BUILD A BEAR WORKSHOP INC
Form DEF 14A
April 14, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Build-A-Bear Workshop, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

Build-A-Bear Workshop, Inc.

1954 Innerbelt Business Center Drive

St. Louis, Missouri 63114

April 14, 2009

Dear Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Build-A-Bear Workshop, Inc. to be held at our World Bearquarters, 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114 on Thursday, May 14, 2009, at 10:00 a.m. Central Time. For your reference, directions for our annual meeting site are provided at Appendix B to this proxy statement.

At the meeting, you will be asked to elect three Directors, amend and restate our stock incentive plan, ratify the appointment of KPMG LLP as our independent registered public accounting firm for our current fiscal year, and transact such other business as may properly come before the meeting.

The formal Notice of Annual Meeting of Stockholders and proxy statement accompanying this letter provide detailed information concerning matters to be considered and acted upon at the meeting. Your vote is important. I urge you to vote as soon as possible, whether or not you plan to attend the annual meeting. You may vote via the Internet, as well as by telephone or by mailing the proxy card. Please review the instructions with the proxy card regarding each of these voting options.

Thank you for your continued support of, and interest in, Build-A-Bear Workshop. I look forward to seeing you at the annual meeting.

Sincerely,

Maxine Clark
Chairman and Chief Executive Bear

Build-A-Bear Workshop, Inc.

1954 Innerbelt Business Center Drive

St. Louis, Missouri 63114

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 14, 2009

The 2009 Annual Meeting of Stockholders of **BUILD-A-BEAR WORKSHOP, INC.**, a Delaware corporation (the Company or Build-A-Bear Workshop), will be held at our World Bearquarters, 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114, on Thursday, May 14, 2009, at 10:00 a.m. Central Time, to consider and act upon the following matters:

1. to elect three Directors;

2. to approve the Build-A-Bear Workshop, Inc. Second Amended and Restated 2004 Stock Incentive Plan;

3. to ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the Company s current fiscal year; and

4. to transact such other business as may properly come before the meeting or any adjournments thereof.

Only stockholders of record at the close of business on March 30, 2009 (the Record Date) are entitled to notice of and to vote at the annual meeting. At least ten days prior to the meeting, a complete list of stockholders entitled to vote will be available for inspection by any stockholder for any purpose germane to the meeting, during ordinary business hours, at the office of the Secretary of the Company at 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114. As a stockholder of record, you are cordially invited to attend the meeting in person. Regardless of whether you expect to be present at the meeting, please either (i) complete, sign and date the enclosed proxy and mail it promptly in the enclosed envelope, or (ii) vote electronically via the Internet or telephone as described in greater detail in the proxy statement. Returning the enclosed proxy, voting electronically, or voting telephonically will not affect your right to vote in person if you attend the meeting.

By Order of the Board of Directors

Tina Klocke
Chief Operations and Financial Bear,
Treasurer and Secretary

EVEN THOUGH YOU MAY PLAN TO ATTEND THE MEETING IN PERSON, PLEASE VOTE BY TELEPHONE OR THE INTERNET, OR EXECUTE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY. A RETURN ENVELOPE (WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR YOUR CONVENIENCE. TELEPHONE AND INTERNET VOTING INFORMATION IS PROVIDED ON YOUR PROXY CARD. SHOULD YOU ATTEND THE MEETING IN PERSON, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON.

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BUILD-A-BEAR WORKSHOP, INC.

1954 Innerbelt Business Center Drive

St. Louis, Missouri 63114

2009 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Build-A-Bear Workshop, Inc., a Delaware corporation (the Company), to be voted at the 2009 Annual Meeting of Stockholders of the Company and any adjournment or postponement of the meeting. The meeting will be held at our World Bearquarters, 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114, on Thursday, May 14, 2009, at 10:00 a.m. Central Time, for the purposes contained in the accompanying Notice of Annual Meeting of Stockholders and in this proxy statement. For your reference, directions for our annual meeting site are provided at Appendix B to this proxy statement.

ABOUT THE MEETING

Why Did I Receive This Proxy Statement?

Because you were a stockholder of the Company as of March 30, 2009 (the Record Date) and are entitled to vote at the annual meeting, the Board of Directors is soliciting your proxy to vote at the meeting.

This proxy statement summarizes the information you need to know to vote at the meeting. This proxy statement and form of proxy were first mailed to stockholders on or about April 14, 2009.

What Am I Voting On?

You are voting on three items:

(a) the election of three Directors;

(b) the approval of the Build-A-Bear Workshop, Inc. Second Amended and Restated 2004 Stock Incentive Plan; and

(c) the ratification of KPMG LLP as the Company s independent registered public accounting firm for fiscal 2009.

How Do I Vote?

Stockholders of Record: If you are a stockholder of record, there are four ways to vote:

by toll-free telephone at 1-866-540-5760;

by Internet at http://www.proxyvoting.com/bbw;

by completing and returning your proxy card in the postage-paid envelope provided; or

by written ballot at the meeting.

Street Name Holders: Shares which are held in a brokerage account in the name of the broker are said to be held in street name. If your shares are held in street name you should follow the voting instructions provided by your broker. You may complete and return a voting instruction card to your broker, or, in many cases, your broker may also allow you to vote via the telephone or Internet. Check your proxy card for more information. If you hold your shares in street name and wish to vote at the meeting, you must obtain a legal proxy from your broker and bring that proxy to the meeting.

Regardless of how your shares are registered, if you complete and properly sign the accompanying proxy card and return it to the address indicated, it will be voted as you direct.

What is the Deadline for Voting via Internet or Telephone?

Internet and telephone voting for stockholders of record is available through 11:59 p.m. Eastern Time on Wednesday, May 13, 2009 (the day before the annual meeting).

What Are the Voting Recommendations of the Board of Directors?

The Board recommends the following votes:

(a) FOR election of each of the three nominees as Directors;

(b) FOR approval of the Build-A-Bear Workshop, Inc. Second Amended and Restated 2004 Stock Incentive Plan; and

(c) FOR ratification of the appointment of KPMG LLP as independent registered public accounting firm for fiscal 2009.

Unless you give contrary instructions on your proxy card, the persons named as proxy holders will vote your shares in accordance with the recommendations of the Board of Directors.

Will Any Other Matters Be Voted On?

We do not know of any other matters that will be brought before the stockholders for a vote at the annual meeting. If any other matter is properly brought before the meeting, your signed proxy card gives authority to Maxine Clark and Tina Klocke to vote on such matters in their discretion.

Who Is Entitled to Vote at the Meeting?

Only stockholders of record at the close of business on the Record Date are entitled to receive notice of and to participate in the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

How Many Votes Do I Have?

You will have one vote for every share of Build-A-Bear Workshop common stock you owned on the Record Date.

How Many Votes Can Be Cast by All Stockholders?

19,901,256, consisting of one vote for each share of Build-A-Bear Workshop common stock outstanding on the Record Date. There is no cumulative voting.

How Many Votes Must Be Present to Hold the Meeting?

The holders of a majority of the aggregate voting power of Build-A-Bear Workshop common stock outstanding on the Record Date, or 9,950,629 votes, must be present in person, or by proxy, at the meeting in order to constitute a quorum necessary to conduct the meeting.

If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum. A broker non-vote occurs when a bank or broker holding shares in street name submits a proxy that states that the broker does not vote for some or all of the proposals because the broker has not received instructions from the beneficial owners on how to vote on the proposals and does not have discretionary authority to vote in the absence of instructions.

We urge you to vote by proxy even if you plan to attend the meeting so that we will know as soon as possible that a quorum has been achieved.

What Vote Is Required to Approve Each Proposal?

In the election of Directors, the affirmative vote of a plurality of the votes present in person or by proxy and entitled to vote at the meeting is required. A proxy that has properly withheld authority with respect to the election of one or more Directors will not be voted with respect to the Director or Directors indicated, although it will be counted for the purposes of determining whether there is a quorum.

For the proposals to approve the Build-A-Bear Workshop, Inc. Second Amended and Restated 2004 Stock Incentive Plan and to ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the proposals will be required for approval. An abstention with respect to these proposals will be counted for the purposes of determining the number of shares entitled to vote that are present in person or by proxy. Accordingly, an abstention will have the effect of a no vote.

If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to the matter.

Can I Change My Vote?

Yes. Just send in a new proxy card with a later date, cast a new vote by telephone or Internet, or send a written notice of revocation to the Company s Corporate Secretary at the address on the cover of this proxy statement. Also, if you attend the meeting and wish to vote in person, you may request that your previously submitted proxy not be used.

How Can I Access the Company s Proxy Materials and Annual Report Electronically Online?

This proxy statement and the 2008 annual report are available at http://materials.proxyvote.com/120076. We encourage you to enroll at www.bnymellon.com/shareowner/isd in order to receive future proxy statements and annual reports electronically, instead of receiving copies of next year s proxy statement and annual report by mail. By electing to receive these documents electronically, you will save the Company the cost of producing and mailing paper copies of these documents. If you enroll to receive the documents electronically, beginning in 2010 you will receive only a proxy card and business reply envelope in the mail. The proxy card you receive will instruct you to visit http://materials.proxyvote.com/120076 to view our annual report and proxy statement.

Who Can Attend the Annual Meeting?

Any Build-A-Bear Workshop stockholder as of the Record Date may attend the meeting. If you own shares in street name, you should ask your broker or bank for a legal proxy to bring with you to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement so that we can verify your ownership of our stock and admit you to the meeting. However, you will not be able to vote your shares at the meeting without a legal proxy.

If you return a proxy card without indicating your vote, your shares will be voted as follows: (i) FOR the three nominees for Director named in this proxy statement; (ii) FOR approval of the Build-A-Bear Workshop, Inc. Second Amended and Restated 2004 Stock Incentive Plan; (iii) FOR ratification of the appointment of KPMG LLP as the independent registered public accounting firm for the Company for fiscal 2009; and (iv) in accordance with the recommendation of management on any other matter that may properly be brought before the meeting and any adjournment of the meeting.

Proof of ownership of Build-A-Bear Workshop stock, as well as a valid form of personal identification (with picture), must be presented in order to attend the annual meeting.

What is Householding of Proxy Materials?

The Securities and Exchange Commission (SEC) has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement to multiple stockholders sharing an address unless contrary instructions have been received from one or more of the affected stockholders. The Company will deliver, promptly upon request, a separate copy of the proxy statement to any stockholder who is subject to householding. You can request a separate proxy statement by writing to the Company at Build-A-Bear Workshop, Inc., Attention: Investor Relations, 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114 or by calling the Company at (314) 423-8000. Once you have received notice from your broker or the Company that they are or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement in the future, or if you currently receive multiple proxy statements and would prefer to participate in householding, please notify your broker if your shares are held in a brokerage account or the Company if you hold registered shares. You can notify the Company by sending a written request to Build-A-Bear Workshop, Inc., Attention: Investor Relations, 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114 or by calling the Company at (314) 423-8000.

Who Pays for the Solicitation of Proxies?

The Company has hired the firm of Georgeson Inc. to solicit proxies for this meeting for a fee estimated at $6,500 plus reimbursement for reasonable and customary out-of-pocket expenses. The Company will bear the cost of the solicitation of proxies for the meeting. Brokerage houses, banks, custodians, nominees and fiduciaries are being requested to forward the proxy material to beneficial owners and their reasonable expenses therefor will be reimbursed by the Company. Solicitation will be made by mail and also may be made personally or by telephone, facsimile or other means by the Company s officers, Directors and employees, without special compensation for such activities.

VOTING SECURITIES

On the Record Date, there were 19,901,256 outstanding shares of the Company s common stock (referred to herein as shares).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the beneficial ownership of the Company s shares as of March 30, 2009 (unless otherwise noted) by (i) each person known by the Company to own beneficially more than 5% of the outstanding shares, (ii) each Director and Director nominee of the Company, (iii) each executive officer of the Company named in the Summary Compensation Table (the Named Executive Officers), and (iv) all executive officers and Directors of the Company as a group. The table includes shares that may be acquired within 60 days of March 30, 2009 upon the exercise of stock options by employees or outside Directors and shares of restricted stock. Unless otherwise indicated, each of the persons or entities listed below exercises sole voting and investment power over the shares that each of them beneficially owns. Except as indicated below, the address of each person or entity listed is c/o Build-A-Bear Workshop, Inc., 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114. For the beneficial ownership of the stockholders owning 5% or more of the shares, the Company relied on publicly available filings and representations of the stockholders.

Name of Beneficial Owner	Amount and Nature of Shares of Common Stock Beneficially Owned[16][17]	Percentage of Class
Maxine Clark and affiliates[1]	2,824,619	14.1%
Paradigm Capital Management, Inc.[2]	1,810,900	9.1%
Barney Ebsworth[3]	1,288,335	6.7%
BML Investment Partners, L.P.[4]	1,230,400	6.2%
Tina Klocke [5]	191,622	*
Teresa Kroll [6]	34,637	*
Coleman Peterson[7]	33,776	*
Joan Ryan [8]	32,721	*
Louis Mucci [9]	30,244	*
Mary Lou Fiala [10]	29,987	*
William Reisler [11]	29,973	*
James M. Gould [12]	28,223	*
Eric Fencl [13]	26,648	*
Katherine Savitt [14]	13,888	*
All Directors and executive officers as a group (13 persons)[15]	3,328,986	16.5%

* Less than 1.0%.

(1) Represents 40,904 shares owned directly by Ms. Clark, 37,402 shares owned indirectly through her husband, 81,296 shares of restricted stock, and 2,548,783 shares held by Smart Stuff, Inc. Ms. Clark controls the voting and/or investment power for the shares held by Smart Stuff, Inc. as its president and sole stockholder. Smart Stuff, Inc. was issued membership interests in the predecessor entity to the Company in 1997 in conjunction with the original founding of the business by Ms. Clark. Also includes vested options to purchase 116,234 shares with exercise prices ranging from $6.10 to $34.65.

(2) Represents 1,810,900 shares held by Paradigm Capital Management (Paradigm), which is located at Nine Elk Street, Albany, New York 12207. All information regarding ownership by is based solely on a Schedule 13G filed by Paradigm on February 17, 2009.

(3) Represents 4,573 shares of common stock owned directly by Mr. Ebsworth and 1,283,762 shares held indirectly through The Barney A. Ebsworth Living Trust dated July 23, 1986, with respect to which Mr. Ebsworth shares voting and investment power. All information regarding ownership by Mr. Ebsworth and the Barney A. Ebsworth Living Trust dated July 23, 1986 is based solely on a Schedule 13G/A filed by Mr. Ebsworth on February 12, 2009. Mr. Ebsworth is a Director Emeritus.

(4) Represents 1,230,400 shares held by BML Investment Partners, L.P. (BML), with respect to which BML shares voting and investment power. The principal address of BML is 156 S. First Street, Zionsville, Indiana 46077. All information regarding ownership by is based solely on a Form 13G filed by BML on January 27, 2009.

(5) Represents 51,422 shares of common stock (including 300 shares owned by Ms. Klocke s spouse and 200 shares held in trust for the benefit of Ms. Klocke s children), 31,700 restricted shares, and vested options to purchase 108,500 shares with exercise prices ranging from $0.47 to $34.65.

(6) Represents 6,214 shares of common stock, 11,923 restricted shares, and vested options to purchase 16,500 shares with exercise prices ranging from $8.78 to $34.65.

(7) Represents 16,375 shares of common stock and 17,401 shares of restricted stock.

(8) Represents 15,320 shares of common stock and 17,401 shares of restricted stock.

(9) Represents 12,843 shares of common stock and 17,401 shares of restricted stock.

(10) Represents 12,586 shares of common stock and 17,401 shares of restricted stock.

(11) Represents 12,572 shares of common stock and 17,401 shares of restricted stock.

(12) Represents 10,822 shares of common stock and 17,401 shares of restricted stock.

(13) Represents 26,648 shares of restricted stock.

(14) Represents 13,888 shares of restricted stock.

(15) Includes all Directors and executive officers who own a total of 314,443 shares of restricted stock and vested options to purchase a total of 243,234 shares of common stock. Shares owned by Mr. Ebsworth, a Director Emeritus, are not included.

(16) No Director or Named Executive Officer beneficially owns shares that are pledged as security.

(17) Share numbers include restricted stock granted to Named Executive Officers on March 17, 2009 at a closing price of $5.11.

PROPOSAL I. ELECTION OF DIRECTORS

The Company s Board of Directors presently has eight members, divided into three classes as nearly equal in number as possible. The classes have staggered three-year terms. As a result, only one class of Directors is elected at each annual meeting of our stockholders. Coleman Peterson, William Reisler, and Katherine Savitt are Class II Directors, and their terms will expire at the 2009 annual meeting. James M. Gould and Joan Ryan are Class III Directors, and their terms will expire at the 2010 annual meeting. Maxine Clark, Mary Lou Fiala and Louis Mucci are Class I Directors, and their terms will expire at the 2011 annual meeting. Currently, all our Directors hold office until the annual meeting of stockholders at which their term expires or until their successors are duly elected and qualified.

Under our Corporate Governance Guidelines, a Director may not stand for election or re-election after reaching the age of 70. As such, Barney Ebsworth did not stand for re-election at the 2006 Annual Meeting, and serves the Company as Director Emeritus.

A Director Emeritus is not permitted to vote on matters brought before the Board of Directors or any Board committee and is not counted for the purposes of determining whether a quorum of the Board or a Board committee is present. See Director Compensation Policies for a discussion of Director Emeritus compensation.

The Nominating and Corporate Governance Committee of the Board of Directors has nominated the Class II Directors, Coleman Peterson, William Reisler, and Katherine Savitt to be re-elected to serve until the 2012 annual meeting of stockholders or until their successors are duly elected and qualified. As noted below, Mr. Peterson and Mr. Reisler have served on our Board of Directors for several years. Ms. Savitt, who was appointed to the Board of Directors in February 2009, was recommended to the Board by a third party search firm.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NAMED NOMINEES.

Proxies cannot be voted for a greater number of persons than the number of nominees named herein. Unless otherwise specified, all proxies will be voted in favor of the three nominees listed herein for election as Directors.

The Board has no reason to expect that any of the nominees will be unable to stand for election on the date of the meeting or for good cause will not serve. If a vacancy occurs among the original nominees prior to the meeting, the proxies will be voted for a substitute nominee named by the Board of Directors and for the remaining nominees. Directors are elected by a plurality of the votes present in person or by proxy and entitled to vote at the meeting.

DIRECTORS

Set forth below are the names, ages, positions and brief accounts of the business experience for each of our Directors as of March 30, 2009.

