

**MERRILL LYNCH PROFESSIONAL CLEARING
CORP.**

(S.E.C. I.D. No. 8-33359)

**BALANCE SHEET
AS OF JUNE 30, 2013
(UNAUDITED)**

Member, Securities Investor Protection Corporation (SIPC)

Merrill Lynch Professional Clearing Corp.
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Merrill Lynch Professional Clearing Corp.
Balance Sheet (Unaudited) as of June 30, 2013
(Dollars in Thousands, Except Share and Per Share Amounts)

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Assets | |
| Cash | \$ 32,461 |
| Cash and securities segregated for regulatory purposes or deposited with clearing organizations | 371,805 |
| | <u>404,266</u> |
| <i>Securities financing transactions</i> | |
| Receivables under resale agreements | 9,958,639 |
| Receivables under securities borrowed transactions | 6,768,877 |
| | <u>16,727,516</u> |
| <i>Trading assets, at fair value (includes securities pledged as collateral that can be sold or repledged of \$192,321)</i> | |
| Derivative contracts | 284,920 |
| Equities | 192,321 |
| | <u>477,241</u> |
| <i>Other receivables</i> | |
| Customers (includes \$266,978 measured at fair value in accordance with the fair value option election) | 7,432,648 |
| Noncustomers | 8,757,130 |
| Brokers and dealers | 434,504 |
| Interest and other | 7,953 |
| | <u>16,632,235</u> |
| Goodwill and intangible assets | 101,650 |
| Deferred tax asset | 38,106 |
| Other assets | 58,804 |
| Total Assets | <u><u>\$ 34,439,818</u></u> |
| Liabilities and Stockholders' Equity | |
| Liabilities | |
| <i>Trading liabilities, at fair value</i> | |
| Derivative contracts | 553,038 |
| Equities | 124,711 |
| | <u>677,749</u> |
| <i>Securities financing transactions</i> | |
| Payables under repurchase agreement | 466,733 |
| Payables under securities loaned transactions | 8,442,591 |
| | <u>8,909,324</u> |
| Payables to affiliated companies | 8,650,645 |
| <i>Other payables</i> | |
| Customers | 10,272,631 |
| Noncustomers | 2,368,588 |
| Brokers and dealers | 497,359 |
| Interest and other | 23,660 |
| | <u>13,162,238</u> |
| Other liabilities | 105,239 |
| Subordinated borrowings | 300,000 |
| Commitments and contingencies (see note 8) | |
| Total Liabilities | <u><u>\$ 31,805,196</u></u> |
| Stockholders' Equity | |
| Preferred stock, \$1,000 liquidation preference per share; par value \$1 per share; 10,000 shares authorized; 1,735 shares issued and outstanding | 1,735 |
| Common stock, par value \$1 per share; 50,000 shares authorized; 3,000 shares issued and outstanding | 3 |
| Paid-in capital | 2,119,012 |
| Retained earnings | 513,873 |
| Total Stockholders' Equity | <u><u>\$ 2,634,622</u></u> |
| Total Liabilities and Stockholders' Equity | <u><u>\$ 34,439,818</u></u> |

The accompanying notes are an integral part of this Balance Sheet

Merrill Lynch Professional Clearing Corp.

Notes to Balance Sheet (Unaudited)

As Of June 30, 2013

(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, clearing and settlement services to broker-dealers, introducing broker-dealers and other professional trading entities on a fully-disclosed basis. The Company is also a market maker on several of the United States (“U.S.”) listed options exchanges. The Company is a subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). MLPF&S is the Company’s Guarantor. Additionally, 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”).

As part of Bank of America's efforts to streamline its organizational structure and reduce complexity and costs, it has reduced and intends to continue to reduce the number of its subsidiaries, including through intercompany mergers. In connection with these efforts, Bank of America may merge ML & Co. directly into Bank of America and such a merger may occur as early as the fourth quarter of 2013. Under Delaware law, as a result of such a merger, Bank of America would assume all of ML & Co.'s obligations, including its outstanding U.S. and non-U.S. debt securities, its obligations with respect to outstanding trust preferred securities and ML & Co. guarantees of outstanding non-U.S. debt securities issued by ML & Co. subsidiaries. There can be no assurance that such a merger will occur, and if it does, the timing thereof. Any such merger would be subject to applicable regulatory approvals, consents and other conditions of closing.

Basis of Presentation

The Balance Sheet is presented in accordance with United States Generally Accepted Accounting Principles (“US GAAP”). The Balance Sheet is presented in U. S. 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 pending litigation;
- The ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions;
- The carrying amount of goodwill and intangible assets;
- Incentive-based compensation accruals and valuation of share-based payment compensation arrangements; and

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- 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.

