in exchange	-	15,418,294
Purchase of stock and memberships in exchange	(430,201)	-
Net cash (used in) provided by investing activities	<u>(430,201)</u>	<u>15,418,294</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	25,000,000	6,000,000
Repayment of borrowings	(25,000,000)	(6,000,000)
Capital contributions	56,355,686	84,950,936
Capital withdrawals	(431,504,883)	(133,826,959)
Net cash (used in) financing activities	<u>(375,149,197)</u>	<u>(48,876,023)</u>
Net increase in cash	731,272	772,500
Cash:		
Beginning of year	<u>896,248</u>	<u>123,748</u>
End of year	<u><u>1,627,520</u></u>	<u><u>896,248</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash payments made for interest	<u><u>43,004,484</u></u>	<u><u>16,718,190</u></u>

The accompanying notes are an integral part of these financial statements.

DRW Investments, LLC

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

DRW Investments, LLC, (the Company) is an Illinois limited liability company and wholly-owned subsidiary of DRW Holdings, LLC (DRWH) which operates primarily as a market maker in fixed income derivatives. The Company is a member of the Chicago Board of Trade (CBOT) and Chicago Mercantile Exchange (CME).

On August 31, 2006, the Company established DRW Investments, LLC (UK Branch) (the Branch), a branch registered in England and Wales, under the Company. The Branch is regulated by the Financial Services Authority of the United Kingdom (FSA). The activities of the Branch are consolidated into the Company for financial presentation.

The following is a summary of the Company's significant accounting policies:

Accounting estimates: The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Securities transactions: Securities owned and securities sold, not yet purchased are recorded on the trade-date basis and are recorded at fair value in accordance with United States generally accepted accounting principles, with unrealized gains and losses reflected in proprietary trading revenue.

Amount receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Resale and repurchase agreements: Transactions involving purchases of securities under agreements to resell or securities sold under agreements to repurchase, comprised primarily of U.S. Government obligations, are accounted for as collateralized financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

Memberships in exchanges: Memberships in exchanges required to be held by the Company for clearing privileges at certain clearing organizations are carried at cost, or if other than a temporary impairment in value has occurred, at a value that reflects management's estimate of the impairment. Management believes no such impairment in value occurred in 2008. Memberships in exchanges not held for operating purposes are carried at fair value and are included in securities owned. Fair value is based on the average of the bid, ask and last sale prices for the memberships. If there has been a sale within 30 days of the measurement date, management uses the average of the bid, offer and last sale prices. If there has not been a sale within 30 days of the measurement date, management uses the average of the bid and offer prices.

Gains and losses on memberships are computed based on specific identification and included in other revenues on the statement of operations.

Interest and dividend revenue/expense: The company recognizes interest on securities owned and securities sold, not yet purchased on an accrual basis and dividend income is recognized on the ex-dividend date. The Company accounts for its secured financing activities on an accrual basis with related interest recorded as interest and dividend income and interest and dividend expense, as applicable.

DRW Investments, LLC

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Fair value of financial instruments: Substantially all of the Company's assets and liabilities are either reflected at fair value or contract amounts and are short-term or replaceable on demand. Therefore, their carrying amounts approximate fair value.

Income taxes: As a limited liability company, the Company is not subject to federal income taxes. The Company's member separately accounts for the Company's income, deductions, losses and credits on its tax return. Therefore, these financial statements do not include any provision for federal income taxes.

For the year ended December 31, 2008, the Branch recorded a tax benefit of approximately \$9,138,000 which is included in the other operating expenses on the statement of operations and, additionally, has recorded a corresponding accrued tax liability of approximately \$2,116,000 which is included in accounts payable and accrued expenses on the statement of financial condition.

Recent accounting pronouncements: In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on the derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition.

In December 2008, the FASB provided a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Company had elected this deferral and, accordingly, will be required to adopt FIN 48 in its financial statements for the year beginning January 1, 2009. Prior to adoption of FIN 48, the Company will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Company to accrue for losses it believes are probable and can be reasonably estimated. While management has not yet completed its analysis, it does not anticipate that the adoption of FIN 48 will have a material impact on its financial position or results of operations.

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 additional disclosures about the objectives of using derivative instruments, the method by which the derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations, and the effect of derivative instruments and related hedged items on financial position, financial performance, and cash flows. SFAS No. 161 also requires disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As this pronouncement is only disclosure-related, it will not have an impact on the financial position and results of operations. However, this pronouncement will require increased disclosures around the Company's use of derivatives.

DRW Investments, LLC

Notes to Financial Statements

Note 2. Receivable From and Payable To Clearing Brokers

Receivable from clearing brokers, net at December 31, 2008 consists of cash of \$99,382,046.