Class II Directors Up for Re-Election

Coleman Peterson, 60, was appointed to the Board of Directors at a regular Board meeting on November 10, 2005. Mr. Peterson is President and Chief Executive Officer of Hollis Enterprises LLC, a human resources consulting firm, which he founded in 2004 following his retirement from Wal-Mart Stores, Inc. Mr. Peterson served as the Executive Vice-President of People at Wal-Mart from 1994 to 2004. Prior to joining Wal-Mart in 1994, Mr. Peterson spent 16 years with Venture Stores, with his last role being the Senior Vice-President of Human Resources. Mr. Peterson holds an undergraduate degree in English literature and a master s degree in Industrial Relations from Loyola University of Chicago. Mr. Peterson serves on the Board of Directors of J.B. Hunt Transportation, Inc. He serves as the Chairman of the Board of Trustees of Northwest Arkansas Community College and as a board member of the National Academy of Human Resources. He formerly served on the Executive Committee of the National Association for the Advancement of Colored People (NAACP) and also served as Treasurer of the NAACP Special Contributions Fund. Mr. Peterson resides in Rogers, Arkansas with his wife. They have two children, Rana and Collin.

William Reisler, 52, was initially elected to our Board of Directors pursuant to the terms of a stockholders agreement which terminated upon the closing of the Company s initial public offering in 2004. Mr. Reisler has served on our Board of Directors since our conversion to a corporation in April 2000, and he served on an advisory board to our predecessor entity prior to that time. Mr. Reisler is Managing Partner of Consumer Growth Partners, a private equity sponsor focused on specialty retail and consumer growth companies. He has over 25 years of experience in private equity and venture capital. He was a co-founder of Kansas City Equity Partners which, with affiliates, grew to over $3 billion in assets. Previously, he worked in new product development at Hallmark Cards, Inc. and strategic planning for Sprint Corporation. He serves as a Director of two private companies, Wild Things, LC and Three Dog Bakery, Inc., and he serves as an Executive Committee Member for Peruvian Connection, Inc. Within the civic community he currently serves as a Director of the Harry S. Truman Library Institute and as a Director of the Kansas City Arts Incubator. Mr. Reisler, his wife and two sons reside in Mission Hills, Kansas.

Katherine Savitt, 45, was appointed to the Board of Directors at a regular Board meeting on February 27, 2009. Ms. Savitt was Executive Vice President and Chief Marketing Officer at American Eagle Outfitters, Inc. from March 2006 to January 2009. Prior to joining American Eagle Outfitters, Ms. Savitt served as Vice President of Strategic Communications, Content and Entertainment Initiatives of Amazon.com from 2002 to February 2006. From 1993 to 2002, Ms. Savitt served as President and co-Founder of MWW/Savitt, an integrated marketing communications and public relations firm. From 1990 to 1993 she served as Vice President of Sorenson Roberts and Hansen Advertising and Public Relations. Prior to that time she held several positions, including Senior Account Director at Arst Public Relations, Advertising Production Manager for Nintendo of America and Director of Corporate Communications for Mandelbaum, Wolf, Wiskowski. Ms. Savitt, her husband and two daughters reside in Pittsburgh, Pennsylvania.

Class III Directors Terms Expiring in 2010

James M. Gould, 60, was initially elected to our Board of Directors pursuant to the terms of a stockholders agreement which terminated upon the closing of the Company s initial public offering in 2004, and then he was re-elected to our Board at our 2006 annual meeting of stockholders. Mr. Gould has served on our Board of Directors since our conversion to a corporation in April 2000, and he served on an advisory board to our predecessor entity prior to that time. Mr. Gould is a Managing General Partner of The Walnut Group, a group of affiliated venture capital funds, and he has held that position since 1994. He is also the Managing Member of Gould Venture Group V, LLC, a diversified financial concern, and is the owner of Management One Ltd., a firm he founded that represents professional athletes. He serves on several private company boards, including Stir Crazy, Inc. a privately held restaurant chain, and The O Gara Group. He has served on numerous charitable boards, including Prevent Child Abuse America, Camp BrightLight in partnership with the YMCA and the Cincinnati Ballet Company. Mr. Gould has a bachelor s degree in history from the University of Wisconsin. He resides in Cincinnati, Ohio with his wife Marcie and their four sons.

Joan Ryan, 63, was appointed to our Board at a regular Board meeting on February 28, 2006, and then she was re-elected to our Board at our 2006 annual meeting of stockholders. Ms. Ryan retired as Senior Vice President of Walt Disney Theme Parks and Resorts, with whom she worked for 12 years, in 2005. In that position, Ms. Ryan managed Disney s retail businesses including merchandise, food and beverage, and photo imaging at Walt Disney World® resort. Prior to that position, she was senior vice president of merchandise for the Walt Disney World® resort. Her areas of responsibility included Disneyland® Resort, as well as Disney s international theme parks and resorts. Prior to joining Disney, Ms. Ryan spent over 30 years at various specialty retailers with responsibility for store operations and merchandising, including Ann Taylor Stores Corporation, Lord & Taylor (a division of Federated Departments Stores, Inc.), and Dayton Hudson Corporation (Target Corporation). Ms. Ryan has a bachelor s degree from Michigan State University. She serves as a Director on the Board of Trustees of Providence Hospital and Medical Centers. Ms. Ryan and her husband, Tom, reside in Michigan and Florida.

Class I Directors Terms Expiring in 2011

Maxine Clark, 60, has been our Chief Executive Bear since she founded the Company in 1997. She was our President from our inception in 1997 to April 2004, and has served as Chairman of our Board of Directors since our conversion to a corporation in April 2000. She was initially elected to our Board of Directors pursuant to the terms of a stockholders agreement which terminated upon the closing of the Company s initial public offering in 2004. Ms. Clark was re-elected at our 2005 and 2008 annual meetings of stockholders. Prior to founding Build-A-Bear Workshop, Ms. Clark was the President of Payless ShoeSource, Inc. from 1992 until 1996. Before joining Payless, Ms. Clark spent over 19 years in various divisions of The May Department Stores Company in areas including merchandise development, merchandise planning, merchandise research, marketing and product development. Ms. Clark is a member of the Board of Directors of The J.C. Penney Company, Inc., a public company, and Chairman of its Governance Committee. She also serves on the Board of Trustees of Washington University in St. Louis and on the Board of Directors of Barnes-Jewish Hospital in St. Louis and the St. Louis Regional Educational and Public Television Commission (KETC/Channel 9 Public Television). Ms. Clark is Chair of Teach for America-St. Louis. She is also a member of the Committee of 200, an organization for women entrepreneurs around the world. Ms. Clark has a bachelor s degree from the University of Georgia and an Honorary Doctor of Laws from Saint Louis University.

Mary Lou Fiala, 57, was originally appointed to the Board at a regular Board meeting on January 26, 2005, and then she was re-elected at our 2005 and 2008 annual meetings of stockholders. Since 1998, Ms. Fiala has served as Vice Chairman and Chief Operating Officer of Regency Centers Corporation, a real estate investment trust specializing in the ownership and operation of grocery anchored shopping centers. In her role as Vice Chairman and Chief Operating Officer, Ms. Fiala is responsible for the operational management of Regency s retail centers nationwide. Prior to working with Regency, Ms. Fiala served as Managing Director of Security Capital Global Strategic Group Incorporated, where she was responsible for the development of operating systems for the firm s retail-related initiatives. Previously, she also served as Senior Vice President and Director of Stores for Macy s East/Federated Department Stores, Inc. Before her tenure at Macy s, Ms. Fiala was Senior Vice President of Henri Bendel and Senior Vice President and Regional Director of stores for Federated s Burdine s Division. Ms. Fiala is a past Board member of Pacific Retail Trust and City Center Retail. She is the current Chairman of the Board of Trustees for the International Council of Shopping Centers, and Board of Directors of the Regency Centers Corporation and Stir Crazy, Inc., a privately held restaurant chain. Ms. Fiala earned a bachelor s of science degree from Miami University. Ms. Fiala and her husband reside in Florida. They have three children and two grandchildren.

Louis Mucci, 67, was originally appointed to the Board at a regular Board meeting on November 17, 2004, and then he was re-elected at our 2005 and 2008 annual meetings of stockholders. Mr. Mucci recently held the position of Chief Financial Officer at BJ s Restaurants, Inc., a public company, and served on that company s Board of Directors from May 2002 until September 2005. Mr. Mucci currently serves as an advisor to the Board of Directors of BJ s Restaurants. Mr. Mucci is a senior advisor to SMH Capital investment banking group, a company with shares registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. He retired from PricewaterhouseCoopers LLP in 2001 after 25 years as a partner with the firm. Mr. Mucci s most recent position at PricewaterhouseCoopers was Chairman of the West Coast Retail Group. In this role he served on the firm s National Retail Executive Committee. Mr. Mucci holds a Bachelors of Science degree from California State University, Los Angeles, where he received the Distinguished Alumni Award from the Accounting Department and the School of Business Economics. Mr. Mucci is a member of the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants and the Retail Executive Forum.

Director Emeritus

Barney Ebsworth, 74, was initially elected to our Board of Directors pursuant to the terms of a stockholders agreement which terminated upon the closing of the Company s initial public offering in 2004. Mr. Ebsworth has served on our Board of Directors since our conversion to a corporation in April 2000, and he served on an advisory board to our predecessor entity prior to that time. Mr. Ebsworth is the founder and Chief Executive Officer of Windsor, Inc., formed in 1979 for the purpose of providing financing for venture capital, real estate and other investments. Mr. Ebsworth was the founder and Chief Executive Officer of INTRAV, a general agency formed in 1959 for the purpose of selling travel to individuals and businesses, until the company was sold in 1999. Mr. Ebsworth also founded Royal Cruise Line and Clipper Cruise Line in 1972 and 1981, respectively. He was the Chairman of those companies from inception to the time they were sold in 1986 and 1997, respectively. Mr. Ebsworth is also a Trustee of the Seattle Art Museum and a member of the Trustees Council and Co-Chairman of the Collectors Committee of the National Gallery of Art, Washington D.C. Mr. Ebsworth has a bachelor s degree from Washington University in St. Louis. He has one daughter, one granddaughter and one grandson.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Company s Board of Directors is responsible for establishing broad corporate policies and for overseeing the overall management of the Company. In addition to considering various matters which require Board approval, the Board provides advice and counsel to, and ultimately monitors the performance of, the Company s senior management. There are three standing committees of the Board of Directors: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. In addition, in connection with the Board s consideration of certain strategic alternatives in 2007 and 2008, the Board of Directors formed a Special Committee comprised of four independent non-management directors, which was dissolved after completion of the review in March 2008.

COMMITTEE CHARTERS, CORPORATE GOVERNANCE GUIDELINES,

BUSINESS CONDUCT POLICY AND CODE OF ETHICS

The Board of Directors has adopted charters for all three of its standing Committees. The Board has also adopted Corporate Governance Guidelines, which set forth the obligations and responsibilities of the Directors with respect to independence, meeting attendance, compensation, re-election, orientation, self-evaluation, and stock ownership. The Board of Directors has also adopted a Business Conduct Policy, and a Code of Ethics Applicable to Senior Executives, both of which apply to all of its Directors and officers, including the Company s senior financial officers. Copies of the Committee charters, Corporate Governance Guidelines, Business Conduct Policy and Code of Ethics Applicable to Senior Executives can be found in the Corporate Governance section on the Company s Investor Relations website at http://ir.buildabear.com (information on our website does not constitute part of this proxy statement). The Company intends to comply with the amendment and waiver disclosure requirements of applicable Form 8-K rules by posting such information on its website. The Company will post any amendments to the Committee charters, Corporate Governance Guidelines, Business Conduct Policy and Code of Ethics Applicable to Senior Executives in the same section of the Company s website. The Committee charters, Corporate Governance Guidelines, Business Conduct Policy and Code of Ethics Applicable to Senior Executives are also available in print to stockholders and interested parties upon written request delivered to Build-A-Bear Workshop, Inc., 1954 Innerbelt Business Center Drive, St. Louis, Missouri 63114. Each of our Directors, executive officers and employees sign our Business Conduct Policy on an annual basis to ensure compliance. In addition, each of our executives signs our Code of Ethics Applicable to Senior Executives each year to ensure compliance.

Pursuant to the Corporate Governance Guidelines, the non-management Directors meet at least once each year in executive session. The presiding Director of these sessions changes for each meeting following an alphabetical rotation, unless the Board determines otherwise.

The Board of Directors met twelve times in 2008 for regular and special meetings. Each Director attended at least 75% of the total number of meetings of the Board and the Board committees of which he or she was a member in 2008. While the Company does not have a formal policy requiring members of the Board to attend the annual meeting, the Company encourages all Directors to attend. All of our current Directors attended our 2008 annual meeting and plan to attend the 2009 annual meeting. The members, primary functions and number of meetings held for each of the Committees are described below.

Audit Committee

The members of the Audit Committee are Louis Mucci (Chair), Mary Lou Fiala, William Reisler and Joan Ryan.

The Audit Committee reviews the independence, qualifications and performance of our independent auditors, and is responsible for recommending the initial or continued retention of, or a change in, our independent auditors. The Committee reviews and discusses with our management and independent auditors our financial statements and our annual and quarterly reports, as well as the quality and effectiveness of our internal control procedures, critical accounting policies and significant regulatory or accounting initiatives.

The Committee discusses with management earnings press releases and our major financial risk exposures. Furthermore, the Committee is responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal control or auditing matters. The Committee approves the audit plan and staffing of the internal audit department.

In fulfilling its responsibilities, the Committee reports regularly to the Board regarding its activities and performs an annual self-evaluation of Committee performance. The Audit Committee held nine meetings in 2008.

Compensation Committee

The members of the Compensation Committee are Coleman Peterson (Chair), Mary Lou Fiala, James M. Gould, William Reisler, and Katherine Savitt.

The Compensation Committee is responsible for evaluating and approving the Company s overall compensation philosophy and policies, and consults with management regarding the Company s executive compensation program. The Committee makes recommendations to the Board of Directors regarding compensation arrangements for our executive officers, including annual salary, bonus and long-term incentive awards, and is responsible for reviewing and approving the compensation of the Company s Directors. As part of its duties, the Committee oversees and administrates the Company s employee benefit and incentive compensation plans and programs, including the establishment of certain applicable performance criteria. For additional information on the Committee s processes, please see the Compensation Discussion and Analysis section of this proxy statement.

The Committee reports regularly to the Board regarding its activities, reviews and reassesses the adequacy of its charter on an annual basis and conducts an annual self-evaluation of Committee performance. The Compensation Committee held six meetings in 2008.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are James M. Gould (Chair), Louis Mucci, Coleman Peterson, Joan Ryan and Katherine Savitt.

The Nominating and Corporate Governance Committee establishes criteria for membership of the Company s Board of Directors and its committees and selects and nominates candidates for election or re-election as Directors at the Company s annual meeting. Additionally, the Committee determines the composition, nature and duties of the Board committees and oversees the Board and committee self-evaluation processes.

The Committee is also responsible for reviewing and making recommendations to the Board regarding the Company s Corporate Governance Guidelines, whistleblower policy and ethics codes.

The Committee reports regularly to the Board regarding its activities, reviews and reassesses the adequacy of its charter on an annual basis and conducts an annual self-evaluation of Committee performance. The Nominating and Corporate Governance Committee held five meetings in 2008.

Special Committee

In connection with the Board s consideration of certain strategic alternatives during 2007 and 2008, the Board of Directors formed a Special Committee comprised of four independent non-management directors. The Special Committee retained the investment banking firm of Lehman Brothers to assist it in an analysis of a broad range of potential strategic alternatives to enhance stockholder value and was independently represented by Shearman & Sterling LLP. On March 10, 2008, the Company announced that the Committee completed its consideration of strategic alternatives. After the Committee completed its review and consideration, the Board of Directors authorized an increase in the Company s share repurchase program to up to $50 million. The Committee was dissolved by the Board of Directors in March 2008.

The members of the Special Committee were James M. Gould (Chair), Louis Mucci, Coleman Peterson and Mary Lou Fiala.

The Special Committee held five meetings in 2008.

BOARD MEMBER INDEPENDENCE AND COMMITTEE MEMBER QUALIFICATIONS

The Board of Directors annually determines the independence of Directors based upon a review conducted by the Nominating and Corporate Governance Committee and the Board of Directors. No Director is considered independent unless he or she has no material relationship with the Company, either directly or as a partner, stockholder, family member, or officer of an organization that

has a material relationship with the Company. To evaluate the materiality of any such relationship, the Board has established categorical independence standards consistent with Section 303A of the New York Stock Exchange (NYSE) Listed Company Manual. On an annual basis, each Director and Named Executive Officer is obligated to complete a Director and Officer Questionnaire. Additionally, our Corporate Governance Guidelines require any director to disclose any matters that may arise during the course of the year which have the potential to impair independence.

The Board has determined that, in its judgment as of the date of this proxy statement, each of the non-management Board members (including all members of the Audit, Nominating and Corporate Governance, and Compensation Committees) are independent directors, as defined by our Corporate Governance Guidelines and Section 303A of the NYSE Listed Company Manual. Accordingly, Mary Lou Fiala, James M. Gould, Louis Mucci, Coleman Peterson, William Reisler, Joan Ryan, and Katherine Savitt are all independent directors, as defined by our Corporate Governance Guidelines and Section 303A of the NYSE Listed Company Manual.

In addition, the Board also determined that each member of the Audit Committee (Louis Mucci, Joan Ryan, Mary Lou Fiala and William Reisler) is independent under the heightened Audit Committee independence requirements included in Section 303A of the NYSE Listed Company Manual and the SEC rules. Moreover, each member of the Audit Committee is financially literate, and at least one such member (Louis Mucci) has accounting or related financial management expertise as required in Section 303A of the NYSE Listed Company Manual. Furthermore, the Board determined that Louis Mucci qualifies as an audit committee financial expert as such term is defined under applicable SEC rules. Finally, each member of the Compensation Committee (Mary Lou Fiala, James Gould, Coleman Peterson and William Reisler) is independent as such term is defined in the listing standards of the NYSE, is a non-employee director pursuant to SEC Rule 16b-3 and is an outside director for purposes of Section 162(m) of the Internal Revenue Code.

In reaching these determinations, the Board considered an arrangement under which the Company served as a marketing partner in a film project for which James M. Gould is an executive producer and owner of a less than 10% net profits interest. Under the terms of the transaction, the Company and the film s producers paid their respective costs and expenses for materials relating to the marketing initiative, which were immaterial. The Board and the Governance Committee took this transaction into account when determining Mr. Gould s independence and concluded that the transaction was not material to the Company or Mr. Gould. Furthermore, the Board also determined that the proposed transaction does not constitute a transaction with a related person subject to disclosure under Item 404(a) of Regulation S-K.