A discussion of certain areas in which estimates are a significant component of the amounts reported in the Balance Sheet follows:

Fair Value Measurement

The Company accounts for its financial instruments at fair value or considers fair value in their measurement. The Company accounts for certain financial assets and liabilities at fair value under various accounting literature, including ASC 815, *Derivatives and Hedging Activities*, (“Derivatives Accounting”). The Company also accounts for certain assets at fair value under applicable industry guidance, namely ASC 940, *Financial Services – Brokers and Dealers* (“Broker-Dealer Guide”).

ASC 820, *Fair Value Measurements and Disclosures*, (“Fair Value Accounting”) 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. Fair values for exchange-traded equities and exchange-traded derivatives, principally options, are based on quoted market prices. See Note 4 to the Balance Sheet for additional information on the fair value of financial instruments.

Legal Reserves

The Company is a party in various actions, some of which involve claims for substantial amounts. Amounts are accrued for the financial resolution of claims that have either been asserted or are deemed probable of assertion if, in the opinion of management, it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many cases, 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. Accruals are subject to significant estimation by management with input from outside counsel handling the matter.

See Note 8 to the Balance Sheet for additional disclosures relating to litigation.

Income Taxes

The Company provides for income taxes on all transactions that have been recognized in the Balance Sheet in accordance with ASC 740, *Income Taxes* (“Income Tax Accounting”). 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

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likely than not to be realized. Pursuant to Income Tax Accounting, the Company may consider various sources of evidence in assessing the necessity of valuation allowances to reduce deferred tax assets to amounts more likely than not to be realized, including the following: 1) past and projected earnings, including losses, of the Company, ML&Co. and Bank of America, as certain tax attributes such as U.S. net operating losses (“NOLs”), U.S. capital loss carryforwards and foreign tax credit carryforwards can be utilized by Bank of America in certain income tax returns, 2) tax carryforward periods, and 3) tax planning strategies and other factors of the legal entities, such as the intercompany tax allocation policy. Included within the Company’s net deferred tax assets are carryforward amounts generated in the U.S. that are deductible in the future as NOLs. The Company has concluded that these deferred tax assets are more likely than not to be fully utilized prior to expiration, based on the projected level of future taxable income of the Company, ML&Co. and Bank of America, which is relevant due to the intercompany tax allocation policy. For this purpose, future taxable income was projected based on forecasts, historical earnings after adjusting for the past market disruption and anticipation impact of the differences between pre-tax earnings and taxable income.

The Company recognizes and measures its unrecognized tax benefits (“UTBs”) in accordance with Income Tax Accounting. The Company estimates the likelihood, based on their 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 a Bank of America state consolidated, combined or unitary return in which the Company is a member will generally not be reflected in the Company’s balance sheet. However, upon Bank of America’s resolution of the item, any material impact determined to be attributable to the Company will be reflected in the Company’s balance sheet.

Under the intercompany tax allocation policy of Bank of America, tax benefits associated with NOL’s (or other attributes) of the Company are payable to the Company generally upon utilization in the Bank of America’s tax returns. 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.

Cash

The Company defines cash as currency on hand and demand deposits with banks or other financial institutions. The amounts recognized for cash in the balance sheet approximate fair value. For the purposes of the fair value hierarchy, cash is classified as Level 1.

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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, 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. For the purposes of the fair value hierarchy, cash and securities segregated for regulatory purposes or deposited with clearing organizations are classified as Level 1.

Securities Financing Transactions

The Company enters into repurchase and resale agreements and securities borrowed and loaned transactions to accommodate customers, finance Company inventory positions, obtain securities for settlement, and earn interest rate spreads. The Company also engages in securities financing for customers through margin lending. See the *Other Receivables and Payables—Customer and Noncustomer Balances* section of this note for additional information.

Resale and repurchase agreements recorded at their contractual amounts, plus accrued interest, approximate fair value, as 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 and/or their variable interest rates or to credit risk because the resale and repurchase agreements are substantially collateralized. For the purposes of the fair value hierarchy, resale and repurchase agreements are classified as Level 2.

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. 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 or to credit risk because securities borrowed and loaned transactions are substantially collateralized. For the purposes of the fair value hierarchy, securities borrowed and loaned transactions are classified as Level 2.

For securities financing transactions, 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

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the 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. Securities financing agreements give rise to negligible credit risk as a result of these collateral provisions, and no allowance for loan losses is considered necessary.

Substantially all securities financing activities are transacted under master repurchase 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 where it has such a master agreement, that agreement is legally enforceable, and the transactions have the same maturity date.