Payable to clearing brokers, net at December 31, 2008 of \$132,885,347, represents an amount due for executed but unsettled transactions, net of interest receivable of \$4,085,817.

Note 3. Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted SFAS No.157, which defines fair value as the price 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 and sets out a 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). Inputs are broadly defined under SFAS No. 157 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 include listed equities and listed derivatives.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by the Company to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

Equity securities, equity options, options on futures and U.S. Government obligations are recorded at fair value based on the settlement price on the relevant exchange on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Interest rate swaps are valued by management using a methodology that initially considers the securities' relative conversion attributes, either fixed or variable, as well as conversion restrictions, if any. Variable conversion further considers, among other things, negotiated discounts and look-back structures. These financial instruments are classified as Level 2 in the fair value hierarchy.

DRW Investments, LLC

Notes to Financial Statements

Note 3. Fair Value of Financial Instruments (continued)

Securities purchased under agreements to resell and securities sold under agreements to repurchase are carried at contract value, which approximated fair value. These financial instruments are classified as Level 2 in the fair value hierarchy.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis:

Year ended December 31, 2008:

	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets				
Securities owned	\$	\$	\$	\$
Equity securities	18,400	18,400	-	-
Equity options	99,965,000	99,965,000	-	-
Futures	69,437,875	69,437,875		
Options on futures	2,954,101,141	2,954,101,141	-	-
U.S. Government obligations	1,642,815,835	1,642,815,835	-	-
Interest rate swaps	2,008,011	-	2,008,011	-
Securities purchased under agreements to resell	1,825,561,109	-	1,825,561,109	-
	6,593,907,371	4,766,338,251	1,827,569,120	-
Liabilities				
Securities sold, not yet purchased	\$	\$	\$	\$
Equity options	49,985,000	49,985,000	-	-
Options on futures	2,659,090,329	2,659,090,329	-	-
U.S. Government obligations	1,815,297,071	1,815,297,071	-	-
Interest rate swaps	20,560,757	-	20,560,757	-
Securities sold under agreements to repurchase	1,770,342,762	-	1,770,342,762	-
	6,315,275,919	4,524,372,400	1,790,903,519	-

DRW Investments, LLC

Notes to Financial Statements

Note 3. Fair Value of Financial Instruments (continued)

Year ended December 31, 2007:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities owned	\$	\$	\$	\$
Equity securities	-	-	-	-
Equity options	-	-	-	-
Futures	-	-	-	-
Options on futures	1,207,143,006	1,207,143,006	-	-
U.S. Government obligations	47,219,346	47,219,346	-	-
Interest rate swaps	1,382,666	-	1,382,666	-
Securities purchased under agreements to resell	62,842,370	-	62,842,370	-
	<u>1,318,587,388</u>	<u>1,254,362,352</u>	<u>64,225,036</u>	
Liabilities				
Securities sold, not yet purchased	\$	\$	\$	\$
Equity options	-	-	-	-
Options on futures	1,269,422,228	1,269,422,228	-	-
U.S. Government obligations	43,971,204	43,971,204	-	-
Interest rate swaps	-	-	-	-
Securities sold under agreements to repurchase	36,898,478	-	36,898,478	-
	<u>1,350,291,910</u>	<u>1,313,393,432</u>	<u>36,898,478</u>	<u>-</u>

DRW Investments, LLC

Notes to Financial Statements

Note 4. Other operating expenses

	2008 \$	2007 \$
Other operating expenses are stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	37,075	22,000

Note 5. Borrowings

The Company has entered into an agreement for a demand loan facility in the amount of \$30,000,000 with a financial institution which matured on February 28, 2009, and accrues interest at an annual rate of the Federal Funds effective rate plus 1 percent (1.14 percent at December 31, 2008). The borrowing is secured by the assets of the Company that are on deposit with the clearing broker. As of December 31, 2008, the Company had not drawn on this demand loan facility. The financial institution requires the Company to satisfy certain financial reporting and other covenants, as defined. Subsequent to year-end, the term of the agreement was extended through February 28, 2010.

Additionally, the Company has a demand loan facility in the amount of \$10,000,000 with a separate financial institution which matured on February 28, 2009, and accrued interest at an annual rate of the London Interbank Offered rate plus .555 percent (0.690 percent at December 31, 2008). The borrowing is secured by the assets of the Company that are not on deposit with the clearing broker. As of December 31, 2008, the Company had not drawn on this demand loan facility. The financial institution requires the Company to satisfy certain financial reporting and other covenants, as defined. Subsequent to year-end, the term of the agreement was extended through February 28, 2010.