RELATED PARTY TRANSACTIONS

In addition to annually reviewing the independence of our Directors, the Company also maintains strict policies and procedures for ensuring that our Directors, executive officers and employees maintain high ethical standards and avoid conflicts of interest. Our Business Conduct Policy prohibits any direct or indirect conflicts of interest and requires any transactions which may constitute a potential conflict of interest to be reported to the Nominating and Corporate Governance Committee. Our Code of Ethics applicable to Senior Executives requires our leadership to act with honesty and integrity, and to disclose to the Nominating and Corporate Governance Committee any material transaction that reasonably could be expected to give rise to actual or apparent conflicts of interest.

Our Nominating and Corporate Governance Committee has established written procedures for the review and pre-approval of all transactions between us and any related parties, including our Directors, executive officers, nominees for Director or executive office, 5% stockholders and immediate family members of any of the foregoing. Specifically, pursuant to our Code of Ethics, any Director or executive officer intending to enter into a transaction with the Company must provide the Nominating and Corporate Governance Committee with all relevant details of the transaction. The transaction will then be evaluated by the Nominating and Corporate Governance Committee to determine if the transaction is in our best interests and whether, in the Committee s judgment, the terms of such transaction are at least as beneficial to us as the terms we could obtain in a similar transaction with an independent third party. In order to meet these standards, the Nominating and Corporate Governance Committee may conduct a competitive bidding process, secure independent consulting advice, engage in its own fact-finding, or pursue such other investigation and fact-finding initiatives as may be necessary and appropriate in the Committee s judgment.

Store Fixtures and Furniture

We purchase fixtures for new stores and furniture for our corporate offices from NewSpace, Inc. (NewSpace). Robert Fox, the husband of Ms. Clark, our Chief Executive Bear, owns 100% of NewSpace. The total payments to NewSpace for these fixtures and furniture amounted to approximately $1.6 million in fiscal 2008.

In 2006, our Board of Directors sought and obtained competitive bids for purchase of store fixtures and furniture. NewSpace offered the lowest total pricing of any bidder in the process, and the Board determined that the quality of the services to be provided by NewSpace would be superior to the services provided by the other bidders. In 2007 and 2009, the Nominating and Corporate Governance Committee reviewed the terms of the transaction with NewSpace and determined that they are at least as beneficial to us as the terms we could obtain in a similar transaction with an independent third party. We expect to continue to purchase store fixtures and furniture from NewSpace, if NewSpace continues to offer competitive pricing through the bidding process and provide superior service levels.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s Directors and executive officers, persons who beneficially own more than 10% of a registered class of the Company s equity securities, and certain other persons to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC, and to furnish the Company with copies of the forms. Based solely on its review of the forms it received, or written representations from reporting persons, the Company believes that all of its Directors, executive officers and greater than 10% beneficial owners complied with all such filing requirements during 2008, with the exception of Mr. Ebsworth. Mr. Ebsworth filed late a Form 3 and Form 4 which were required to be filed when,

as a result of stock repurchases by the Company and the resulting increase in Mr. Ebsworth s percentage ownership of the Company s common stock to more than 10%, Mr. Ebsworth became subject to Section 16(a) for a brief period during 2008.

BOARD OF DIRECTORS COMPENSATION

The following table discloses compensation information of members of the Company s Board of Directors for serving as members of the Company s Board in 2008:

Name:	Fees Earned or Paid in Cash($)	Stock Awards ($)[2]	Total ($)
Maxine Clark[1]	$	$	$
Mary Lou Fiala	40,000	74,998	114,998
James M. Gould	49,478	74,998	124,476
Louis Mucci	57,613	74,998	132,611
Coleman Peterson	50,598	117,482	168,080
William Reisler	40,000	74,998	114,998
Joan Ryan	40,000	123,282	163,282
Barney Ebsworth[3]	25,000		25,000

(1) As a member of management, Maxine Clark, the Company s Chief Executive Bear, did not receive compensation for her services as Director in 2008. The compensation received by Ms. Clark as an employee of the Company is shown in the Summary Compensation Table.

(2) The amounts appearing in the Stock Awards column represent the fiscal 2008 Statement of Financial Accounting Standards No. 123 (revised) (FAS 123(R)) expense of restricted stock awards granted in fiscal 2008 and 2007 (for all listed directors), fiscal 2006 (for Mr. Peterson and Ms. Ryan), and fiscal 2005 (for Mr. Peterson). During 2008, Mses. Fiala and Ryan and Messrs. Gould, Mucci, Peterson, Reisler and Ryan each received a grant of 17,401 shares of the Company s common stock with a grant date fair value of $74,998 computed in accordance with FAS 123(R). The aggregate stock awards outstanding at the end of fiscal 2008 for each director was as follows: Ms. Fiala and Messrs. Gould, Mucci, Peterson and Reisler, 17,401 each; and Ms. Ryan 19,068.

(3) Mr. Ebsworth is a Director Emeritus, and is subject to a different compensation structure, described below.

Director Compensation Policies

The Compensation Committee reviews Board compensation annually, in conjunction with the November Board meeting. In November 2007, the Compensation Committee reviewed Board compensation and analyzed both the constituent compensation elements and the total compensation to Board members in relation to the Company s peer group. As a result of this 2007 review, in 2008 the Board elected not to increase the $40,000 annual retainer for Board membership, which has been in effect since 2005. The Board members do not receive additional fees or compensation for attending meetings or for being a committee member or attending committee meetings. However, in order for the Company to retain its qualified independent Board members whom are fulfilling Committee Chair responsibilities, the Board pays additional annual retainer fees for the Chairman of our committees as follows: Audit Committee $18,500; Compensation Committee $11,250; and Nominating and Corporate Governance Committee $10,000. The annual retainer fees for the Company s Nominating and Corporate Governance and Compensation Committee Chairs were set at the median for applicable peer group compensation. The Audit Committee Chair annual retainer fee was set at the 75th percentile in the peer group. The Board believes the fee paid to the Audit Committee Chair is appropriate given the significant time commitment and expertise required to fulfill this responsibility on behalf of the Company in accordance with public reporting rules and procedures.

Each Board member also receives a restricted stock award granted for annual service with a value of $75,000, as determined on the grant date. The annual restricted stock grants vest each year on the anniversary date of our initial public offering (October 28, 2004). The vesting of all restricted stock grants is subject to continued service on our Board.

In connection with the Board s consideration of certain strategic alternatives that ended in March 2008, the Company s Board of Directors formed a special committee comprised of four independent non-management directors. Given the extraordinary amount of work involved in the review of strategic alternatives, the Board determined that each non-management director serving on the Special Committee (including the Chairman of the committee) would be paid $6,000 per month, with a maximum total potential payment of $30,000 per member. The Chair of the Special Committee received an additional $10,000 per month, with a maximum total potential payment of $50,000.

Also, pursuant to our Corporate Governance Guidelines, non-management Directors are required to refrain from selling or otherwise transferring greater than 50% of their total holdings in our stock during any 12-month period, beginning with the anniversary date of our initial public offering. This policy does not apply to Directors Emeritus.

Under our Corporate Governance Guidelines, no Director may stand for election or re-election after reaching the age of 70. However, any retiring Director who is asked by the Board, and agrees, to continue to serve the Company in the status of Director Emeritus will receive a $25,000 annual retainer and no additional fees for meeting attendance. The retiring Board member s remaining unvested restricted shares may, upon such retirement, be accelerated by the Compensation Committee in its discretion. The retiring Board member receives no additional restricted stock grants for service as a Director Emeritus.

We reimburse our Directors and Directors Emeritus for reasonable out-of-pocket expenses incurred in connection with attendance and participation in Board and committee meetings. We also reimburse our Directors for expenses incurred in the attendance of director continuing education conferences, because we expect that each of our Board members will attend at least one director continuing educational conference every two years.

In December 2008, in light of the impact that the economy is having on the Company s business and in support of Company s cost cutting initiatives, the Board decided to reduce the annual retainer that each Director will receive in 2009 for Board membership from $40,000 to $30,000 and to completely eliminate the $25,000 annual retainer for Director Emeritus service for 2009.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Program

The following Compensation Discussion and Analysis (CD&A) describes our overall compensation philosophy and the primary components of our executive compensation program. Furthermore, the CD&A explains the process by which the Compensation Committee (the Committee) determined the 2008 compensation for all Named Executive Officers. Finally, the CD&A discusses actions taken with regard to executive compensation during 2009.

Compensation Philosophy

The fundamental objectives of our executive compensation program are to attract and retain highly qualified executive officers, motivate these executive officers to materially contribute to our long-term business success, and align the interests of our executive officers and stockholders by rewarding our executives for individual and corporate performance based on targets established by the Committee.

We believe that achievement of these compensation program objectives enhances long-term stockholder value. When designing compensation packages to reflect these objectives, the Committee is guided by the following four principles:

Alignment with stockholder interests: Compensation should be tied, in part, to our stock performance through the granting of equity awards to align the interests of executive officers with those of our stockholders.

Recognition for business performance: Compensation should correlate in large part with our overall financial performance.

Accountability for individual performance: Compensation should partially depend on the individual executive s performance, in order to motivate and acknowledge the key contributors to our success.

Competition: Compensation should generally reflect the competitive marketplace and be consistent with that of other well-managed companies in our peer group.

In implementing this compensation philosophy, the Committee takes into account the compensation amounts from the previous years for each of the Named Executive Officers, and internal compensation equity among the Named Executive Officers. Historically, the Committee has strived to structure compensation packages so that total payout, taking into consideration performance-based compensation, will be above median if the Company meets or exceeds its financial targets and the individual Named Executive Officers perform well in their roles throughout the fiscal year. As a result of poor economic conditions and recent financial performance of the Company, however, in 2009 total target compensation will be at or below median.

2008 Compensation Determination Process

Each year the Committee engages in a review of our executive compensation with the goal of ensuring the appropriate combination of fixed and variable compensation linked to individual and corporate performance.

Role of Compensation Committee Consultant

In the course of its 2008 compensation review, the Committee utilized the services of an outside consultant, James F. Reda & Associates, LLC, who was engaged by the Committee to assist in the determination of the peer group, the compensation benchmarking process, and the review and establishment of compensation policies and programs for Named Executive Officers. The

Company has no relationship with James F. Reda & Associates (other than the relationship undertaken by the Committee), and therefore the Committee believes that the compensation consultant is independent.

Role of Management

Also in the course of its review, the Committee considered the advice and input of the Company s management. Specifically, the Committee leverages the Company s management, human resources department and law department to assist the Committee in the timely and cost-effective fulfillment of its duties. The Committee solicits input from the Chief Executive Bear and human resources department regarding compensation policies and levels. The legal department assists the Committee in the documentation of compensation decisions. In addition, the Amended and Restated 2004 Stock Incentive Plan provides that the Chief Executive and Chief Operating Officer Bears have the limited authority to grant equity awards to Company employees upon their initial hiring or receipt of promotions. The Committee does not permit members of the Company s management to materially participate in the determination of their particular compensation; nor does the Committee permit members of management, including the Chief Executive Bear, to be physically present for those portions of Committee meetings during which the particular member of the management team s performance and compensation are reviewed and determined.

Role of the Full Board

The Compensation Committee Charter provides the Committee with the option of either determining the Chief Executive Bear s compensation, or recommending such compensation to the Board for determination. The Committee has historically chosen to consult with the full Board of Directors, other than the Chief Executive Bear, on the Chief Executive Bear s compensation, because the Committee believes that the Chief Executive Bear s performance and compensation are so critical to the success of the Company that Board involvement in such matters is appropriate. The Committee also determines the compensation and review process for all executive officers other than the Chief Executive Bear. Because the Charter specifically delegates this responsibility to the Committee, it only involves the full Board in an advisory capacity with respect to the compensation decision-making process for the other Named Executive Officers.

The Peer Group

The Committee believes that the Company s compensation peer group is an important tool by which to measure the fairness and competitiveness of the Company s executive compensation. In 2007, the Committee and its compensation consultant significantly refined the Company s peer group so that the 2007 peer group companies as a whole had median revenues approximately 10% above the Company s median revenue, using projected fiscal 2007 revenue levels. The Committee reviews the peer group annually and makes appropriate adjustments. The following companies were eliminated from the Company s peer group for 2008 because they are now privately-held businesses or subsidiaries of larger public companies: Deb Shops, Inc., Party City Corp. and Leslie s Poolmart, Inc. The Company competes with much larger companies for executive talent, but the Committee believes that the 2008 peer group is more appropriate in most instances for benchmarking purposes. While the peer group is an important measuring tool, it is only one of four principal considerations under the Company s compensation philosophy. The 2008 peer group consisted of the following companies:

A.C. Moore Arts & Crafts, Inc.	Coldwater Creek Inc.	Stride Rite Corp.
Bank Jos A Clothiers Inc.	Cole Kenneth Productions Inc.	Tween Brands, Inc.
Books A Million Inc.	P F Changs China Bistro Inc.	United Retail Group, Inc.
Buckle Inc.	Restoration Hardware Inc.	West Marine Inc.
Cache Inc.	Sharper Image Corp.	Wet Seal Inc.
CEC Entertainment Inc.	Shoe Carnival Inc.	Wilsons The Leather Experts Inc.
Charlotte Russe Holding Inc.	Six Flags Inc.	Zumiez Inc.
Citi Trends Inc.	Steven Madden, Ltd.	

In 2008, the Committee compared each element of compensation received by the Company s Named Executive Officers with the levels of each element of compensation received by similarly-situated executive officers in the peer group. For each Named Executive Officer other than the Chief Executive Bear, total compensation packages in 2008 were below the median of total compensation packages for similarly-situated executives at the peer group companies. For the Chief Executive Bear, her 2008 base salary was more than 10% below the median salaries for chief executive officers of the peer companies and total target compensation was less than 10% above the median. The fact that more of the Chief Executive Bear s compensation was at-risk and is payable only if the Company performance meets or exceeds performance targets is consistent with all four elements of the

Committee s compensation philosophy.

2008 Base Salary

During its 2008 annual review, the Committee considered two types of potential base salary increases for each of the Named Executive Officers: (1) merit increases based upon the executives individual performance; and (2) market adjustments based upon the peer group salary range for similar executives.

The Committee evaluates salary increases for Named Executive Officers based on the Company s performance compared to predetermined net income performance targets, and it undertakes an annual performance review of each of the Named Executive Officers in order to determine whether they are eligible for merit increases. In 2008, the Named Executive Officers each prepared a self-evaluation. In the case of the Chief Executive Bear, the Chairman of the Compensation Committee presented the Committee and the Board s feedback to the Chief Executive Bear on her self-evaluation. With respect to the other Named Executive Officers, the Chief Executive Bear was primarily responsible for providing feedback to such other Named Executive Officers evaluations. However, the Committee also had the opportunity to participate in, and review, the evaluations of the other Named Executive Officers. Because the Company did not meet its 2007 threshold net income performance target, no Named Executive Officers received merit salary increases in 2008.

In addition to determining whether merit increases for the Named Executive Officers were appropriate, the Committee compared the Named Executive Officers salaries to the salaries of similar executives in the Company s peer group in order to determine whether any market adjustments were appropriate. For 2008, the Committee approved market adjustments for the following Named Executive Officers because the Committee determined that their 2007 salaries were well below the median range of similar executives within the Company s peer group: Mr. Seay s salary increased from $370,000 to $385,000 (or approximately 4.1%) and Ms. Klocke s salary increased from $275,000 to $285,000 (or approximately 3.6%).

Primarily because of the Company s failure to achieve the threshold net income target in 2007, even after these base salary increases, all of our Named Executive Officers salaries remained below the peer group median for comparable executives. When Mr. Fencl was hired in July 2008, his salary was set utilizing market benchmark data.

2008 Bonus Plan

The Committee continued the use of a cash bonus plan in 2008 for the Named Executive Officers, granting potential cash bonuses pursuant to the 2008 Bonus Plan for the Named Executive Officers only if the Company achieved certain financial performance levels. Thus, consistent with all four elements of its compensation philosophy, the Committee aligned the Named Executive Officers 2008 cash bonus completely with the interests of our stockholders.

The 2008 Bonus Plan was consistent with, and similar to, the 2007 Bonus Plan in that the Committee once again set high performance standards for its Named Executive Officers and employees. In fiscal 2008, the Company established a threshold such that the Named Executive Officers would not receive any bonus if the net income declined more than 27% from the prior year and target bonus would not be paid unless the Company met prior year net income. Because the Company did not achieve the threshold net income, as explained below, the Named Executive Officers received no bonus under the 2008 Bonus Plan for fiscal 2008.

The target bonus awards granted under the 2008 Bonus Plan for the Named Executive Officers were expressed as a percentage of eligible base salary, which excludes items such as relocation allowances, bonuses, stock options exercised and vested restricted stock. The 2008 Base Bonus Calculation for each Named Executive Officer was determined by multiplying the Base Bonus Payout by the officers base salaries according to the following schedule:

Position	Base Bonus Payout
Chief Executive Bear	125%
Chief Operating Bear	55%
Chief Financial Bear	45%
Chief Marketing Bear	35%
Chief Bearrister	35%

The Committee believes that determining the annual bonus component of total compensation based on net income growth is an appropriate design to align management with stockholder interests, and it establishes the net income goals at levels that the Committee believes will not encourage the Named Executive Officers to take undue risk. In consultation with the Audit Committee and the Board of Directors, the Committee established the following net income levels from which the bonus awards were derived. Pursuant to the terms of the 2008 Bonus Plan, cash bonuses were calculated by multiplying the applicable Base Bonus Payout (calculated in the manner described above) times the Percentage of Base Bonus Calculation below, based on the Company s net income for the 2008 fiscal year.

Net Income Achievement Level	Percentage Net Income Increase (Decrease) over Fiscal Year 2007	Percentage of Base Bonus Calculation
Threshold	(27)%	20%
Target	0%	100%
Maximum	21%	200%

Under the 2008 Bonus Plan, net income increases falling between the three achievement levels would be interpolated evenly as described in a schedule attached to the 2008 Bonus Plan.

The minimum 2008 net income level for a bonus payout under the 2008 Bonus Plan was not achieved. Consequently, none of the Named Executive Officers received any cash bonus payout for fiscal 2008. Because the Company terminated Mr. Seay s employment during 2008, he would not have been eligible to receive a bonus even if the Company had achieved its threshold net income level.