All Company-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, either by contract or custom, 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 several U.S. listed options exchanges. 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 trading liabilities are recorded on a trade date basis at fair value, based on quoted market prices for exchange-traded equities and exchange-traded derivatives. 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 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 and financing services with affiliated companies. See Note 2 to the Balance Sheet for a further discussion.

Other Receivables and Payables—Customer and Noncustomer Balances

Customer and noncustomer securities transactions are recorded on a settlement date basis. Receivables from and payables to customers and noncustomers 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. For the purposes of the fair value hierarchy, receivables from and payables to customers and noncustomers are primarily classified as Level 2.

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Customer and noncustomer securities transactions include margin loan transactions where the Company will typically make a loan to a customer in order to finance the customer's purchase of securities. These transactions are conducted through margin accounts. In these transactions the customer is required to post collateral in excess of the value of the loan and the collateral must meet marketability criteria. Collateral is valued daily and must be maintained over the life of the loan. Given that these loans are fully collateralized by marketable securities, credit risk is negligible and reserves for loan losses are only required in rare circumstances.

Securities owned by customers and noncustomers, including those that collateralize margin or other similar transactions, are not reflected in the Balance Sheet.

Other Receivables and Payables—Brokers and Dealers

Receivables from brokers and dealers include amounts receivable for securities not delivered by the Company to a purchaser by the settlement date ("fails to deliver"), margin deposits and commissions. Payables to brokers and dealers include amounts payable for securities not received by the Company from a seller by the settlement date ("fails to receive"). Brokers and dealers receivables and payables additionally include net receivables or payables from unsettled trades. Due to their short-term nature, the amounts recognized for broker and dealers receivables and payables approximate fair value. For the purposes of the fair value hierarchy, broker dealers receivables and payables are primarily classified as Level 2.

Other Receivables and Payables—Interest and Other

Interest and other receivables include interest receivable on customer and noncustomer receivables and securities financing transactions. Interest and other payables include interest payable on customer and noncustomer payables, securities financing transactions and amounts payable for dividends.

Goodwill and Intangible Assets

Goodwill is the cost of an acquired company in excess of the fair value of identifiable net assets at acquisition date. Goodwill is tested annually (or more frequently under certain conditions) for impairment at the reporting unit level in accordance with ASC 350, *Intangibles—Goodwill and Other* ("Goodwill and Intangible Assets Accounting"). If the fair value of the reporting unit exceeds its carrying value, its goodwill is not deemed to be impaired. If the fair value is less than the carrying value, a further analysis is required to determine the amount of impairment, if any. Based on the annual impairment analysis the Company determined that there was no impairment of goodwill as of the June 30, 2013 test date. The carrying amount of goodwill was \$72,000 at June 30, 2013.

Intangible assets consist of exchange trading rights. In accordance with Goodwill and Intangible Assets Accounting, intangible assets with indefinite lives are not amortized. Based on the annual impairment analysis the Company determined that there was no

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impairment of intangible assets as of the June 30, 2013 test date. The carrying amount of intangible assets was \$29,650 at June 30, 2013.

The Company makes certain complex judgments with respect to its goodwill and intangible assets, including assumptions and estimates used to determine fair value.

Deferred Tax Asset and Taxes Payable

Deferred tax assets are primarily related to State tax deductions and net operating losses available for carryforward. Taxes payable consist of current tax payable to ML&Co.

Other Assets and Other Liabilities

Other assets consist primarily of loans receivable, equipment and facilities, and other receivables. Loans receivable consist primarily of secured non-purpose loans extended to clients and carried at the contract amount net of loan loss allowance. Contract amounts approximate fair value. Other liabilities consist of trade date payable, litigation payable, exchange fees payable, accrued expenses and other payables. For the purposes of the fair value hierarchy, loans receivable are primarily classified as Level 2.

Subordinated Borrowings

Funding is principally obtained through loans from ML&Co. See Note 6 for more information.

New Accounting Pronouncements

Effective January 1, 2013, the Company retrospectively adopted accounting guidance from the Financial Accounting Standards Board (“FASB”) requiring additional disclosures on the effect of netting arrangements on an entity’s financial position. The disclosures relate to derivatives and securities financing agreements that are either offset on the balance sheet under existing accounting guidance or subject to a legally enforceable master netting or similar agreements. This new guidance addresses only disclosure, and accordingly, did not have any impact on the Company’s Balance Sheet. For the related disclosures, see Note 3 and Note 5.

2. Related Party Transactions

The Company has entered into various transactions with MLPF&S, ML&Co., Bank of America and other companies affiliated by common ownership.

Related party receivables consist of receivables under resale agreements and securities borrowed transactions with other companies affiliated by common ownership to obtain securities for settlement, omnibus accounts for commodities and equities transactions with MLPF&S on behalf of the Company’s clients, and a receivable related to MTM changes on a interest rate swap contracts with MLPF&S.