Note 6. Related Party Transactions

The Company pays all direct expenses associated with its trading activities. The Company has entered into an agreement with DRWH whereby all employee compensation and other operating expenses, \$159,251,621 for the year ended December 31, 2008, are paid by DRWH and charged to the Company based on a series of usage factors. At December 31, 2008, the payable affiliate in the amount of \$90,661,107 is related to these activities. Amounts payable to affiliates are settled in the normal course of business.

The Company has entered into a subordinated loan agreement with an affiliated entity in the amount of \$3,000,000. The subordinated loan bears interest at the Federal Funds Effective Rate plus 0.625 percent and matures March 15, 2009. Subsequent to year-end, the term of the agreement was extended through March 15, 2010. To the extent that the affiliate requires the subordinated loan for compliance with minimum net capital requirements, it may not be repaid.

Note 7. Derivative Financial Instruments, Off-Balance Sheet Risk and Concentration of Credit Risk

In the normal course of business, the Company enters into transactions in financial instruments with varying degrees of market and credit risk. These financial instruments consist primarily of interest rate derivatives and U.S. Government obligations. Derivatives include options on futures contracts. Trading of these financial instruments is conducted on futures and securities exchanges located in the United States. Settlement of these transactions takes place in the United States through clearing brokers utilized by the Company. These instruments involve elements of market and credit risk that may exceed the amounts reflected in the statement of financial condition.

Various factors affect the market risk of these transactions; among them are the size and composition of the positions held, the absolute and relative levels of interest rates and market volatility. Also, the time period in which options

DRW Investments, LLC

Notes to Financial Statements

Note 7. Derivative Financial Instruments, Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

may be exercised, the market value of the underlying instruments, and the exercise price affect market risk. The most significant factor influencing the Company's overall exposure to market risk is its use of hedging strategies. Interest rate derivatives, such as options on Eurodollar futures contracts, provide the Company with the opportunity to deliver or to take delivery of specified financial futures contracts or securities at a contracted price. Options written obligate the Company to deliver or to take delivery of specified financial futures contracts or securities at a contract price, and in the event the option is exercised by the holder, it may result in market risk not reflected in the balance sheet to the extent that the Company is obligated to purchase or sell the underlying financial futures contracts or equity securities in the open market. To minimize these risks, the Company generally holds or sells short the underlying instruments which can be used to settle these transactions.

Securities sold, not yet purchased represent obligations of the Company to deliver securities at the contracted prices and thereby create a liability to purchase these instruments in the open market at prevailing prices. These transactions may result in market risk not reflected in balance sheet as the Company's ultimate obligation to satisfy its obligation for trading liabilities may exceed the amount reflected in the balance sheet. To minimize this risk, the Company generally holds futures contracts which can be used to settle these obligations.

Since the Company does not clear its own securities and futures transactions, it has established accounts with certain clearing brokers for this purpose. This can and often does result in concentrations of credit risk with one or more of these firms. Such risk, however, is mitigated by the clearing brokers' obligation to comply with rules and regulations governing brokers in the United States and Europe.

The Company maintains its cash deposits with a financial institution. On occasion, these deposits will exceed the maximum insurance level provided by the Federal Deposit Insurance Corporation.

Note 8. Commitments, Contingencies and Guarantees

The company conducts its operations in leased office space. This lease expires in 2024 and provides for payment of base rent plus adjustments for real estate taxes and operating expenses. At December 31, 2008, future minimum lease payments under the non-cancelable lease are as follows:

December 31:	Total Commitment \$
2009	8,145
2010	2,064,039
2011	3,259,630
2012	3,341,021
2013	3,423,710
Thereafter	43,811,164
	<hr/> 55,907,709

The Company's lease was signed in 2008, however, the lease term does not commence until 2009. Accordingly, there was no facility rent expense incurred for the year ended December 31, 2008.

FASB Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, requires the Company to disclose information about its obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying

DRW Investments, LLC

Notes to Financial Statements

Note 8. Commitments, Contingencies and Guarantees (continued)

interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event related to an asset, liability or equity security of a guaranteed party. FIN 45 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

The Company trades and holds certain fair-valued derivative contracts, which may constitute guarantees under FIN 45. As of December 31, 2008, the maximum payouts for these contracts are limited to the notional amounts of each contract. Maximum payouts do not represent the expected future cash requirements as the Company's written options positions may be liquidated or expire without being exercised by the holder. In addition, maximum payout amounts are frequently decreased by offsetting positions taken by the Company as part of its hedging activities. The fair values of all written option contracts as of December 31, 2008, are included as liabilities in securities owned and securities sold, not yet purchased on the balance sheet.

The Company is a member of an exchange that trades and clears futures contracts. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships may vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

Note 9. Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing brokers, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

Additionally, the Company enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of any future obligations under these indemnifications to be remote.

Note 10. Subsequent Events

For the period from January 1, 2009 to the report date, distributions totaling \$25,000,000 were made to the member.