2008 Long-Term Incentive Program

The objective of the Company s long-term incentive program is to provide a long-term retention incentive for the Named Executive Officers and to align their interests directly with those of our stockholders by way of stock ownership.

Under the Amended and Restated 2004 Stock Incentive Plan, the Committee has the discretion to determine whether equity awards will be granted to Named Executive Officers and if so, the number of shares subject to each award. The Amended and Restated 2004 Stock Incentive Plan allows the Committee to grant the following types of awards, in its discretion: options, stock appreciation rights, cash-based awards or other stock-based awards, such as common stock, restricted stock and other awards valued in whole or in part by reference to the fair market value of the stock. In most instances, these long-term grants vest over a multi-year basis.

The Committee meets in March of every year to determine the recipients of annual long-term incentive awards and to grant such awards by formal action. The practice of granting long-term incentive awards in March by Committee action applies uniformly to the Named Executive Officers and other employees of the Company and, with rare exceptions, is the only practice employed by the Company in connection with the granting of equity awards. The Committee does, however, have the discretion to make grants whenever it deems it appropriate in the best interests of the Company. Additionally, pursuant to the Amended and Restated 2004 Stock Incentive Plan, employees who are hired or promoted by the Company after the March Committee meeting may receive grants from the Chief Executive Bear or Chief Operating Bear at the levels previously approved by the Committee, at the date of such hire or promotion.

The Company does not have any program, plan or practice in place to time option or other award grants with the release of material, non-public information and does not release such information for the purpose of affecting the value of executive compensation. The exercise price of stock subject to options awarded under the Amended and Restated 2004 Stock Incentive Plan is the fair market value of the stock on the date of grant. Under the terms of the Amended and Restated 2004 Stock Incentive Plan, the fair market value of the stock is the closing sales price of the stock on the date of grant as reported by the NYSE.

Since the Company s base salaries are always paid in cash, and the 2008 Bonus Plan described above is a cash plan, the Committee determined that some form of option, stock appreciation rights or other stock-based award would be appropriate for the long-term incentive component of executive officer compensation for 2008. Historically, the Company has granted stock-based compensation in the form of either (1) restricted stock; (2) stock options; or (3) a combination of both restricted stock and stock options.

The Committee considered these three choices of equity in 2008. For the 2008 long-term incentive component of executive compensation, the Committee granted restricted stock instead of stock options or a combination of the two equity types. The Committee determined that restricted stock would effectively motivate and retain employees and mitigate the risk of losing key talent due to the current difficult economic climate while still retaining a direct link to our stock price. The restricted stock vests annually over a four year period provided that the participant remains continuously employed with the Company during that time.

The Committee determined the amount of equity awards granted to each executive using three key considerations: (1) benchmarking data for equity grant levels to similarly-situated executives in our peer group companies; (2) grant levels required to bring the executives total compensation at or near the median of total compensation of similar executives in the compensation peer group; and (3) grant levels required to retain key individual employee contributors. In establishing the size of the 2008 equity award pool, the Committee considered the amount of stock and options outstanding, the expense associated with the grants and the potentially dilutive effect on stockholders, in addition to the overall compensation policy of the Company to place emphasis on incentive compensation over base salaries. The numbers of restricted shares granted to the Named Executive Officers in March 2008 are described in the table titled Grants of Plan-Based Awards.

On March 20, 2008, the Company s Board of Directors approved a grant of restricted stock to certain of the Named Executive Officers under the Amended and Restated 2004 Stock Incentive Plan. The target value of long-term incentive awards was determined by the Committee based on the three criteria listed above. The Committee reduced or eliminated awards to eligible employees who had not achieved a meets expectations or higher performance grade from their supervisor, or the Board of Directors in the case of the Chief Executive Bear. Whether an employee met or exceeded expectations was a subjective determination made based on attributes such as leadership skills and personal achievements. Regardless of personal accomplishments, the Committee determined that no Named Executive Officer achieved a meets expectations performance rating for 2007 because the Company did not meet the threshold net income target. Consequently, no Named Executive Officer received 100% of the target value of the restricted stock award in 2008. However, the Committee recommended certain officers receive 60% of their target value and tied all or a portion of the awards to the achievement of performance objectives, as discussed below. The Committee recommended these awards in recognition of the difficult retail and consumer economic climate and to retain and incentivize the Named Executive Officers. The number of shares of restricted stock awarded in 2008 was derived by dividing 60% of the officer s target value by the closing sales price of the Company s common stock on March 20, 2008.

One-half of Ms. Klocke s award is subject to time vesting only and will vest in equal installments over four years. The other half of Ms. Klocke s award would have vested in equal installments over four years, but was not eligible for vesting unless the Company s 2008 net income met or exceeded its net income in 2007. Because the Company did not achieve this net income result, the performance-based half of Ms. Klocke s awards will not vest. Although the terms of Mr. Seay s 2008 awards were similar to those described in this paragraph, Mr. Seay forfeited these awards upon termination of his employment in 2008.

One hundred percent of Ms. Clark s 2008 restricted stock award was performance-based and would have vested in equal installments over four years if the Company achieved certain 2008 net income results. In order to meet the threshold payout, the Company s 2008 net income had to meet or exceed 2007 next income. At least a portion of the shares would have been forfeited if the Company s 2008 net income did not increase 36% over 2007. Because the Company did not achieve the threshold net income result, none of Ms. Clark s 2008 long-term incentive award will vest. The payout of Ms. Clark s restricted stock award would have been as follows:

Net Income Achievement Level	Percentage of Restricted Stock Award Payout
Threshold	20%
Target	100%

The calculation of Ms. Clark s restricted stock award payout would have been interpolated to reflect the Company s net income results which fall within any of the defined achievement levels set forth above, in accordance with terms similar to the methodology set forth in the 2008 Bonus Plan, in the sole discretion of the Committee. The Committee made 100% of Ms. Clark s restricted stock award performance-based and set the net income achievement levels applicable to Ms. Clark s award higher than those applicable to the awards for Mr. Seay and Ms. Klocke in order to further align her interests with those of the stockholders, consistent with the Company s compensation philosophy.

When Mr. Fencl was hired during 2008, the value of his long-term incentive compensation was determined utilizing market benchmark data and was issued in the form of restricted stock that vests pro-rata over four years based on the closing sales price of the Company s common stock on his date of hire, July 1, 2008.

Pursuant to the terms of the Amended and Restated 2004 Stock Incentive Plan, the Committee may, in its sole discretion, provide for the following upon a change in control: (1) accelerated vesting of any outstanding award; (2) termination of an award in exchange for the payment of cash; and/or (3) issuance of substitute awards. The 2008 restricted stock grant agreements for the Named Executive Officers and other employees each contained a clause subjecting the grants to accelerated vesting upon a change in control. The Committee believes that this change in control protection is prevalent among other companies in the peer

group, and the value of the stock grants as a retention tool would be diminished if this protection were not included in the grant terms.

Insider Trading Policy

The Build-A-Bear Workshop, Inc. Insider Trading Policy prohibits the Directors, Named Executive Officers and other employees from selling the Company s securities short that is, selling securities that are borrowed (and not owned) on the assumption that the Company s share price will decrease. The Company s insider trading policy also prohibits Directors, Named Executive Officers and other employees from buying or selling puts (i.e., options to sell), calls (i.e., options to purchase), future contracts, or other forms of derivative securities relating to the Company s securities.

Policy for Adjustment or Recovery of Awards in the Event of Accounting Restatement

The 2008 Bonus Plan provided that in the event of a restatement impacting net income, the Company would recover from the Named Executive Officer the applicable amount which should not have been paid based on the restatement, plus interest.

Executive Stock Ownership Guidelines

On March 22, 2007, the Committee adopted Executive Stock Ownership guidelines for the Chief Executive Bear, Chief Operating Bear, and Chief Financial Bear. The guidelines require these executives to acquire and maintain a minimum level of stock ownership in Company stock described below.

Each of the above-referenced executives is required to own shares of the Company s common stock having a value equal to the dollar amount of the applicable multiple of such executive s annual base salary, as set forth in the table below.

Position	Multiple of Base Salary
Chief Executive Bear	Two times (2X)
Chief Operating Bear	One time (1X)
Chief Financial Bear	One time (1X)

The executives are required to comply with these guidelines no later than (1) 3 years following the effective date of the guidelines, or (2) with respect to an executive hired or promoted to such executive position following the effective date, 3 years following such hire date or promotion date. Once achieved, ownership of the guideline amount must be maintained for as long as the individual is subject to these Guidelines.

Retirement and Other Post-Termination Benefits

We have entered into employment agreements with our Named Executive Officers that provide for a continuation of certain post-employment benefits, to the extent permitted under the applicable employment benefit plan(s). Such benefits plans are the same for all employees (except for the long-term disability insurance which the Company pays 100% of the premiums for senior level employees, including the Named Executive Officers, as discussed below). The employment agreements for the Named Executive Officers provide for certain payments to be made to them if their employment is terminated under certain circumstances. See Executive Employment and Severance Agreements for a discussion of such terms of our Named Executive Officers employment agreements.

Change in Control Severance Policy

We do not currently maintain any change in control severance plans or severance policies. Therefore, none of our Named Executive Officers will receive any severance payments solely as a result of a change in control of the Company.

Other Benefits

The Company seeks to maintain an open and inclusive culture in its facilities and operations among executives and other Company employees. Thus, the Company does not provide executives with reserved parking spaces or separate dining or other facilities, nor does the Company have programs for providing personal-benefit perquisites to executives, such as permanent lodging or defraying the cost of personal entertainment or family travel. With the exception of disability insurance (as noted below), the Company s health care and other insurance programs are the same for all eligible employees, including the Named Executive Officers.

Insurance

All Company employees, including the Named Executive Officers, are eligible to participate in medical, dental, vision, long- and short-term disability and life insurance plans. The terms of such benefits for the Company s Named Executive Officers are the same as those for all Company employees, except that with respect to long-term disability insurance, the Company pays 100% of the premium for senior level employees, including the Named Executive Officers.

401(k)

The Company sponsors the Build-A-Bear Workshop, Inc. Employee Savings Trust, which is a qualified retirement plan with a 401(k) feature. Participants are provided the opportunity to make salary reduction contributions to the plan on a pre-tax basis. The Company has the ability to make discretionary matching contributions and discretionary profit sharing contributions to such plan. Currently, the Company s practice is to match 15% of the participants contributions, up to an aggregate maximum of 6% of each participant s salary divided between the 401(k) plan and 401(k) mirror plan. The Company matching contribution is not fully vested until the participant has been employed by the Company for five years.

401(k) Mirror Plan

The Company sponsors the Build-A-Bear Workshop, Inc. Non-Qualified Deferred Compensation Plan, a non-qualified plan which mirrors the substantive terms of the Build-A-Bear Workshop, Inc. Employee Savings Trust. The non-qualified plan permits certain highly compensated employees, including the Named Executive Officers, whose deferrals are otherwise limited to the qualified plan, to make additional pre-tax deferrals of compensation. The Company may make matching contributions to this non-qualified plan to replicate Company matching contributions that would have been made to the qualified plan, but for limitations in the Internal Revenue Code. In 2008, the Company matched 30% of the participants 2007 contributions of up to 6% of the participant s salary, divided between the 401(k) plan and the 401(k) mirror plan. In 2009, the Company matched 15% of the participants 2008 contributions of up to 6% of the participant s salary, divided between the 401(k) plan and the 401(k) mirror plan. The Company matching contribution is not fully vested until the participant has been employed by the Company for five years. Of the Named Executive Officers, only Ms. Klocke and Ms. Kroll participate in this plan.

Employee Stock Purchase Plan

During 2008, the Company s employees and Named Executive Officers, except for the Chief Executive Bear, were eligible to participate in our tax-qualified employee stock purchase plan. This plan allows participants to buy Company common stock at 85% of market price with up to 15% of their salaries and incentives (subject to certain limits), with the objective of allowing employees to profit when the value of the Company increases over time. No Named Executive Officers participated in the employee stock purchase plan during 2008. In connection with its cost saving initiatives, the Company terminated this plan effective December 31, 2008.

Determination of 2008 Chief Executive Bear Compensation

Ms. Clark s compensation is determined in accordance with the Committee s compensation philosophy, and in view of her employment agreement which is described under Executive Employment and Severance Agreements . The Committee considers the Company s overall performance, Ms. Clark s individual performance, and CEO compensation in the peer group when determining Ms. Clark s compensation. The Committee also examines the relative equity of the compensation of Ms. Clark in relation to the other executives of the Company.

In 2008, the Committee undertook a review of Ms. Clark s base salary and determined not to increase her base salary.

The Chief Executive Bear s base salary is below the median for peer group chief executive officers. Moreover, as compared to the peer group chief executive officers, a much greater percentage of Ms. Clark s total compensation is at risk , in the form of potential bonus compensation subject to performance objectives.

Because the Company did not achieve its targets for fiscal 2008, Ms. Clark did not receive a cash bonus. Also due to the Company s fiscal 2008 financial performance, Ms. Clark did not receive a base salary increase in 2009.

Ms. Clark remains the Company s largest individual stockholder, and so the Committee believes her interests, short-term and long-term, are aligned with the interests of the stockholders. However, the Committee does not believe that Ms. Clark s relatively large stock holdings should disqualify her from additional stock grants and the Committee believes that additional grants do serve as a valuable retention tool. Accordingly, in 2008 the Company awarded Ms. Clark 53,960 restricted shares pursuant to the long-term incentive program described above but because the Company s 2008 net income did not reach the threshold for payout, all of these restricted shares were forfeited in March 2009.

In 2008, as in the past, when Ms. Clark chartered a plane for her business travel at her own expense, the Company reimbursed her the amount equal to the cost of a first class airline ticket only.

No other perquisites are provided to Ms. Clark.

Accordingly, the value of Ms. Clark s target compensation in 2008 was significantly less than it was in 2007 because she did not receive a salary increase or bonus either year and her long-term incentive award was entirely performance-based in 2008 versus a time-based grant in 2007. Because the Company did not achieve the threshold performance level, Ms. Clark forfeited her entire 2008 long-term incentive compensation award.

Federal Income Tax and Accounting Considerations

Section 162(m)

The policy of the Committee is to establish and maintain a compensation program that maximizes long-term stockholder value. The Committee believes executive compensation programs should serve to achieve that objective, while also minimizing any effect of Section 162(m) of the Internal Revenue Code. Generally, Section 162(m) provides for an annual $1 million limitation on the deduction an employer may claim for compensation of executive officers unless it is performance-based. The stock options and restricted stock grants issued to senior executives and managers as part of the Company s long-term incentive program qualify as performance-based compensation as defined in Section 162(m) because the Company s Amended and Restated 2004 Stock Incentive Plan, approved by stockholders, complies with the provisions of Section 162(m). The 2008 Bonus Plan of the Company providing cash bonuses to executives pursuant to the Amended and Restated 2004 Stock Incentive Plan is performance-based and has previously been approved by our stockholders. Accordingly, payments under such incentive plans will not be included in applying the $1 million limitation. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee has adopted a policy that all compensation will not necessarily be deductible for income tax purposes.

Accounting Considerations

The Committee has taken certain accounting rules and consequences into consideration when determining the type of equity awards that executive officers should receive as part of the Company s long-term incentive plan component of compensation packages. The vesting of restricted stock grants made to the Company s executive officers and employees and the associated FAS 123(R) expense recognition is tied to the passage of time rather than conditioned upon fulfillment of certain performance targets, except for Ms. Clark s 2008 restricted stock grant and 50% of the restricted shares granted to Ms. Klocke and Mr. Seay in 2008 which are tied to both the fulfillment of performance targets and the passage of time.

2009 Compensation

On March 17, 2009, the Committee met to determine and recommend to the Board of Directors the 2009 compensation packages for the Named Executive Officers and other Company employees, and approved these packages, as discussed below.

The Company does not currently expect to make any material changes to its compensation policies and programs during 2009 except as noted below.

Modifications to Peer Group

The following companies were eliminated from the Company s peer group for 2009 because they were either acquired or filed bankruptcy: Sharper Image Corp., Stride Rite Corp., United Retail Group, Inc. and Wilson s The Leather Experts Inc. The Company still competes with much larger companies for executive talent, but the Committee believes that the 2009 peer group is more appropriate in most instances for benchmarking purposes.

2009 Salary Increases

As in 2008, the Committee considered salary increases for the Named Executive Officers based on merit and market adjustments. As part of the Company s cost saving initiatives, however, no senior managers, including Named Executive Officers, received any salary increases for 2009.

2009 Bonus Plan

On March 17, 2009, the Committee established the 2009 performance objectives for the range of bonuses that may be paid to the Company s Named Executive Officers and the target bonus awards expressed as a percentage of eligible base salary. The 2009 Base Bonus Calculation for each Named Executive Officer will be determined by multiplying the Base Bonus Payout by the officer s eligible base salary, as defined above, according to the following schedule:

Position	Base Bonus Payout
Maxine Clark, Chief Executive Bear	125%
Tina Klocke, Chief Operations and Financial Bear	55%
Teresa Kroll, Chief Marketing Bear	35%
Eric Fencl, Chief Bearrister, General Counsel and International Franchising	35%

Despite the difficult economic conditions, the Committee is unwilling to lower performance target net income in 2009 below actual net income achieved by the Company in 2008. Accordingly, the 2009 Bonus Plan provides for mandatory bonus payouts only if the Company s 2009 net income (after providing for any bonus expense) exceeds 2008 net income. In the event the Company meets, but does not exceed 2008 net income, the Committee may in its discretion pay up to 100% of the Base Bonus

Payout. If the Company s 2009 net income is less than 2008 net income, the Committee may in its discretion pay up to no more than 25% of the Base Bonus Payout. The Committee believes that determining the annual bonus component of total compensation based on net income growth while retaining discretion to pay bonuses should net income not increase in 2009 is an appropriate design to align management with stockholder interests, and it establishes the net income goals at levels that the Committee believes will not encourage the Named Executive Officers to take undue risk. The cash bonus, if any, to be paid to each respective Named Executive Officer will be calculated by multiplying the applicable Base Bonus Payout times the Percentage of Base Bonus Calculation below, based on the Company s net income for the 2009 fiscal year:

Net Income Achievement Level	Percentage of Base Bonus Calculation
Threshold	**No more than 25%**
Target	**No more than 100%**
Maximum	**200%**

Under the 2009 Bonus Plan, net income results falling between the target and maximum achievement levels will be interpolated in accordance with the methodology set forth in the 2009 Bonus Plan, in the sole discretion of the Committee.