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Related party payables consist of payable under repurchase agreements, securities loaned transactions with other companies affiliated by common ownership to finance Company inventory positions, loans from ML&Co. due on demand with interest based on ML&Co.'s average cost of funds, taxes payable to ML&Co, subordinated borrowings with ML&Co. and other payables to affiliates.

| | <u>2013</u> |
|----------------------------------------------------|----------------------|
| Related party receivables are comprised of: | |
| Cash and cash equivalents | \$ 411 |
| Receivables under resale agreements | 9,958,639 |
| Receivables under securities borrowed transactions | 6,768,877 |
| Trading assets | 289 |
| Interest and other | 404 |
| | <u>\$ 16,728,620</u> |
| Related party payables are comprised of: | |
| Payables under repurchase agreement | \$ 466,733 |
| Payables under securities loaned transactions | 8,442,235 |
| Payables to affiliated companies: | |
| ML&Co. payable | 229,115 |
| Other payables to affiliated companies | <u>8,421,530</u> |
| | 8,650,645 |
| Interest and other | 1,145 |
| Other liabilities | 23 |
| Subordinated borrowings | <u>300,000</u> |
| | <u>\$ 17,860,781</u> |

3. Trading Activities and Derivative Instruments

Trading Risk Management

Trading activities, as well as the Company's market making activities expose the Company to market and credit risks. These risks are managed in accordance with established risk management policies and procedures put in place by Bank of America. Bank of America's Global Markets Risk Committee ("GMRC"), chaired by Bank of America's Global Markets Risk Executive, has been designated by the Asset, Liability and Market Risk Committee ("ALMRC") as the primary governance authority for its Global Markets Risk Management, including trading risk management. The GMRC's focus is to take a forward-looking view of the primary credit and market risks impacting Bank of America's Global Markets business (which includes the Company's sales and trading businesses) and prioritize those that need a proactive risk mitigation strategy.

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Bank of America conducts its business operations through a substantial number of subsidiaries. The subsidiaries are established to fulfill a wide range of legal, regulatory, tax, licensing and other requirements. As such, to ensure a consistent application of minimum levels of controls and processes across its subsidiaries, Bank of America established the Subsidiary Governance Policy in 2010. This policy outlines the minimum required governance, controls, management reporting, financial and regulatory reporting and risk management practices for Bank of America's subsidiaries.

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.

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, basket of stocks, or stock index. 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 clears, settles, and finances various customer and noncustomer securities and commodities transactions. These activities may expose the Company to default risk arising from the potential that a customer, noncustomer 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, noncustomers or counterparties. The Company seeks to control the risks associated with its customer and noncustomer margin activities by requiring customers and noncustomers to maintain collateral in compliance with regulatory and internal guidelines.

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Liabilities to other brokers and dealers related to unsettled transactions (i.e. fails 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 fails 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's exposure to credit risk associated with its trading and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

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

At June 30, 2013, 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 to satisfy margin requirements at the clearing organizations. 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 for resale agreements as of June 30, 2013, approximates \$10,526,889, of which \$10,170,285 were from affiliated companies.

Derivatives

A derivative is an instrument whose value is derived from an underlying instrument or index, such as interest rates, equity security prices, currencies, or credit spreads. Derivatives include futures, forwards, swap or option contracts, or other financial instruments with similar characteristics.

Derivatives Accounting requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. The fair value of all derivatives and associated cash collateral is recorded on a net-by-counterparty basis on the Balance Sheet where the Company believes a legal right of setoff exists under an enforceable netting agreement. All derivatives are reported on the Balance Sheet as *Trading assets* and *Trading liabilities*. The Company enters into derivatives to facilitate client transactions, for trading and financing purposes, and to manage risk exposures arising from trading assets and liabilities.

Derivative Balances by Primary Risk

The following table identifies the primary risk for derivative instruments at June 30, 2013. The primary risk is provided on a gross basis, prior to the application of counterparty and cash collateral netting.

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| | Contract/ Notional | Trading Assets- Derivative Contracts ⁽¹⁾ | Contract/ Notional | Trading Liabilities- Derivative Contracts ⁽¹⁾ |
|------------------------------------------|-----------------------|--------------------------------------------------------|-----------------------|-------------------------------------------------------------|
| Equity risk | \$ 7,803,873 | \$ 289,400 | \$ 8,041,791 | \$ 553,038 |
| Less: Cash collateral received | - | (4,480) | - | - |
| Total derivatives assets and liabilities | \$ 7,803,873 | \$ 284,920 | \$ 8,041,791 | \$ 553,038 |

(1) The amounts in the table above include both third party and affiliate trading derivatives. At June 30, 2013 the Company had gross derivative assets with affiliates of \$4,769 (notional of \$270,000) and cash collateral received from affiliates of \$4,480. The remaining third party derivative assets and liabilities relate to listed equity options.

Offsetting of Derivatives

For the purpose of the Balance Sheet, the Company offsets derivatives assets and liabilities and cash collateral held with the same counterparty where it has a legally enforceable master netting agreement.

The following table presents derivative instruments included in derivative assets and liabilities on the Company's Balance Sheet at June 30, 2013 by primary risk and the platform, on which these derivatives are transacted. Exchange-traded derivatives include listed options transacted on an exchange. These transactions are not subject to a legally enforceable master netting agreement and are disclosed as Other gross derivative assets and liabilities in the table below. Over-the-counter derivatives include bilateral transactions between the Company and an affiliated counterparty. These transactions are subject to a legally enforceable master netting agreement.

Balances are presented on a gross basis, prior to the application of any counterparty and cash collateral netting. Total gross derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral received or paid.

| Offsetting of Derivatives | | | | |
|-------------------------------------------------------------|--------------------------------------------------|---------|-------------------------------------------------------|---------|
| | Trading Assets- Derivatives Contracts | | Trading Liabilities- Derivatives Contracts | |
| Equity contracts | | | | |
| Over the counter | \$ | 4,769 | \$ | - |
| Total gross derivatives assets/ liabilities, before netting | | 4,769 | | - |
| Less: Cash collateral received/paid | | (4,480) | | - |
| Derivative assets/liabilities after netting | | 289 | | - |
| Other gross derivatives assets/liabilities | | 284,632 | | 553,038 |
| Total net derivatives assets/liabilities | \$ | 284,920 | \$ | 553,038 |

Credit Risk Management of Derivatives

The Company defines counterparty credit risk as the potential for loss that can occur as a result of an individual, counterparty, or issuer being unable or unwilling to honor its contractual obligations. The Company mitigates its credit risk to counterparties through a

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variety of techniques, including, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral should unfavorable events occur, the right to call for collateral when certain exposure thresholds are exceeded, and the right to call for third party guarantees.

4. Fair Value of Financial Instruments

Fair Value Hierarchy

In accordance with Fair Value Accounting, 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).

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 (for example, active exchange-traded equity securities and exchange-traded derivatives).

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 nonactive markets (examples include corporate and municipal bonds, which can 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); 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

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assumptions about the assumptions a market participant would use in pricing the asset or liability.

As required by Fair Value Accounting, 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.

For example, 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.

There were no transfers between levels for the period ending June 30, 2013.

Valuation Processes and Techniques

The Company has various processes and controls in place to ensure that its fair value measurements are reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models by personnel who are independent of the front office and periodic reassessments to ensure that models are continuing to perform as designed. A price verification group, which is also independent of the front office, utilizes available market information including executed trades, market prices and market observable valuation model inputs to ensure that fair values are reasonably estimated. The Company executes due diligence procedures over third party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During 2013, there were no changes to the Company's valuation techniques that had or are expected to have, a material impact on its Balance Sheet.

The following outlines the valuation methodologies for the Company's material categories of assets and liabilities:

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Exchange-Traded Equity Securities

Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, they are classified as Level 1 in the fair value hierarchy.

Listed Derivative Contracts

Listed derivatives that are actively traded are generally valued based on quoted prices from the exchange and are classified as Level 1 in the fair value hierarchy.

Margin Loans

For certain long-term fixed-rate margin loans within customer receivables that are hedged with derivatives, the company has elected fair value option. These loans are collateralized by a portfolio of convertible and corporate bonds. For the purpose of fair value hierarchy classification these loans are classified as Level 3. Fair value is estimated based on the use of benchmarks related to underlying collateral.

The Company's assets and liabilities measured at fair value on a recurring basis of June 30, 2013 are classified as follows:

| | Fair Value Measurements on a Recurring Basis | | | | |
|----------------------------------------------------------------------------|----------------------------------------------|---------|---------|--------------------|------------|
| | As of June 30, 2013 | | | | |
| | Level 1 | Level 2 | Level 3 | Netting Adj (1) | Total |
| Assets | | | | | |
| Equities | \$ 192,321 | \$ - | \$ - | \$ - | \$ 192,321 |
| Derivative contracts | 289,400 | - | - | (4,480) | 284,920 |
| Securities segregated for regulatory purposes : US Government and agencies | 356,604 | - | - | - | - |
| Customer receivables | - | - | 266,978 | - | 266,978 |
| Liabilities | | | | | |
| Equities | 124,711 | - | - | - | 124,711 |
| Derivative contracts | \$ 553,038 | \$ - | \$ - | \$ - | \$ 553,038 |

(1) Represents counterparty and cash collateral netting.