2009 Long-Term Incentive Awards

On March 17, 2009, the Company s Board of Directors approved 2009 long-term incentive awards to certain of the Named Executive Officers under the Amended and Restated 2004 Stock Incentive Plan. As discussed above, the target value of long-term incentive awards is determined by the Committee based on (1) benchmarking data for equity grant levels to similarly-situated executives in our peer group companies; (2) grant levels required to bring the executives total compensation at or near the median of total compensation of similar executives in the compensation peer group; and (3) grant levels required to retain key individual employee contributors. The Committee utilized market benchmarking data to determine the median long-term incentive compensation levels for similar executives in the comparison and discounted that amount by 66% in recognition of the decline of the Company s stock price. The resulting value was then awarded 50% in restricted stock and 50% in stock options. The restricted stock and stock options vest at the rate of 25% per year over four years from the date of grant, beginning on the first anniversary of the date of grant. As discussed above, the Committee made these awards because it believes that long-term equity incentive awards properly align executive compensation with stockholder interests, recognize business performance, and help the Company retain and incentivize the Named Executive Officers.

Position	Number of Shares of Restricted Stock Awarded	Number of Shares Subject to Options
Maxine Clark, Chief Executive Bear	54,608	105,016
Tina Klocke, Chief Operations and Financial Bear	19,088	36,708
Eric Fencl, Chief Bearrister, General Counsel and International Franchising	10,188	19,596
Teresa Kroll, Chief Marketing Bear	7,424	14,280

The number of shares of restricted stock awarded was derived by dividing 50% the officer s target value by the closing sales price of the Company s common stock on March 17, 2009 and the number of shares subject to options was determined by dividing 50% the officer s target value by the Black-Scholes value of each option share.

Like many companies, our fiscal 2008 performance was below what we expected at the beginning of the year due to difficult economic conditions. As a result, no Named Executive Officer or any other key employee received a bonus for 2008 or a salary increase for 2009 and the Committee reduced the value of 2009 long-term incentive compensation grants. The Chief Executive Bear has not received a salary increase in three years and no Named Executive Officer has received a bonus for the past three years. The Company s stock price is below the strike price of most of the options granted in prior years and individuals have not realized the value from previous grants of restricted stock that was anticipated at the time it was awarded. Despite the anticipated adverse economic environment in the foreseeable future, the Committee believes that the Company has the right management team to position the Company for future success.

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In order to incentivize and motivate the people who will be responsible for leading the Company to renewed success, on March 17, 2009 the Committee awarded time-based restricted stock to the Named Executive Officers and other key employees, subject to stockholder approval of the Second Amended and Restated 2004 Stock Incentive Plan. Awarding restricted stock which will not vest until three years following the grant date aligns the interests of key management with increasing stockholder value over that period. The individuals must continue to meet the Company s expectations and be employed on the vesting date in 2012 in order for the shares to vest.

Position	Number of Shares of Restricted Stock Awarded, subject to stockholder approval
Maxine Clark, Chief Executive Bear	122,309
Tina Klocke, Chief Operations and Financial Bear	44,031
Eric Fencl, Chief Bearrister, General Counsel and International Franchising	24,462
Teresa Kroll, Chief Marketing Bear	14,677

COMPENSATION COMMITTEE REPORT

The Company s Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation Committee recommended to the Company s Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by the Compensation Committee of the Board of Directors:

Coleman Peterson, Chairman

Mary Lou Fiala

James M. Gould

William Reisler

Katherine Savitt

The Compensation Committee Report and the Report of the Audit Committee below will not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement or portions thereof into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and will not otherwise be deemed filed under such Acts.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2008 the Compensation Committee was comprised of Coleman Peterson (Chair), Mary Lou Fiala, James M. Gould and William Reisler, none of whom are employees or current or former officers of the Company, nor had any relationship with the Company required to be disclosed as transactions with related persons pursuant to Item 404(a) of Regulation S-K. No executive of the Company served on the compensation committee or board of any company that employed any member of the Company s Compensation Committee or Board of Directors.

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the annual and long-term compensation for all services rendered in all capacities to the Company for the fiscal years ended January 3, 2009, December 29, 2007 and December 30, 2006. The Company cautions that the amounts reported in the Stock Awards column may not represent the amounts that the Named Executive Officers will actually realize from the awards. Whether, and to what extent, a Named Executive Officer realizes value will depend on the Company s stock price when restricted stock vests and continued employment.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	All Other Compensation ($)[2]	Total ($)
Maxine Clark	2008	$ 600,000	$	$ 571,364	$ 3,469	$ 1,174,833
Chief Executive Bear	2007	600,000		567,860	4,583	1,172,443
	2006	556,731		403,748	4,662	965,141
Scott Seay[3]	2008	330,288		45,197	1,209	376,694
Former President & Chief Operating Bear	2007	368,324		189,297	2,610	560,231
	2006	323,270		68,803	2,772	394,845
Tina Klocke	2008	283,077		130,814	3,966	417,857
Chief Financial Bear, Treasurer & Secretary	2007	270,192		180,018	6,124	456,334
	2006	245,192		101,124	4,950	351,266
Teresa Kroll	2008	248,400		92,372	3,631	344,403
Chief Marketing Bear	2007	246,785		91,631	5,702	344,118
	2006	235,192		64,112	4,662	303,966
Eric Fencl[4]	2008	126,923		14,999	585	142,507
Chief Bearrister General Counsel						

(1) The amounts appearing in the Stock Awards column represent the FAS 123(R) expense of restricted stock awards granted in fiscal 2005, fiscal 2006, fiscal 2007 and fiscal 2008. No restricted stock awards were granted to Named Executive Officers in fiscal 2004 or fiscal 2003. The recipients have the right to vote and receive dividends as to all unvested shares of restricted stock. The restricted stock grants in March 2005, March 2006, March 2007 and March 2008 vest at the rate of 25% per year over four years from the date of grant, beginning on the first anniversary of the date of grant. The expense is calculated based on the Company s stock price on the grant date. See Note 13 to the Company s Consolidated Financial Statements filed as part of our Annual Report on Form 10-K for the year ended January 3, 2009 for a discussion of the assumptions used in the valuation of awards.

(2) All Other Compensation includes the Company s contribution to 401(k) plans, contributions to non-qualified deferred compensation plan, payment by the Company of long term disability, and life insurance premiums for the benefit of the Named Executive Officers. For fiscal 2008, Company contributions to our 401(k) plan were as follows: Maxine Clark $1,693; Tina Klocke $1,451; and Teresa Kroll $1,327. For fiscal 2008, Company contributions to our non-qualified deferred compensation plan were as follows: Tina Klocke $1,097 and Teresa Kroll $910. For fiscal 2008, Company-paid premiums for long-term disability insurance were as follows: Maxine Clark $1,260; Scott Seay $1,050; Tina Klocke $1,238; Teresa Kroll $1,118; and Eric Fencl $495. For fiscal 2008, Company-paid premiums for life insurance were as follows: Maxine Clark $516; Scott Seay $159; Tina Klocke $180; Teresa Kroll $276; and Eric Fencl $90.

(3) Mr. Seay s employment as President and Chief Operating Officer Bear was terminated effective October 31, 2008. Under the terms of the applicable stock and option grant agreements between Mr. Seay and the Company, all restricted stock and option awards were forfeited upon his termination. A total of 50,376 shares of restricted stock and 13,407 vested option awards were forfeited.

(4) Mr. Fencl s employment with the Company commenced July 1, 2008.

2008 GRANTS OF PLAN-BASED AWARDS

The following table sets forth certain information with respect to plan-based awards granted to each of our Named Executive Officers during the fiscal year ended January 3, 2009. All of the shares granted to Ms. Clark and half of the shares granted to Mr. Seay and Ms. Klocke were subject to performance conditions which were not met during 2008 and, therefore, such shares were forfeited in March 2009.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards		
Name	**Grant Date**	**Threshold ($)[1]**	**Target ($)[1]**	**Maximum ($)[1]**	**Threshold (#)[2]**	**Target (#)[2]**	**Maximum (#)[2]**
Maxine Clark		$ 150,000	$ 750,000	$ 1,500,000			
	3/20/08[3]				10,792	53,960	53,960
Scott Seay							
	3/20/08[3]					14,594	
	3/20/08[4]					14,594	
Tina Klocke		25,477	127,385	254,769			
	3/20/08[3]					8,484	
	3/20/08[4]						

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A Winding-up Event with respect to the Dated Subordinated Debt Securities shall result if (i) a court of competent jurisdiction in England (or such other jurisdiction in which we may be organized) makes an order for our winding-up which is not successfully appealed within 30 days of the making of such order, (ii) our shareholders adopt an effective resolution for our winding-up (other than, in the case of either (i) or (ii) above, under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (iii) following the appointment of an administrator of Barclays PLC, the administrator gives notice that it intends to declare and distribute a dividend.

Non-payment

If we fail to pay any amount that has become due and payable under the Dated Subordinated Debt Securities and the failure continues for 14 days, the trustee may give us notice of such failure. If within a period of 14 days following the provision of such notice,

the failure continues and has not been cured nor waived, the trustee may at its discretion and without further notice to us institute proceedings in England (or such other jurisdiction in which we may be organized) (but not elsewhere) for our winding-up and/or prove in our winding-up and/or claim in our liquidation or administration.

Limited remedies for breach of obligations (other than non-payment)

In addition to the remedies for non-payment provided above, the trustee may, without further notice, institute such proceedings against us as the trustee may think fit to enforce any term, obligation or condition binding on us under the Dated Subordinated Debt Securities or the Dated Subordinated Debt Indenture (other than any payment obligation under or arising from the Dated Subordinated Debt Securities or the Dated Subordinated Debt Indenture, including, without limitation, payment of any principal or interest) (a Dated Subordinated Performance Obligation); provided always that the trustee (acting on behalf of the holders of the Dated Subordinated Debt Securities) and the

holders of the Dated Subordinated Debt Securities may not enforce, and may not be entitled to enforce or otherwise claim, against us any judgment or other award given in such proceedings that requires the payment of money by us, whether by way of damages or otherwise (a Dated Subordinated Monetary Judgment), except by proving such Dated Subordinated Monetary Judgment in our winding-up and/or by claiming such Dated Subordinated Monetary Judgment in our administration.

For the avoidance of doubt, the sole and exclusive manner by which the trustee (acting on behalf of the holders of the Dated Subordinated Debt Securities) and the holders of the Dated Subordinated Debt Securities may seek to enforce or otherwise claim a Dated Subordinated Monetary Judgment against us in connection with our breach of a Dated Subordinated Performance Obligation shall be by proving such Dated Subordinated Monetary Judgment in our winding-up and/or by claiming such Dated Subordinated Monetary Judgment in our administration. By its acquisition of the Dated

Subordinated Debt Securities, each holder of the Dated Subordinated Debt Securities acknowledges and agrees that such holder will not seek to enforce or otherwise claim, and will not direct the trustee (acting on behalf of the holders of the Dated Subordinated Debt Securities) to enforce or otherwise claim, a Dated Subordinated Monetary Judgment against us in connection with our breach of a Dated Subordinated Performance Obligation, except by proving such Dated Subordinated Monetary Judgment in our winding-up and/or by claiming such Dated Subordinated Monetary Judgment in our administration.

No other remedies

Other than the limited remedies specified herein under Dated Subordinated Enforcement Events and Remedies above and subject to Trust Indenture Act remedies below, no remedy against us will be available to the trustee (acting on behalf of the holders of the Dated Subordinated Debt Securities) or the holders of the Dated Subordinated Debt Securities whether for the recovery of amounts owing in respect of such Dated Subordinated Debt

Securities or under the Dated Subordinated Debt Indenture or in respect of any breach by us of any of our obligations under or in respect of the terms of such Dated Subordinated Debt Securities or under the Dated

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Subordinated Debt Indenture in relation thereto; provided, however, that such limitation shall not apply to our obligations to pay the fees and expenses of, and to indemnify, the trustee (including fees and expenses of trustee s counsel) and the trustee s rights to apply money collected to first pay its fees and expenses shall not be subject to the subordination provisions set forth in the Dated Subordinated Debt Indenture.

Trust Indenture Act remedies

Notwithstanding the limitation on remedies specified herein under Dated Subordinated Enforcement Events and Remedies above, (1) the trustee will have such powers as are required to be authorized to it under the Trust Indenture Act in respect of the rights of the holders of the Dated Subordinated Debt Securities under the provisions of the Dated Subordinated Debt Indenture and (2) nothing shall impair the right of a holder of the Dated Subordinated Debt Securities under the Trust Indenture Act, absent such holder s consent, to sue for any payment due but unpaid

with respect to the Dated Subordinated Debt Securities; provided that, in the case of each of (1) and (2) above, any payments in respect of, or arising from, the Dated Subordinated Debt Securities, including any payments or amounts resulting or arising from the enforcement of any rights under the Trust Indenture Act in respect of the Dated Subordinated Debt Securities, are subject to the subordination provisions set forth in the Dated Subordinated Debt Indenture.

Subject to applicable law and unless the applicable prospectus supplement provides otherwise, claims in respect of any Dated Subordinated Debt Security may not be set-off, or be the subject of a counterclaim, by the trustee or any holder against or in respect of any of its obligations to us, and the trustee and every holder will be deemed to have waived any right of set-off or counterclaim in respect of the Dated Subordinated Debt Securities or the Dated Subordinated Debt Indenture that they might otherwise have against us. No holder of Dated Subordinated Debt Securities shall be entitled to proceed directly against us except as described in

Limitation on Suits below.

Trustee s Duties Dated Subordinated Debt Securities

In case of a Dated Subordinated Event of Default under any series of the Dated Subordinated Debt Securities, the trustee shall exercise such of the rights and powers vested in it by the Dated Subordinated Debt Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. For these purposes, a Dated Subordinated Event of Default shall occur (i) upon a Winding-Up Event that occurs, (ii) if we fail to pay any amount that has become due and payable under any series of the Dated Subordinated Debt Securities and such failure continues for 14 days (as described under Dated Subordinated Enforcement Events and Remedies Non-payment) or (iii) upon a breach by us of a Dated Subordinated Performance Obligation with respect to a series of the Dated Subordinated Debt Securities (as described under Dated Subordinated Enforcement Events and

Remedies Limited remedies for breach of obligations (other than non-payment)). Holders of a majority of the aggregate principal amount of the outstanding Dated Subordinated Debt Securities of a series may not waive any past Dated Subordinated Event of Default specified in clauses (i) and (ii) in the preceding sentence.

If a Dated Subordinated Event of Default occurs and is continuing with respect to any series of the Dated Subordinated Debt Securities, the trustee will have no obligation to take any action at the direction of any holders of such series of the Dated Subordinated Debt Securities, unless they have offered the trustee security or indemnity satisfactory to the trustee in its sole discretion. The holders of a majority in aggregate principal amount of the outstanding Dated Subordinated Debt Securities of a series shall have the right to direct the time, method and place of conducting any proceeding in the name of and on the behalf of the trustee for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to such series of the Dated

	Subordinated Debt Securities. However, this direction (a) must not be in conflict with any rule of law or the Dated Subordinated Debt Indenture and (b) must not be unjustly prejudicial to the holder(s) of such series of the Dated Subordinated Debt Securities not taking part in the direction, as determined by the trustee in its sole discretion. The trustee may also take any other action, not inconsistent with the direction, that it deems proper.

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The trustee will, within 90 days of a Dated Subordinated Event of Default with respect to the Dated Subordinated Debt Securities of any series, give to each affected holder of the Dated Subordinated Debt Securities of the affected series notice of any default known to a responsible officer of the trustee, unless the default has been cured or waived. However, the trustee will be entitled to withhold notice if a trust committee of responsible officers of the trustee determine in good faith that withholding of notice is in the interest of the holders.

We are required to furnish to the trustee annually a statement as to our compliance with all conditions and covenants under the Dated Subordinated Debt Indenture.

Limitation on Suits. Before a holder may bypass the trustee and bring its own lawsuit or other formal legal action or take other steps to enforce its rights or protect its interests relating to the debt securities, the following must occur:

	The holder must give the trustee written notice that a Dated Subordinated Event of Default has occurred and remains uncured.
	The holders of 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default, and the holder must offer to the trustee indemnity or security satisfactory to the trustee in its sole discretion against the cost and other liabilities of taking that action.
	The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity, and the trustee must not have received an inconsistent direction from the majority in principal amount of all outstanding debt securities of the relevant series during that period.
	Notwithstanding any contrary provisions, nothing shall impair the right of a holder, absent the holder s consent, to sue for any payments due but unpaid with respect to the Dated Subordinated Debt Securities.

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to waive any past Dated Subordinated Event of Default, as described below in Description of Certain Provisions Relating to Debt Securities and Contingent Convertible Securities Legal Ownership; Form of Securities.

Consolidation, Merger and Sale of Assets; Assumption

We may, without the consent of the holders of any of the debt securities, consolidate or amalgamate with, merge into or transfer or lease our assets substantially as an entirety to, any person of the persons specified in the applicable indenture. However, any successor person formed by any consolidation, amalgamation or merger, or any transferee or lessee of our assets, must assume our obligations on the debt securities and the applicable indenture, and a number of other conditions must be met.

Subject to applicable law and regulation (including, if and to the extent required by the Capital Regulations at

such time, the prior consent of the PRA), any of our wholly owned subsidiaries may assume our obligations under the debt securities of any series without the consent of any holder. We, however, must irrevocably guarantee (on a subordinated basis in substantially the manner described under Ranking Dated Subordinated Debt Securities above, in the case of Dated Subordinated Debt Securities) the obligations of the subsidiary under the debt securities of that series. If we do, all of our direct obligations under the debt securities of the series and the applicable indenture shall immediately be discharged. Unless the relevant prospectus supplement provides otherwise, any Debt Security Additional Amounts under the debt securities of the series will be payable in respect of taxes imposed by the jurisdiction in which the successor entity is organized, rather than taxes imposed by a U.K. taxing jurisdiction, subject to exceptions equivalent to those that apply to any obligation to pay Debt Security Additional Amounts in respect of taxes imposed by a U.K. taxing jurisdiction. However, if we make payment under

this guarantee, we shall also be required to pay Debt Security Additional Amounts

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related to taxes (subject to the exceptions set forth in Payment of Debt Security Additional Amounts above) imposed by a U.K. taxing jurisdiction due to this guarantee payment. A subsidiary that assumes our obligations will also be entitled to redeem the debt securities of the relevant series in the circumstances described under Redemption above with respect to any change or amendment to, or change in the application or interpretation of the laws or regulations (including any treaty) of the assuming corporation s jurisdiction of incorporation as long as the change or amendment occurs after the date of the subsidiary s assumption of our obligations.

The U.S. Internal Revenue Service might deem an assumption of our obligations as described above to be an exchange of the existing debt securities for new debt securities, resulting in a recognition of taxable gain or loss and possibly other adverse tax consequences. Investors should consult their tax advisors regarding the tax consequences of such an assumption.

Governing Law

Unless the applicable prospectus supplement specifies otherwise, the debt securities and indentures will be governed by and construed in accordance with the laws of the State of New York, except that, as specified in the Dated Subordinated Debt Indenture, the subordination provisions and any applicable provisions relating to waiver of set-off of each series of Dated Subordinated Debt Securities and the related indenture will be governed by and construed in accordance with the laws of England.

Notices

Notices regarding the debt securities will be valid:

- with respect to global debt securities in bearer form, if in writing and delivered or mailed to each direct holder;
- if registered debt securities are affected, if given in writing and mailed to each direct holder as provided in the applicable indenture; or

with respect to bearer definitive debt securities, if published at least once in an Authorized Newspaper (as defined in the indentures) in the Borough of Manhattan in New York City and as the applicable prospectus supplement may specify otherwise. Any notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first publication. If publication is not practicable, notice will be valid if given in any other manner, and deemed to have been given on the date, as we shall determine. With respect to a global debt security representing any series of debt securities, all notices with respect to such series will be delivered to the depositary for such global debt security.

The Trustee

The Bank of New York Mellon acting through its London Branch, will be the trustee under the indentures. The trustee has two principal functions:

first, it can enforce a holder s rights against us if we default on

debt securities issued under the indenture. There are some limitations on the extent to which the trustee acts on a holder s behalf, described under Senior Events of Default; Dated Subordinated Enforcement Events and Remedies; Limitation on Suits ; and

second, the trustee performs administrative duties for us, such as sending the holder s interest payments, transferring debt securities to a new buyer and sending notices to holders.

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We and some of our subsidiaries maintain deposit accounts and conduct other banking transactions with the trustee in the ordinary course of our respective businesses.

Consent to Service

The indentures provide that we irrevocably designate Barclays Bank PLC (New York Branch), 745 Seventh Avenue, New York, New York 10019, Attention: General Counsel as our authorized agent for service of process in any proceeding arising out of or relating to the indentures or debt securities brought in any federal or state court in New York City, and we irrevocably submit to the jurisdiction of these courts.

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DESCRIPTION OF CONTINGENT CONVERTIBLE SECURITIES

The following is a summary of the general terms of the contingent convertible securities (as defined below). It sets forth possible terms and provisions for each series of contingent convertible securities. Each time that we offer contingent convertible securities, we will prepare and file a prospectus supplement with the SEC, which you should read carefully. The prospectus supplement may contain additional terms and provisions of those contingent convertible securities. If there is any inconsistency between the terms and provisions presented here and those in the prospectus supplement, those in the prospectus supplement will apply and will replace those presented here.

As used in this prospectus, contingent convertible securities means the subordinated securities of Barclays PLC convertible into ordinary shares of Barclays PLC that the trustee authenticates and delivers under the applicable indenture.

The contingent convertible securities will not be secured by any assets or property of Barclays PLC or any of its subsidiaries or affiliates (including Barclays Bank PLC, its subsidiary).

Contingent convertible securities will be issued in one or more series under an indenture (the Contingent Convertible Securities Indenture) entered into between us and The Bank of New York Mellon acting through its London Branch, as trustee. The terms of the contingent convertible securities include those stated in the indenture and any supplements thereto, and those terms made part of the Contingent Convertible Securities Indenture by reference to the U.S. Trust Indenture Act of 1939, as amended (the Trust Indenture Act). The Contingent Convertible Securities Indenture and any supplements thereto are sometimes referred to in this section of the prospectus as the contingent convertible securities indenture. We have filed or incorporated by reference the contingent convertible securities indenture as an exhibit to the registration statement of which this prospectus is a part.

Because this section is a summary, it does not describe every aspect of the contingent convertible securities in detail. This summary is subject to, and qualified by reference to, all of the definitions and provisions of the contingent convertible securities indenture, any supplement to the contingent convertible securities indenture and the form of the instrument representing each series of contingent convertible securities. Certain terms, unless otherwise defined here, have the meaning given to them in the contingent convertible securities indenture.

General

The contingent convertible securities are not deposits and are not insured by any regulatory body of the United States or the United Kingdom.

Because we are a holding company, our rights to participate in the assets of any of our subsidiaries upon its liquidation will be subject to the prior claims of the subsidiaries creditors, including, in the case of our bank subsidiaries, their respective depositors, except, in our case, to the extent that we may ourselves be a creditor with recognized claims against the relevant

subsidiary.

The contingent convertible securities indenture does not limit the amount of contingent convertible securities that we may issue. We may issue the contingent convertible securities in one or more series, or as units comprised of two or more related series. The prospectus supplement will indicate for each series or of two or more related series of contingent convertible securities:

- the issue date;
- the maturity date, if any;
- the specific designation and aggregate principal amount of the contingent convertible securities;
- any limit on the aggregate principal amount of the contingent convertible securities that may be authenticated or delivered;

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- under what conditions, if any, another issuer may be substituted for Barclays PLC as the issuer of the contingent convertible securities of the series;

- whether the contingent convertible securities are intended to qualify as capital for capital adequacy purposes;

- the ranking of the contingent convertible securities relative to our issued debt and equity, including to what extent they may rank junior in right of payment to other of our obligations or in any other manner;

- the prices at which we will issue the contingent convertible securities;

- if interest is payable, the interest rate or rates, or how to calculate the interest rate or rates, and under what circumstances interest is payable;

- provisions, if any, for the cancellation of any interest payment at our discretion or under other circumstances;

limitations, if any, on our ability to pay principal or interest in respect of the contingent convertible securities, including situations whereby we may be prohibited from making such payments;

whether we will issue the contingent convertible securities as Discount Securities, as explained in this section below, and the amount of the discount;

provisions, if any, for the discharge and defeasance of contingent convertible securities of any series;

any condition applicable to payment of any principal, premium or interest on contingent convertible securities of any series;

the dates and places at which any payments are payable;

the places where notices, demands to or upon us in respect of the contingent convertible securities

may be served and notice to holders may be published;

the terms of any mandatory or optional redemption and related notices;

any terms on which the contingent convertible securities may or will be converted at our option or otherwise into ordinary shares or other securities of Barclays PLC (Conversion Securities), and, if so, the nature and terms of the Conversion Securities into which such contingent convertible securities are convertible and any additional or other provisions relating to such conversion, including any triggering event that may give rise to such conversion (which may include, but shall not be limited to, certain regulatory capital events) and the terms upon which such conversion should occur;

any terms relating to the adjustment of the Conversion Securities into which the contingent convertible securities may be converted;

the terms of any repurchase of the contingent convertible securities;

the denominations in which the contingent convertible securities will be issued, which may be an integral multiple of either $1,000, $25 or any other specified amount;

the amount, or how to calculate the amount, that we will pay to the Contingent Convertible Security holder, if the Contingent Convertible Security is redeemed before its stated maturity, if any, or accelerated, or for which the trustee shall be entitled to file and prove a claim to the extent so permitted;

whether and how the contingent convertible securities may or must be converted into any other type of securities, or their cash value, or a combination of these;

the currency or currencies in which the contingent convertible securities are denominated, and

in which we make any payments;

whether we will issue the contingent convertible securities wholly or partially as one or more global contingent convertible securities;

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what conditions must be satisfied before we will issue the contingent convertible securities in definitive form (definitive contingent convertible securities);

any reference asset we will use to determine the amount of any payments on the contingent convertible securities;

any other or different Contingent Convertible Events of Default, other categories of default or covenants applicable to any of the contingent convertible securities, and the relevant terms if they are different from the terms in the applicable contingent convertible securities indenture;

any restrictions applicable to the offer, sale and delivery of the contingent convertible securities;

whether we will pay Contingent Convertible Additional Amounts, as defined below, on the contingent

convertible securities;

whether we will issue the contingent convertible securities in registered form (registered contingent convertible securities) or in bearer form (bearer contingent convertible securities) or both;

for registered contingent convertible securities, the record date for any payment of principal, interest or premium;

any listing of the contingent convertible securities on a securities exchange;

whether holders of the contingent convertible securities may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by us arising under, or in connection with, the securities;

the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, calculation agents, transfer agents or registrars of any series;

any other or different terms of the contingent convertible securities; and

what we believe are any additional material U.S. federal and U.K. tax considerations.

The prospectus supplement relating to any series of contingent convertible securities may also include, if applicable, a discussion of certain U.S. federal income tax considerations and considerations under the Employee Retirement Income Security Act of 1974, as amended, or ERISA.

If we issue contingent convertible securities in bearer form, the special restrictions and considerations relating to such bearer contingent convertible securities, including applicable offering restrictions and U.S. tax considerations, will be described in the relevant prospectus supplement.

Contingent convertible securities may bear interest at a fixed rate or a floating rate or we may issue contingent convertible securities that bear no interest or that bear interest at a rate below the prevailing market interest rate or at

a discount to their stated principal amount (Discount Securities). The relevant prospectus supplement will describe special U.S. federal income tax considerations applicable to Discount Securities or to contingent convertible securities issued at par that are treated for U.S. federal income tax purposes as having been issued at a discount.

Holders of contingent convertible securities have no voting rights except as explained in this section below under Modification and Waiver, Contingent Convertible Enforcement Events and Remedies and Trustee s Duties; Limitation on Suits.

Market-Making Transactions. If you purchase your contingent convertible security in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which Barclays Capital Inc. or another of our affiliates resells a security that it has previously acquired from another holder. A market-making transaction in a particular contingent convertible security occurs after the

original issuance and sale
of the contingent
convertible security.

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Payments

The relevant prospectus supplement will specify the date on which we will pay interest, if any, the date, if any, for payments of principal and any premium, if any, on any particular series of contingent convertible securities.

Ranking of Contingent Convertible Securities

Contingent convertible securities will constitute our direct, unsecured and subordinated obligations ranking pari passu without any preference among themselves. The relevant prospectus supplement will set forth the nature of the subordinated ranking of each series of contingent convertible securities relative to the debt and equity issued by us, including to what extent the contingent convertible securities may rank junior in right of payment to our other obligations or in any other manner.

Agreement with Respect to the Exercise of U.K. Bail-in Power

The PRA has requested us to address in the terms of certain liabilities the requirements envisaged in Article 50 of the RRD,

and the relevant prospectus supplement will include the following in the terms of the contingent convertible securities:

By its acquisition of the contingent convertible securities, each holder of the contingent convertible securities acknowledges, agrees to be bound by, and consents to the exercise of, any U.K. Bail-in Power (as defined below) by the relevant U.K. resolution authority (as defined below) that may result in the cancellation of all, or a portion, of the principal amount of, or interest on, the contingent convertible securities and/or the conversion of all, or a portion, of the principal amount of, or interest on, the contingent convertible securities into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the contingent convertible securities to give effect to the exercise by the relevant U.K. resolution authority of such U.K. Bail-in Power. Each holder of the contingent convertible securities further acknowledges and agrees that the rights of the holders of the contingent convertible securities are subject to, and will be

varied, if necessary, so as to give effect to, the exercise of any U.K. Bail-in Power by the relevant U.K. resolution authority.

For these purposes, a U.K. Bail-in Power is any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of the Barclays Group, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a U.K. resolution regime under the U.K. Banking Act 2009, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment

firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person (and a reference to the relevant U.K. resolution authority is to any authority with the ability to exercise a U.K. Bail-in Power).

The relevant prospectus supplement may describe related provisions with respect to the U.K. Bail-in Power, including certain waivers by the holders of contingent convertible securities of certain claims against the trustee, to the extent permitted by the Trust Indenture Act.

Subsequent Holders Agreement. Holders of contingent convertible securities that acquire such contingent convertible securities in the secondary market shall be deemed to acknowledge, agree to be bound by and consent to the same provisions described herein and in the relevant prospectus supplement to the same extent as the holders of

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such contingent convertible securities that acquire the contingent convertible securities upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the contingent convertible securities, including in relation to the U.K. Bail-in Power.

Payment of Contingent Convertible Additional Amounts

Unless the relevant prospectus supplement provides otherwise, we will pay any amounts to be paid by us on any series of contingent convertible securities without deduction or withholding for, or on account of, any and all present or future taxes now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of any taxing jurisdiction, unless the deduction or withholding is required by law. Unless the relevant prospectus supplement provides otherwise, at any time a U.K. taxing jurisdiction requires us to deduct or withhold taxes, we will pay the additional amounts of, or in respect of, the

principal of, premium, if any, and any interest on, the contingent convertible securities (Contingent Convertible Additional Amounts) that are necessary so that the net amounts paid to the holders, after the deduction or withholding, shall equal the amounts which would have been payable had no such deduction or withholding been required. However, we will not pay Contingent Convertible Additional Amounts for taxes that are payable because:

- the holder or the beneficial owner of the contingent convertible securities is a domiciliary, national or resident of, or engages in business or maintains a permanent establishment or is physically present in, a U.K. taxing jurisdiction requiring that deduction or withholding, or otherwise has some connection with the U.K. taxing jurisdiction other than the holding or ownership of the Contingent Convertible Security, or the collection of any payment of, or in respect of, the principal of, premium, if any, or any interest

on, any contingent convertible securities;

except in the case of our winding-up in England, the relevant Contingent Convertible Security is presented for payment in the United Kingdom;

the relevant Contingent Convertible Security is presented for payment more than 30 days after the date payment became due or was provided for, whichever is later, except to the extent that the holder would have been entitled to the Contingent Convertible Additional Amounts on presenting the Contingent Convertible Security for payment at the close of such 30-day period;

the holder or the beneficial owner of the relevant contingent convertible securities or the beneficial owner of any payment of (or in respect of) principal of, premium, if any, or any interest on contingent convertible securities failed to make any necessary claim or to comply with any

certification, identification or other requirements concerning the nationality, residence, identity or connection with the taxing jurisdiction of such holder or beneficial owner, if such claim or compliance is required by statute, treaty, regulation or administrative practice of the taxing jurisdiction as a condition to relief or exemption from such taxes;

such taxes are imposed on a payment to an individual and are required to be made pursuant to the European Union Directive on the taxation of savings income, adopted on June 3, 2003, or any law implementing or complying with, or introduced in order to conform to, such Directive;

the relevant Contingent Convertible Security is presented for payment by or on behalf of a holder who would have been able to avoid such deduction or withholding by presenting the relevant Contingent Convertible Security to another paying

agent in a member state of the European Union or elsewhere; or

if the taxes would not have been imposed or would have been excluded under one of the preceding points if the beneficial owner of, or person ultimately entitled to obtain an interest in, the contingent convertible securities had been the holder of the contingent convertible securities.

Whenever we refer in this prospectus and any prospectus supplement to the payment of the principal of (and premium, if any) or any interest on, or in respect of, any contingent convertible securities of any series, we mean to include the payment of Contingent Convertible Additional Amounts to the extent that, in context, Contingent Convertible Additional Amounts are, were or would be payable.

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For the avoidance of doubt, unless the relevant prospectus supplement provides otherwise, any amounts to be paid by us on the contingent convertible securities will be paid net of any FATCA Withholding Tax, and we will not be required to pay Contingent Convertible Additional Amounts on account of any FATCA Withholding Tax.

Unless the relevant prospectus supplement provides otherwise, any paying agent shall be entitled to make a deduction or withholding from any payment which it makes under the contingent convertible securities and the contingent convertible securities indenture for or on account of any Applicable Law. In either case, the paying agent shall make any payment after a deduction or withholding has been made pursuant to Applicable Law and shall report to the relevant authorities the amount so deducted or withheld. However, such deduction or withholding will not apply to payments made under the contingent convertible securities and the contingent convertible securities indenture through the relevant clearing

systems. In all cases, the paying agent shall have no obligation to gross up any payment made subject to any deduction or withholding pursuant to Applicable Law. In addition, amounts deducted or withheld by the Paying Agent under this paragraph will be treated as paid to the holder of a contingent convertible security, and we will not pay Contingent Convertible Additional Amounts in respect of such deduction or withholding, except to the extent the provisions in this subsection Payment of Contingent Convertible Additional Amounts explicitly provide otherwise.

Redemption

Any terms of the redemption of any series of contingent convertible securities, whether at our option or upon the occurrence of certain circumstances (including, but shall not be limited to, the occurrence of certain tax or regulatory events), will be set forth in the relevant prospectus supplement.

Modification and Waiver

We and the trustee may make certain modifications and amendments to the contingent convertible securities indenture

applicable to each series of contingent convertible securities without the consent of the holders of the contingent convertible securities. We may make other modifications and amendments with the consent of the holder(s) of not less than 66 ⅔% in aggregate principal amount of the contingent convertible securities of the series outstanding under the applicable contingent convertible securities indenture that are affected by the modification or amendment. However, we may not make any modification or amendment without the consent of the holder of each affected Contingent Convertible Security that would:

- change the principal amount of, or any premium or rate of interest, with respect to any Contingent Convertible Security;
- change our obligation, or any successor s, to pay Contingent Convertible Additional Amounts, if any;
- change the places at which payments are payable or the currency of payment;

impair the right to sue for the enforcement of any payment due and payable, to the extent that such right exists;

reduce the percentage in aggregate principal amount of outstanding contingent convertible securities of the series necessary to modify or amend the contingent convertible securities indenture or to waive compliance with certain provisions of the contingent convertible securities indenture and any past Contingent Convertible Event of Default (as defined below);

change our obligation to maintain an office or agency in the place and for the purposes specified in the contingent convertible securities indenture;

modify the subordination provisions, if any, or the terms and conditions of our obligations in respect of the due and punctual payment of the amounts due and payable on the contingent convertible securities, in either case in a manner

adverse to the holders;
or

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modify the foregoing requirements or the provisions of the contingent convertible securities indenture relating to the waiver of any past Contingent Convertible Event of Default or covenants, except as otherwise specified.

In addition, unless the relevant prospectus supplement provides otherwise, any variations in the terms and conditions of the contingent convertible securities of any series, including modifications relating to the subordination or redemption provisions of such contingent convertible securities, can only be made in accordance with the rules and requirements of the PRA, as and to the extent applicable from time to time.

Contingent Convertible Enforcement Events and Remedies

Winding-up

Unless the relevant prospectus supplement provides otherwise, if a Winding-up Event occurs, the principal amount of the contingent convertible securities will become immediately due and payable.