Level 3 Significant Inputs

The long-term fixed rate margin loans are valued based on market comparables. The primary significant unobservable input is yield, which is 1.74%. A significant increase in market yield would result in a significantly lower fair value.

Fair Value Option Election

The fair value option election allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. The fair

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value option election is permitted on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. As discussed above, the Company's financial instruments are required to be accounted for at fair value under Derivatives Accounting, as well as industry level guidance. For certain financial instruments that are not accounted for at fair value under other applicable accounting guidance, the fair value option election has been made.

The Company elected the fair value option for certain long-term fixed rate margin loans that are hedged with derivatives.

For the period ended June 30, 2013, the difference between the fair value and the aggregate contractual principal amounts of the margin loans was not material.

5. Securities Financing Transactions

The Company enters into resale agreements and securities borrowed and loaned transactions in order to meet customers' needs and to earn residual interest rate spreads, obtain securities for settlement and finance trading inventory positions.

Under these transactions, the Company receives collateral, including U.S. Government and agency, and equity securities. The Company receives collateral in connection with resale agreements, securities borrowed transactions, customer margin loans, and other loans. Under most agreements the Company is permitted to sell or repledge the securities received (e.g., use these securities to secure repurchase agreements, enter into securities lending transactions or deliver to counterparties to cover shorts). At June 30, 2013, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was \$134,540,619, of which \$18,149,276 was received from affiliated companies. The fair value of these securities that had been sold or repledged was \$97,288,100 of which \$67,626,835 have been sold or repledged to affiliated companies.

The Company pledges certain Company-owned assets which are included in *Trading assets* to collateralize securities loaned transactions. Pledged securities that can be sold or repledged by the secured party are disclosed parenthetically in *Trading assets* on the Balance Sheet.

Offsetting of Securities Financing Agreements

Substantially all securities borrowing and lending activities and repurchase and resale activities are transacted under legally enforceable master securities lending agreements and master repurchase agreements that give the Company, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty.

The tables below present securities financing agreements included on the Company's Balance Sheet at June 30, 2013. Balances are presented on a gross basis as no netting

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occurred under legally enforceable master securities lending agreements and master repurchase agreements at June 30, 2013. For information on the offsetting of derivatives, see Note 3.

The column entitled "Financial Instruments" in the tables below includes securities collateral received or pledged under repurchase or securities lending agreements where there is a legally enforceable master netting agreement. These amounts are not offset in the Balance Sheet but are shown as a reduction to the net Balance Sheet amount in the table to derive a net asset or liability. Securities collateral received or pledged where the legal enforceability of the master netting agreements is not certain is not included.

| Assets | | | |
|----------------------------------------------------|----------------------|----------------------------------|-------------------|
| | Gross Assets | Financial Instruments (1) | Net Assets |
| Receivables under resale agreements | \$ 9,958,639 | \$ (9,958,639) | \$ - |
| Receivables under securities borrowed transactions | 6,768,877 | (6,595,349) | 173,528 |
| Total | \$ 16,727,516 | \$ (16,553,988) | \$ 173,528 |

| Liabilities | | | |
|-----------------------------------------------|--------------------------|----------------------------------|------------------------|
| | Gross Liabilities | Financial Instruments (1) | Net Liabilities |
| Payables under repurchase agreements | \$ 466,733 | \$ (466,733) | \$ - |
| Payables under securities loaned transactions | 8,442,591 | (8,283,964) | 158,627 |
| Total | \$ 8,909,324 | \$ (8,750,697) | \$ 158,627 |

(1) These amounts are limited to the securities financing asset/liability balance and, accordingly, do not include excess collateral received/pledged.

6. Subordinated Borrowings

At June 30, 2013, the amount available on the Company's revolving subordinated borrowing with ML&Co. was \$3,000,000 with a maturity date of April 30, 2014, of which \$300,000 was outstanding. This borrowing, which has been approved for regulatory capital purposes, bears interest at variable rates based on one month LIBOR plus a spread.

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, 2013, the Company issued and redeemed preferred stock, representing the Company's Joint Back Office arrangements with clients of 150 and 250 shares, respectively. At June 30, 2013, there were 1,735 preferred and 3,000 common shares issued and outstanding.