A Winding-up Event with respect to the contingent convertible securities shall result if (i) a court of competent jurisdiction in England (or such other jurisdiction in which we may be organized) makes an order for our winding-up which is not successfully appealed within 30 days of the making of such order, (ii) our shareholders adopt an effective resolution for our winding-up (other than, in the case of either (i) or (ii) above, under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (iii) following the appointment of an administrator of Barclays PLC, the administrator gives notice that it intends to declare and distribute a dividend.

Non-payment

If we fail to pay any amount that has become due and payable under the contingent convertible securities and the failure continues for 14 days, the trustee may give us notice of such failure. If within a period of 14 days following the provision of such notice, the failure continues and has not been cured nor waived, the trustee may at its discretion and

without further notice to us institute proceedings in England (or such other jurisdiction in which we may be organized) (but not elsewhere) for our winding-up and/or prove in our winding-up and/or claim in our liquidation or administration.

Limited remedies for breach of obligations (other than non-payment)

In addition to the remedies for non-payment provided above, the trustee may, without further notice, institute such proceedings against us as the trustee may think fit to enforce any term, obligation or condition binding on us under the contingent convertible securities or the Contingent Convertible Securities Indenture (other than any payment obligation under or arising from the contingent convertible securities or the Contingent Convertible Securities Indenture, including, without limitation, payment of any principal or interest) (a Contingent Convertible Performance Obligation); provided always that the trustee (acting on behalf of the holders of the contingent convertible securities) and the holders of the contingent convertible securities may not

enforce, and may not be entitled to enforce or otherwise claim, against us any judgment or other award given in such proceedings that requires the payment of money by us, whether by way of damages or otherwise (a Contingent Convertible Monetary Judgment), except by proving such Contingent Convertible Monetary Judgment in our winding-up and/or by claiming such Contingent Convertible Monetary Judgment in our administration.

For the avoidance of doubt, the sole and exclusive manner by which the trustee (acting on behalf of the holders of the contingent convertible securities) and the holders of the contingent convertible securities may seek to enforce or otherwise claim a Contingent Convertible Monetary Judgment against us in connection with our breach of a Contingent Convertible Performance Obligation shall be by proving such Contingent Convertible

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Monetary Judgment in our winding-up and/or by claiming such Contingent Convertible Monetary Judgment in our administration. By its acquisition of the contingent convertible securities, each holder of the Contingent convertible securities acknowledges and agrees that such holder will not seek to enforce or otherwise claim, and will not direct the trustee (acting on behalf of the holders of the contingent convertible securities) to enforce or otherwise claim, a Contingent Convertible Monetary Judgment against us in connection with our breach of a Contingent Convertible Performance Obligation, except by proving such Contingent Convertible Monetary Judgment in our winding-up and/or by claiming such Contingent Convertible Monetary Judgment in our administration.

No other remedies

Other than the limited remedies specified herein under Contingent Convertible Enforcement Events and Remedies above and subject to Trust Indenture Act remedies below, no remedy against us will be available to the trustee

(acting on behalf of the holders of the contingent convertible securities) or the holders of the contingent convertible securities whether for the recovery of amounts owing in respect of such contingent convertible securities or under the Contingent Convertible Securities Indenture or in respect of any breach by us of any of our obligations under or in respect of the terms of such contingent convertible securities or under the Contingent Convertible Securities Indenture in relation thereto; provided, however, that such limitation shall not apply to our obligations to pay the fees and expenses of, and to indemnify, the trustee (including fees and expenses of trustee s counsel) and the trustee s rights to apply money collected to first pay its fees and expenses shall not be subject to the subordination provisions set forth in the Contingent Convertible Securities Indenture.

Trust Indenture Act remedies

Notwithstanding the limitation on remedies specified herein under Contingent Convertible Enforcement Events and Remedies above, (1) the trustee will have such powers as are required to be authorized to it under

the Trust Indenture Act in respect of the rights of the holders of the contingent convertible securities under the provisions of the Contingent Convertible Securities Indenture and (2) nothing shall impair the right of a holder of the contingent convertible securities under the Trust Indenture Act, absent such holder s consent, to sue for any payment due but unpaid with respect to the contingent convertible securities; provided that, in the case of each of (1) and (2) above, any payments in respect of, or arising from, the contingent convertible securities, including any payments or amounts resulting or arising from the enforcement of any rights under the Trust Indenture Act in respect of the contingent convertible securities, are subject to the subordination provisions set forth in the Contingent Convertible Securities Indenture.

Subject to applicable law and unless the applicable prospectus supplement provides otherwise, claims in respect of any contingent convertible security may not be set-off, or be the subject of a counterclaim, by the trustee or any holder against or in respect of any of its obligations to us, and the trustee and

every holder will be deemed to have waived any right of set-off or counterclaim in respect of the contingent convertible securities or the Contingent Convertible Securities Indenture that they might otherwise have against us. No holder of contingent convertible securities shall be entitled to proceed directly against us except as described in Limitation on Suits below.

Trustee s Duties

In case of a Contingent Convertible Event of Default under any series of the contingent convertible securities, the trustee shall exercise such of the rights and powers vested in it by the Contingent Convertible Securities Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. For these purposes, a Contingent Convertible Event of Default shall occur (i) upon a Winding-Up Event that occurs, (ii) if we fail to pay any amount that has become due and payable under any series of the contingent convertible securities and such failure continues for 14

days (as described under
Contingent Convertible
Enforcement Events and

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Remedies Non-payment) or (iii) upon a breach by us of a Performance Obligation with respect to a series of the contingent convertible securities (as described under Contingent Convertible Enforcement Events and Remedies Limited remedies for breach of obligations (other than non-payment)). Holders of a majority of the aggregate principal amount of the outstanding contingent convertible securities of a series may not waive any past Contingent Convertible Event of Default specified in clauses (i) and (ii) in the preceding sentence.

If a Contingent Convertible Event of Default occurs and is continuing with respect to any series of the contingent convertible securities, the trustee will have no obligation to take any action at the direction of any holders of such series of the contingent convertible securities, unless they have offered the trustee security or indemnity satisfactory to the trustee in its sole discretion. The holders of a majority in aggregate principal amount of the outstanding contingent convertible securities of

a series shall have the right to direct the time, method and place of conducting any proceeding in the name of and on the behalf of the trustee for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to such series of the contingent convertible securities. However, this direction (a) must not be in conflict with any rule of law or the Contingent Convertible Securities Indenture and (b) must not be unjustly prejudicial to the holder(s) of such series of the contingent convertible securities not taking part in the direction, in the case of either (a) or (b) as determined by the trustee in its sole discretion. The trustee may also take any other action, not inconsistent with the direction, that it deems proper.

The trustee will, within 90 days of Contingent Convertible Event of Default with respect to the contingent convertible securities of any series, give to each affected holder of the contingent convertible securities of the affected series notice of any Contingent Convertible Event of Default it knows about, unless the Contingent Convertible

Event of Default has been cured or waived. However, the trustee will be entitled to withhold notice if a trust committee of responsible officers of the trustee determine in good faith that withholding of notice is in the interest of the holders.

Limitation on Suits

Before a holder of the contingent convertible securities may bypass the trustee and bring its own lawsuit or other formal legal action or take other steps to enforce its rights or protect its interests relating to the contingent convertible securities, the following must occur:

The holder must give the trustee written notice that a Contingent Convertible Event of Default has occurred and remains uncured.

The holders of 25% in outstanding principal amount of the contingent convertible securities of the relevant series must make a written request that the trustee take action because of the Contingent Convertible Event of Default, and the holder must offer indemnity satisfactory to the

trustee in its sole discretion against the cost and other liabilities of taking that action.

The trustee must not have taken action for 60 days after receipt of the above notice and offer of security or indemnity, and the trustee must not have received an inconsistent direction from the majority in principal amount of all outstanding contingent convertible securities of the relevant series during that period.

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to waive any past Contingent Convertible Event of Default, as described below in Description of Certain Provisions Relating to Debt Securities and Contingent Convertible Securities Legal Ownership; Form of Securities.

Consolidation, Merger and Sale of Assets; Assumption

We may, without the consent of the holders of any of the contingent convertible securities, consolidate or

amalgamate with, merge into or transfer or lease our assets substantially as an entirety to, any person of the

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persons specified in the applicable contingent convertible securities indenture. However, any successor person formed by any consolidation, amalgamation or merger, or any transferee or lessee of our assets, must assume our obligations on the contingent convertible securities and the applicable contingent convertible securities indenture, if any, and a number of other conditions must be met.

Subject to applicable law and regulation, any of our wholly owned subsidiaries may assume our obligations, if any, under the contingent convertible securities of any series without the consent of any holder. We, however, must irrevocably guarantee (on a subordinated basis in substantially the manner described under Ranking of Contingent Convertible Securities above) the obligations of the subsidiary under the contingent convertible securities of that series. If we do, all of our direct obligations under the contingent convertible securities of the series and the applicable contingent convertible securities indenture shall immediately be discharged. Unless the relevant prospectus

supplement provides otherwise, any Contingent Convertible Additional Amounts under the contingent convertible securities of the series will be payable in respect of taxes imposed by the jurisdiction in which the successor entity is organized, rather than taxes imposed by a U.K. taxing jurisdiction, subject to exceptions equivalent to those that apply to any obligation to pay Contingent Convertible Additional Amounts in respect of taxes imposed by a U.K. taxing jurisdiction. However, if we make payment under this guarantee, we shall also be required to pay Contingent Convertible Additional Amounts related to taxes (subject to the exceptions set forth in Contingent Convertible Additional Amounts above) imposed by a U.K. taxing jurisdiction due to this guarantee payment. A subsidiary that assumes our obligations will also be entitled to redeem the contingent convertible securities of the relevant series in the circumstances described under Redemption above with respect to any change or amendment to, or change in the application or interpretation of the laws or regulations (including any treaty) of the

assuming corporation s jurisdiction of incorporation as long as the change or amendment occurs after the date of the subsidiary s assumption of our obligations. Such substitution can only be made in accordance with the rules and requirements of the PRA, as and to the extent applicable from time to time.

The U.S. Internal Revenue Service might deem an assumption of our obligations as described above to be an exchange of the existing contingent convertible securities for new contingent convertible securities, resulting in a recognition of taxable gain or loss and possibly other adverse tax consequences. Investors should consult their tax advisors regarding the tax consequences of such an assumption.

Governing Law

The contingent convertible securities and contingent convertible securities indenture will be governed by and construed in accordance with the laws of the State of New York, except that, as specified in the contingent convertible securities indenture, the subordination provisions of each series of contingent convertible

securities and the related provisions in the contingent convertible securities indenture will be governed by and construed in accordance with English law.

Notices

Notices regarding the contingent convertible securities will be valid:

with respect to global contingent convertible securities if given in accordance with the applicable procedures of the depositary for such global contingent convertible securities; or

if registered contingent convertible securities are affected, if given in writing and mailed to each direct holder as provided in the applicable contingent convertible securities indenture. Any notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first publication. If publication is not practicable, notice will be valid if given in any other manner, and deemed to have been given on the date, as we shall determine. With respect to a global

contingent convertible security representing any series of contingent convertible securities, a copy of all notices with respect to such series will be delivered to the depositary for such global contingent convertible security.

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The Trustee

The Bank of New York Mellon acting through its London Branch, will be the trustee under the contingent convertible securities indenture. The trustee has two principal functions:

- first, it can enforce a holder s rights against us if there is a Contingent Convertible Event of Default under the contingent convertible securities indenture; and
- second, the trustee performs administrative duties for us, such as sending the holder s interest payments, transferring contingent convertible securities to a new buyer and sending notices to holders.

We and some of our subsidiaries maintain deposit accounts and conduct other banking transactions with the trustee in the ordinary course of our respective businesses.

Consent to Service

The contingent convertible securities indenture provides that

	we irrevocably designate Barclays Bank PLC (New York Branch), 745 Seventh Avenue, New York, New York 10019, Attention: General Counsel as our authorized agent for service of process in any proceeding arising out of or relating to the contingent convertible securities indenture or contingent convertible securities brought in any federal or state court in the Borough of Manhattan, the City of New York, and we irrevocably submit to the jurisdiction of these courts.

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DESCRIPTION OF ORDINARY SHARES

Barclays PLC only has ordinary shares in issue which are governed by the laws of England and Wales. The shareholders of Barclays PLC passed an ordinary resolution on April 24, 2014 to increase its share capital by the creation of new shares of up to £825,000,000 in relation to any issue of securities that automatically convert into or are exchanged for ordinary shares of Barclays PLC, which authorisation expires the earlier of the end of Barclays PLC s Annual General Meeting to be held in 2015 and the close of business on June 30, 2015, unless otherwise renewed or passed pursuant to a separate resolution.

Our Articles of Association (the Articles) contain provisions to the following effect:

Dividends

Subject to the provisions of the Articles and applicable legislation, Barclays PLC at any general meeting may declare dividends on the ordinary shares by ordinary resolution, but such dividends may not exceed the amount

recommended by the Board. The Board may also pay interim or final dividends if it appears they are justified by our financial position.

All unclaimed dividends payable in respect of any share may be invested or otherwise made use of by the Board for the benefit of Barclays PLC until claimed. If a dividend is not claimed after 12 years of it becoming payable, it is forfeited and reverts to us.

Barclays PLC operates a Scrip Dividend Programme which enables eligible shareholders to elect to receive new ordinary shares issued by Barclays PLC instead of a cash dividend.

Voting

Every member who is present in person or by proxy or represented at any general meeting of Barclays PLC, and who is entitled to vote, has one vote on a show of hands. Every proxy present has one vote, except that the proxy will have one vote for and one vote against a resolution if he/she has been instructed to vote for and against the resolution by different members or in one direction by a member while another member has permitted the proxy

discretion as to how to vote. On a poll, every member who is present or represented and who is entitled to vote has one vote for every share held. In the case of joint holders, only the vote of the senior holder (as determined by order in the share register) or his proxy may be counted. If any sum payable remains unpaid in relation to a member s shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of Barclays PLC unless the Board otherwise determine.

If any member, or any other person appearing to be interested in any of our ordinary shares, is served with a notice under Section 793 of the Companies Act and does not supply us with the information required in the notice, then the Board, in its absolute discretion, may direct that member shall not be entitled to attend or vote at any meeting of Barclays PLC. The Board may further direct that if the shares of the defaulting member represent 0.25% or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by us until the direction ceases to have effect and that no transfer of those

shares shall be registered (other than certain specified excepted transfers). A direction ceases to have effect seven days after we have received the information requested, or when we are notified that an excepted transfer of all of the relevant shares to a third party has occurred, or as the Board otherwise determines.

Transfers

Ordinary shares may be held in either certificated or uncertificated form. Certificated ordinary shares shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. Transfers of uncertificated ordinary shares shall be made in accordance with the Companies Act and Uncertificated Securities Regulations 2001, as amended.

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The Board is not bound to register a transfer of partly paid ordinary shares, or fully paid shares in exceptional circumstances approved by the United Kingdom Listing Authority. The Board may also decline to register an instrument of transfer of certificated ordinary shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, it is in respect of one class of shares only, and it is in favor of a single transferee or not more than four transferees (except in the case of executors or trustees of a member).

Redemption and Purchase

Subject to applicable legislation and the rights of the other shareholders, any share may be issued on terms that it is, at our option or the holder of such share, redeemable. The directors are authorized to determine the terms, conditions and manner of redemption of any such shares under the Articles.

Calls on capital

The directors may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred. Interest will be chargeable on any unpaid amount called at a rate determined by the Board (of not more than 20% per annum).

If a member fails to pay any call in full (following notice from the Board that such failure will result in forfeiture of the relevant shares), such shares (including any dividends declared but not paid) may be forfeited by a resolution of the Board, and will become the property of Barclays PLC. Forfeiture shall not absolve a previous member for amounts payable by him/her (which may continue to accrue interest).

Barclays PLC also has a lien over all of our partly paid shares for all monies payable or called on that share and over the debts and liabilities of a member to Barclays PLC. If any monies which are the subject of the lien remain unpaid after a notice from the Board demanding payment, we may sell such shares.

Variation of Rights

The rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class or with the sanction of special resolution passed at a separate meeting of the holders of the shares of that class.

The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them.

Winding Up

In the winding up of Barclays PLC (whether the liquidation is voluntary or by the court) the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of Barclays PLC, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he, with the like sanction, shall determine. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and

may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

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DESCRIPTION OF CERTAIN PROVISIONS RELATING TO DEBT SECURITIES AND CONTINGENT CONVERTIBLE SECURITIES

In this section of the prospectus, the term securities refers to Senior Debt Securities, Dated Subordinated Debt Securities and contingent convertible securities.

Legal Ownership; Form of Securities

Street Name and Other Indirect Holders. Investors who hold securities in accounts at banks or brokers will generally not be recognized by us as legal holders of securities. This is called holding in street name.

Instead, we would recognize only the bank or broker, or the financial institution the bank or broker uses to hold its securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the securities, either because they agree to do so in their customer agreements or because they are legally required to do so. An investor

who holds securities in street name should check with the investor s own intermediary institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle voting if it were ever required;
- whether and how the investor can instruct it to send the investor s securities registered in the investor s own name so the investor can be a direct holder as described below; and
- how it would pursue rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders. Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, run only to persons who are registered as holders of securities. As noted above, we do not have

obligations to an investor who holds in street name or other indirect means, either because the investor chooses to hold securities in that manner or because the securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to the investor as a street name customer but does not do so.

Global Securities. A global security is a special type of indirectly held security, as described above under Legal Ownership; Form of Securities Street Name and Other Indirect Holders. If we issue securities in the form of global securities, the ultimate beneficial owners can only be indirect holders.

We require that the global security be registered in the name of a financial institution we select or in the name of a nominee for such financial institution. In addition, we require that the securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described in the section Special

Situations When a Global Security Will Be Terminated

occur. The financial institution that acts (either directly or through its nominee) as the sole direct holder of the global security is called the depositary. Any person wishing to own a security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depositary. Unless the applicable prospectus supplement indicates otherwise, each series of securities will be issued only in the form of global securities.

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In the remainder of this section, holders means direct holders and not street name or other indirect holders of securities. Indirect holders should read the subsection entitled Legal Ownership; Form of Securities Street Name and Other Indirect Holders.

Payment and Paying Agents. We will pay interest (if any) to direct holders listed in the trustee s records at the close of business on a particular day in advance of each due date for interest, even if the direct holder no longer owns the security on the interest due date. That particular day, usually about one business day in advance of the interest due date, is called the regular record date and is stated in the applicable prospectus supplement.