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8. Commitments, Contingencies and Guarantees

Litigation

In the ordinary course of business, the Company is routinely a defendant in or party to 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 very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Company generally cannot predict 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 applicable accounting guidance, the Company establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When loss contingencies are not both probable and estimable, the Company does not establish an accrued liability. As a litigation or regulatory matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Company will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Company continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

Commitments

The Company has entered into various noncancelable, long-term lease agreements for premises and equipment that expire through the year 2018. Future minimum rental commitments with initial or remaining terms expiring after June 30, 2013, are presented below:

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| Year Ending | Total |
|-------------|-----------------|
| 2013 | \$ 2,757 |
| 2014 | 1,494 |
| 2015 | 865 |
| 2016 | 255 |
| 2017 | 259 |
| Thereafter | <u>65</u> |
| | <u>\$ 5,695</u> |

The amounts in the above table do not include amounts related to lease renewal or purchase options or escalation clauses providing for increased rental payments based upon maintenance, utility and tax increases.

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 \$135,000 at June 30, 2013.

Guarantees

The Company issues various guarantees to counterparties and 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 a guarantee on behalf of a client with a foreign stock exchange for approximately \$6,499. 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 liability is carried on the balance sheet for these arrangements.

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

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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 liability is carried on the balance sheet for these arrangements.

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 trades submitted for or by such clients with the applicable clearinghouse. 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 are submitted. The Company's liability under these arrangements is not quantifiable and could exceed any cash deposit made by a client. However, the potential for the Company to be required to make payments under these arrangements is remote due to the contractual requirements associated with clients' activity and the regular review of clients' capital. Accordingly, no liability is carried on the balance sheet for these transactions.

9. Employee Benefit Plans

ML&Co. sponsors pension and other postretirement benefits to its employees worldwide through defined contribution pension, defined benefit pension and other postretirement plans. These plans vary based on the country and local practices.

The Bank of America Corporation Corporate Benefits Committee has overall responsibility for the administration of all of ML&Co.'s employee benefit plans. ML&Co. continues as the plan sponsor. Bank of America maintains certain qualified retirement and defined contribution plans covering full-time, salaried employees and certain part-time employees. Eligible employees newly hired on or after January 1, 2010 participate in the Bank of America plans with certain exceptions.

In connection with a redesign of its retirement plans, Bank of America amended its Qualified Pension Plans to freeze benefits earned effective June 30, 2012. Bank of America continues to offer retirement benefits through its defined contribution plans.

The defined benefit pension plans and postretirement benefit plans are accounted for in accordance with ASC 715-20-50, *Compensation – Retirement Benefits, Defined Benefit Plans-General* (“Defined Benefit Plan Accounting”). Postemployment benefits are accounted for in accordance with ASC 712, *Compensation-Nonretirement Postemployment Benefits*. Required disclosures are included in the December 31, 2012 Form 10-K of ML&Co.

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Defined Contribution Pension Plan

The U.S. defined contribution plan sponsored by ML&Co. is the 401(k) Savings & Investment Plan ("SIP") and is closed to new participants with certain exceptions.

Defined Benefit Pension Plans

ML&Co. previously purchased an annuity contract that guarantees the payment of benefits vested under a U.S. defined benefit pension plan that was terminated (the "U.S. terminated pension plan") in accordance with the applicable provisions of the Employee Retirement Income Security Act ("ERISA"). ML&Co., under a supplemental agreement, may be responsible for, or benefit from, actual experience and investment performance of the annuity assets. ML&Co. made no contribution under this agreement for the period ended June 30, 2013. Additional contributions may be required in the future under this agreement. ML&Co. also maintains supplemental defined benefit pension plans (i.e., plans not subject to Title IV of ERISA) for certain U.S. participants.

Postretirement Benefits Other Than Pensions

Health insurance benefits are provided to eligible retired employees and dependents through Bank of America sponsored plans. The health care coverage is contributory, with certain retiree contributions adjusted periodically. The accounting for costs of health care benefits for most eligible employees anticipates future changes in cost-sharing provisions. As of June 30, 2013 none of these plans had been funded. Bank of America does not allocate postretirement benefits expense other than pensions to the Company.

Postemployment Benefits

ML&Co. provides certain postemployment benefits for employees on extended leave due to injury or illness and for terminated employees. Eligible employees who are disabled due to non-work related illness or injury are entitled to disability income, medical coverage and life insurance. Bank of America also provides severance benefits to terminated employees.

Severance benefits may be provided to eligible employees under the terms of a severance pay plan. All full-time employees are eligible for severance benefits subject to the terms of the severance pay plan.

10. Employee Incentive Plans

Incentive plans are sponsored by Bank of America. Disclosures required by ASC 718, *Compensation- Stock Compensation*, ("Stock Compensation Accounting") are included in the December 31, 2012 Form 10-K of ML&Co.

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

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with shares of Bank of America's common stock or options to purchase such stock, and deferred cash compensation.

11. Income Taxes

The Company files income tax returns in numerous state and local jurisdictions each year. The Internal Revenue Service ("IRS") and other tax authorities in the states and cities in which the Company has significant business operations, examine tax returns periodically (continuously in some jurisdictions). The table below summarizes the status of significant tax examinations, by jurisdiction, for the Company as of June 30, 2013.

| Jurisdiction | Years Under Examination ¹ | Status at June 30, 2013 |
|--------------|--------------------------------------|-------------------------|
| U.S. Federal | 2004-2009 ² | See below |
| U.S. Federal | 2010-2011 ² | Field examination |

¹ All tax years subsequent to the above years remain open to examination.

² From the date of its acquisition by Bank of America, the Company has been included in Bank of America's consolidated federal income tax return. Prior to the date of its acquisition by Bank of America, the Company was included in ML&Co.'s consolidated federal income tax return.

During 2013, ML&Co. Bank of America and the IRS continued to make significant progress toward resolving all federal income tax examinations for Bank of America tax years through 2009 and ML&Co. tax years through 2008. While subject to final agreement, including review by the Joint Committee on Taxation of the U.S. Congress for certain years, the Company believes that these examinations may be concluded during 2013.

At June 30, 2013, the Company did not have any liabilities for UTB's.

As described in Note 1, any UTB related to a state consolidated, combined or unitary return in which the Company is a member, is not reflected in the Company's balance sheet until such time as the tax position is resolved.

While it is reasonably possible that a significant reduction in unrecognized tax benefits related to certain state consolidated, combined or unitary returns will occur within twelve months of June 30, 2013, quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes.

Significant components of the Company's net deferred tax assets at June 30 2013 are presented in the table below:

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| | | |
|--------------------------------------|----|--------|
| Accrued expenses | \$ | 17,593 |
| State tax deduction | | 11,626 |
| Depreciation | | 3,047 |
| Employee compensation and retirement | | 2,193 |
| Goodwill | | 2,026 |
| Net operating loss carryforwards | | 1,952 |
| Other | | 265 |
| | | <hr/> |
| Deferred tax assets | | 38,702 |
| | | <hr/> |
| Other | | 596 |
| | | <hr/> |
| Deferred tax liabilities | \$ | 596 |
| | | <hr/> |
| Net deferred tax asset | \$ | 38,106 |
| | | <hr/> |

The table below summarizes the deferred tax assets and related valuation allowances recognized for the net operating loss carryforwards at June 30, 2013:

| | Deferred Tax Asset | Valuation Allowance | Net Deferred Tax Asset | First Year Expiring |
|-----------------------------|--------------------|---------------------|------------------------|---------------------|
| Net operating losses - U.S. | \$ 1,952 | - | \$ 1,952 | After 2025 |

Realization of the deferred tax assets recognized for net operating losses in the table above is dependent on the Company's, ML&Co.'s, or Bank of America's ability to generate sufficient taxable income prior to their expiration. Management concluded that no valuation allowance was necessary to reduce the U.S. federal NOL carryforwards since estimated future taxable income will more-than-likely-than-not be sufficient to utilize these assets prior to expiration.

The Company and ML&Co. are included in the consolidated U.S. federal income tax return and certain combined and unitary state tax returns of Bank of America. At June 30, 2013, the Company had a current income tax payable to ML&Co. of \$91,826 as a result of its inclusion in consolidated, combined and unitary income tax return filings with Bank of America and ML&Co.

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12. Subsequent Events

ASC 855, *Subsequent Events*, requires the Company to evaluate whether events, occurring after the balance sheet date but before the date the Balance Sheet is available to be issued, require accounting as of the balance sheet date, or disclosure in the financial statements.

The Company has evaluated subsequent events through the date of issuance.

On July 19, 2013 the company drew down \$300,000 and on July 30, 2013 the Company repaid \$300,000, of its subordinated borrowings to ML&Co.

13. 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 CFTC Rule 1.17. The Company computes its net capital under the alternative method permitted by Rule 15c3-1. As of June 30, 2013, the Company's regulatory net capital of \$1,829,495 was 15.11% of ADI and exceeded the minimum requirement of \$242,170 by \$1,587,325.

At July 31, 2013, the Company's regulatory net capital of \$2,010,453 was 15.9% of ADI and exceeded the minimum requirement of \$253,677 by \$1,756,776.

The Company is also subject to the customer protection requirements of Rule 15c3-3 under the Act. For the June 30, 2013 customer reserve computation, qualified securities with contract value of \$2,940,000 obtained under resale agreements with an affiliate have been segregated in a special reserve account for the exclusive benefit of customers.

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. For the June 30, 2013 PAIB reserve computation, qualified securities with a contract value of \$3,350,000 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, 2013, assets segregated and secured totaled \$1,610,853 and exceeded requirements by \$796,352. The firm has established \$5,000 in a sequestered account. There was no sequestered requirement at period end.