Unless the relevant prospectus supplement provides otherwise, we will pay interest (if any), principal and any other money due on the securities at the corporate trust office of the trustee in New York City. Holders of securities must make arrangements to have their payments picked up at or wired from that office. We may

also choose to pay interest by mailing checks.

Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

We may also arrange for additional payment offices, and may cancel or change these offices, including our use of the trustee s corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We must notify the trustee of changes in the paying agents for any particular series of securities.

Special Investor Considerations for Global Securities

As an indirect holder, an investor s rights relating to a global security will be governed by the account rules of the investor s financial institution and of the depositary, as well as general laws relating to securities transfers. We do not recognize this type of investor as a holder of securities and instead deal only with the depositary that holds the global security.

Investors in securities that are issued only in the form of global securities

should be aware that:

they cannot get securities registered in their own name;

they cannot receive physical certificates for their interests in securities;

they will be a street name holder and must look to their own bank or broker for payments on the securities and protection of their legal rights relating to the securities, as explained earlier under Legal Ownership; Form of Securities Street Name and Other Indirect Holders ;

they may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates;

the depositary s policies will govern payments, transfers, exchange and other matters relating to their interest in the global security. We and the trustee have no

responsibility for any aspect of the depositary s actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depositary in any way; and

the depositary will require that interests in a global security be purchased or sold within its system using same-day funds.

Special Situations When a Global Security Will Be Terminated

In a few special situations described below, the global security will terminate and interests in it will be exchanged for physical certificates representing securities. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own bank or brokers to

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find out how to have their interests in a global security transferred to their own name so that they will be direct holders. The rights of street name investors and direct holders in the securities have been described above in the sections entitled Legal Ownership; Form of Securities Street Name and Other Indirect Holders; Direct Holders.

The special situations for termination of a global security are:

- when the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary; and

- when a Senior Event of Default, in the case of Senior Debt Securities, a Dated Subordinated Event of Default, in the case of Dated Subordinated Debt Securities, or a Contingent Convertible Event of Default, in the case of contingent convertible securities, has occurred and has not been cured. Defaults are discussed above under Description of Debt Securities Senior

		Events of Default; Dated Subordinated Enforcement Events and Remedies; Limitation on Suits and Description of Contingent Convertible Securities Contingent Convertible Enforcement Events and Remedies.	
		The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of securities covered by the prospectus supplement. When a global security terminates, the depositary (and not us or the trustee) is responsible for deciding the names of the institutions that will be the initial direct holders.	

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CLEARANCE AND SETTLEMENT

The securities we issue may be held through one or more international and domestic clearing systems. The principal clearing systems we will use are the book-entry systems operated by DTC, in the United States, Clearstream Banking, société anonyme (Clearstream, Luxembourg), in Luxembourg and Euroclear Bank S.A./N.V. (Euroclear), in Brussels, Belgium. These systems have established electronic securities and payment transfer, processing, depositary and custodial links among themselves and others, either directly or through custodians and depositaries. These links allow securities to be issued, held and transferred among the clearing systems without the physical transfer of certificates.

Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market. Where payments for securities we issue in global form will be made in U.S. dollars, these procedures can be used

for cross-market transfers and the securities will be cleared and settled on a delivery against payment basis.

Global securities will be registered in the name of a nominee for, and accepted for settlement and clearance by, one or more of Euroclear, Clearstream, Luxembourg, DTC and any other clearing system identified in the applicable prospectus supplement.

Cross-market transfers of securities that are not in global form may be cleared and settled in accordance with other procedures that may be established among the clearing systems for these securities.

Euroclear and Clearstream, Luxembourg hold interests on behalf of their participants through customers securities accounts in the names of Euroclear and Clearstream, Luxembourg on the books of their respective depositories, which, in the case of securities for which a global security in registered form is deposited with the DTC, in turn hold such interests in customers securities accounts in the depositories names on the books of the DTC.

The policies of DTC, Clearstream, Luxembourg and Euroclear will govern payments, transfers, exchange and other matters relating to the investor s interest in securities held by them. This is also true for any other clearance system that may be named in a prospectus supplement.

Neither we nor the trustee nor any of our or its agents has any responsibility for any aspect of the actions of DTC, Clearstream, Luxembourg or Euroclear or any of their direct or indirect participants. Neither we nor the trustee nor any of our or its agents has any responsibility for any aspect of the records kept by DTC, Clearstream, Luxembourg or Euroclear or any of their direct or indirect participants. Neither we nor the trustee nor any of our or its agents supervise these systems in any way. This is also true for any other clearing system indicated in a prospectus supplement.

DTC, Clearstream, Luxembourg, Euroclear and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. Investors

should be aware that DTC, Clearstream, Luxembourg, Euroclear and their participants are not obligated to perform these procedures and may modify them or discontinue them at any time.

The description of the clearing systems in this section reflects our understanding of the rules and procedures of DTC, Clearstream, Luxembourg and Euroclear as they are currently in effect. Those systems could change their rules and procedures at any time.

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The Clearing Systems

DTC

DTC has advised us as follows:

DTC is:

(1) a limited purpose trust company organized under the laws of the State of New York;

(2) a banking organization within the meaning of New York Banking Law;

(3) a member of the Federal Reserve System;

(4) a clearing corporation within the meaning of the New York Uniform Commercial Code; and

(5) a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to

facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to accounts of its participants. This eliminates the need for physical movement of securities.

Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. DTC is partially owned by some of these participants or their representatives.

Indirect access to the DTC system is also available to banks, brokers and dealers and trust companies that have custodial relationships with participants.

The rules applicable to DTC and DTC participants are on file with the SEC.

Clearstream, Luxembourg

Clearstream, Luxembourg has advised us as follows:

Clearstream, Luxembourg is a duly licensed bank organized as a société anonyme incorporated under the laws of Luxembourg and is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*).

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through electronic book-entry transfers between the accounts of its customers. This eliminates the need for physical movement of securities.

Clearstream, Luxembourg provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally traded securities and lending and borrowing of securities. It interfaces with the domestic markets in over 30 countries through established depositary

and custodial relationships.

Clearstream, Luxembourg s customers include worldwide securities brokers and dealers, banks, trust companies and clearing corporations and may include professional financial intermediaries. Its U.S. customers are limited to securities brokers and dealers and banks.

Indirect access to the Clearstream, Luxembourg system is also available to others that clear through Clearstream, Luxembourg customers or that have custodial relationships with its customers, such as banks, brokers, dealers and trust companies.

Euroclear

Euroclear has advised us as follows:

Euroclear is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Financial Services and Markets Authority (*L Autorité des Services et Marchés Financiers*)

and the National Bank of Belgium (*Banque Nationale de Belgique*).

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Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates.

Euroclear provides other services to its customers, including credit, custody, lending and borrowing of securities and tri-party collateral management. It interfaces with the domestic markets of several countries.

Euroclear customers include banks, including central banks, securities brokers and dealers, trust companies and clearing corporations and may include certain other professional financial intermediaries.

Indirect access to the Euroclear system is also available to others that clear through Euroclear customers

or that have custodial relationships with Euroclear customers.

All securities in Euroclear are held on a fungible basis. This means that specific certificates are not matched to specific securities clearance accounts.

Other Clearing Systems

We may choose any other clearing system for a particular series of securities. The clearance and settlement procedures for the clearing system we choose will be described in the applicable prospectus supplement.

Primary Distribution

The distribution of the securities will be cleared through one or more of the clearing systems that we have described above or any other clearing system that is specified in the applicable prospectus supplement. Payment for securities will be made on a delivery versus payment or free delivery basis. These payment procedures will be more fully described in the applicable prospectus supplement.

Clearance and settlement procedures may vary from one series of securities to another

according to the currency that is chosen for the specific series of securities. Customary clearance and settlement procedures are described below.

We will submit applications to the relevant system or systems for the securities to be accepted for clearance. The clearance numbers that are applicable to each clearance system will be specified in the prospectus supplement.

Clearance and Settlement Procedures DTC

DTC participants that hold securities through DTC on behalf of investors will follow the settlement practices applicable to United States corporate debt obligations in DTC s Same-Day Funds Settlement System.

Securities will be credited to the securities custody accounts of these DTC participants against payment in same-day funds, for payments in U.S. dollars, on the settlement date. For payments in a currency other than U.S. dollars, securities will be credited free of payment on the settlement date.

Clearance and Settlement

Procedures Euroclear and Clearstream, Luxembourg
We understand that investors that hold their securities through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures that are applicable to conventional Eurobonds in registered form for securities.

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Securities will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg participants on the business day following the settlement date, for value on the settlement date. They will be credited either free of payment or against payment for value on the settlement date.

Secondary Market Trading

Trading Between DTC Participants

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC s rules. Secondary market trading will be settled using procedures applicable to United States corporate debt obligations in DTC s Same-Day Funds Settlement System for securities.

If payment is made in U.S. dollars, settlement will be in same-day funds. If payment is made in a currency other than U.S. dollars, settlement will be free of payment. If payment is made other than in U.S. dollars, separate payment arrangements outside of

the DTC system must be made between the DTC participants involved.

Trading Between Euroclear and/or Clearstream, Luxembourg Participants

We understand that secondary market trading between Euroclear and/or Clearstream, Luxembourg participants will occur in the ordinary way following the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg. Secondary market trading will be settled using procedures applicable to conventional Eurobonds in registered form for securities.

Trading Between a DTC Seller and a Euroclear or Clearstream, Luxembourg Purchaser

A purchaser of securities that are held in the account of a DTC participant must send instructions to Euroclear or Clearstream, Luxembourg at least one business day prior to settlement. The instructions will provide for the transfer of the securities from the selling DTC participant s account to the account of the purchasing Euroclear or Clearstream, Luxembourg participant. Euroclear or

Clearstream, Luxembourg, as the case may be, will then instruct the common depositary for Euroclear and Clearstream, Luxembourg to receive the securities either against payment or free of payment.

The interests in the securities will be credited to the respective clearing system. The clearing system will then credit the account of the participant, following its usual procedures. Credit for the securities will appear on the next day, European time. Cash debit will be back-valued to, and the interest on the securities will accrue from, the value date, which would be the preceding day, when settlement occurs in New York. If the trade fails and settlement is not completed on the intended date, the Euroclear or Clearstream, Luxembourg cash debit will be valued as of the actual settlement date instead.

Euroclear participants or Clearstream, Luxembourg participants will need the funds necessary to process same-day funds settlement. The most direct means of doing this is to pre-position funds for settlement, either from cash or from

existing lines of credit, as for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the securities are credited to their accounts one business day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can choose not to pre-position funds and will instead allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing securities would incur overdraft charges for one business day (assuming they cleared the overdraft as soon as the securities were credited to their accounts). However, any interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities that is earned during that one-business day period may substantially reduce or offset the amount of the overdraft charges. This result will, however,

depend on each participant s particular cost of funds.

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Because the settlement will take place during New York business hours, DTC participants will use their usual procedures to deliver securities to the depositary on behalf of Euroclear participants or Clearstream, Luxembourg participants. The sale proceeds will be available to the DTC seller on the settlement date. For the DTC participants, then, a cross-market transaction will settle no differently than a trade between two DTC participants.

Special Timing Considerations

Investors should be aware that they will only be able to make and receive deliveries, payments and other communications involving the securities through Clearstream, Luxembourg and Euroclear on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing

transactions involving Clearstream, Luxembourg and Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the securities, or to receive or make a payment or delivery of the securities, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Clearstream, Luxembourg or Euroclear is used.

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TAX CONSIDERATIONS

U.S. Taxation of Debt Securities

This section describes the material U.S. federal income tax consequences of owning debt securities. It is the opinion of Sullivan & Cromwell LLP, our U.S. tax counsel. It applies to you only if you acquire your debt securities in an offering and you hold your debt securities as capital assets for tax purposes.

This section does not describe the material U.S. federal income tax consequences of owning contingent convertible securities and ordinary shares. The material U.S. federal income tax consequences of owning contingent convertible securities and ordinary shares will be described in the relevant prospectus supplement.

This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

a dealer in securities;

- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person that holds debt securities as part of a straddle or a hedging or conversion transaction;
- a person that purchases or sells debt securities as part of a wash sale for tax purposes;
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar;
- a bank;
- a person liable for alternative minimum tax; or
- a person that actually or constructively owns 10% or more of our voting stock.

This section is based on the Code, as amended, its legislative history,

existing and proposed regulations, published rulings and court decisions, as well as on the income tax convention between the United States of America and the United Kingdom (the Treaty). These laws are subject to change, possibly on a retroactive basis.

If an entity treated as a partnership for U.S. federal income tax purposes holds the debt securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in an entity treated as a partnership for U.S. federal income tax purposes holding the debt securities should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the debt securities.

This section deals only with debt securities denominated in U.S. dollars that are due to mature 30 years or less from the date on which they are issued. The U.S. federal income tax consequences of owning debt securities that are denominated in a currency other than the U.S. dollar (or the interest payments that are determined by reference

to a currency other than the U.S. dollar) as well as the U.S. federal income tax consequences of owning debt securities that are due to mature more than 30 years from their date of issue will be discussed in an applicable prospectus supplement. In addition, this section does not address the U.S. federal income tax consequences of owning convertible or exchangeable debt securities; the U.S. federal income tax consequences of owning convertible or exchangeable debt securities will be addressed in the applicable prospectus supplement. This section also does not address the U.S. federal income tax consequences of owning bearer securities. U.S. holders of certain bearer securities may be subject to additional, adverse U.S. federal income tax rules. Dated Subordinated Debt Securities may be subject to additional U.S. federal income tax rules which will be discussed in the relevant prospectus supplement.

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You should consult your own tax advisor regarding the U.S. federal, state and local and other tax consequences of owning and disposing of debt securities in your particular circumstances.

U.S. Holders

This subsection describes the material U.S. federal income tax consequences to a U.S. holder of owning debt securities. You are a U.S. holder if you are a beneficial owner of debt securities and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a U.S. court can exercise primary supervision over the trust s administration and one or more U.S. persons are authorized to control all substantial decisions

of the trust. If you are not a U.S. holder, this subsection does not apply to you, and you should refer to Taxation of U.S. Alien Holders below.

Payments of Interest

Except as described below in the case of interest on a discount debt security that is not qualified stated interest, each as defined below under Original Issue Discount General, you will be taxed on any interest on your debt securities as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes.

Interest paid by us on the debt securities and original issue discount, if any, accrued with respect to the debt securities (as described below under Original Issue Discount) is income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a United States holder. Under the foreign tax credit rules, interest and original issue discount will, depending on your circumstances, be either passive or general income for purposes of computing the foreign tax credit.

Original Issue Discount

General. If you own a debt security, other than a short-term debt security with a term of one year or less, it will be treated as a discount debt security issued at an original issue discount if the amount by which the debt security s stated redemption price at maturity exceeds its issue price is more than a de minimis amount. Generally, a debt security s issue price will be the first price at which a substantial amount of debt securities included in the issue of which the debt security is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A debt security s stated redemption price at maturity is the total of all payments provided by the debt security that are not payments of qualified stated interest. Generally, an interest payment on a debt security is qualified stated interest if it is one of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the debt

security. There are special rules for variable rate debt securities that are discussed under Variable Rate Debt Securities.

In general, your debt security is not a discount debt security if the amount by which its stated redemption price at maturity exceeds its issue price is less than the de minimis amount of 1/4 of 1% of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your debt security will have de minimis original issue discount if the amount of the excess is less than the de minimis amount. If your debt security has de minimis original issue discount, you must include the de minimis amount in income as stated principal payments are made on the debt security, unless you make the election described below under

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Election to Treat All Interest as Original Issue Discount. You can determine the includible amount with respect to each such payment by multiplying the total amount of your debt security s de minimis original issue discount by a fraction equal to:

the amount of the principal payment made divided by:

the stated principal amount of the debt security.

Generally, if your discount debt security matures more than one year from its date of issue, you must include original issue discount, or OID in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your debt security. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount debt

security for each day during the taxable year or portion of the taxable year that you hold your discount debt security. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount debt security and you may vary the length of each accrual period over the term of your discount debt security. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount debt security must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

- multiplying your discount debt security s adjusted issue price at the beginning of the accrual period by your debt security s yield to maturity; and then
- subtracting from this figure the sum of the payments of qualified stated interest on your debt security allocable to the accrual period.

You must determine the discount debt security s yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you determine your discount debt security s adjusted issue price at the beginning of any accrual period by:

adding your discount debt security s issue price and any accrued OID for each prior accrual period; and then

subtracting any payments previously made on your discount debt security that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount debt security contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their

relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of your debt security, other than any payment of qualified stated interest; and
- your debt security s adjusted issue price as of the beginning of the final accrual period.

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Acquisition Premium. If you purchase your debt security for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your debt security after the purchase date but is greater than the amount of your debt security s adjusted issue price, as determined above under General, the excess is acquisition premium. If you do not make the election described below under Election to Treat All Interest as Original Issue Discount, then you must reduce the daily portions of OID by a fraction equal to:

the excess of your adjusted basis in the debt security immediately after purchase over the adjusted issue price of the debt security;
divided by:

the excess of the sum of all amounts payable, other than qualified stated interest, on the debt security after the purchase date over the debt security s adjusted issue price.

Pre-Issuance Accrued Interest. An election may be made to decrease the issue price of your debt security by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of your debt security is attributable to pre-issuance accrued interest;
- the first stated interest payment on your debt security is to be made within one year of your debt security s issue date; and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your debt security.

Debt Securities Subject to Contingencies, Including Optional Redemption. Your debt security is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than

a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your debt security by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date; and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your debt security in accordance with the general rules that govern contingent payment obligations. If applicable, these rules will be discussed in the prospectus supplement.

Notwithstanding the general rules for determining yield and maturity, if your debt security is subject to contingencies, and either

you or we have an unconditional option or options that, if exercised, would require payments to be made on the debt security under an alternative payment schedule or schedules, then:

in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or a combination of options in the manner that minimizes the yield on your debt security; and,

in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or a combination of options in the manner that maximizes the yield on your debt security.

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If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your debt security for the purposes of those calculations by using any date on which your debt security may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your debt security as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your debt security is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your debt security by treating your debt security as having been retired and reissued on the date of the change in circumstances for an amount equal to your debt security s adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount. You may elect to include in gross income all interest that accrues on your debt security using the constant-yield method described above under General, with the modifications described below. For purposes of this election, interest will include stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium, described below under Debt Securities Purchased at a Premium, or acquisition premium.

If you make this election for your debt security, then, when you apply the constant-yield method:

- the issue price of your debt security will equal your cost;
- the issue date of your debt security will be the date you acquired it; and
- no payments on your debt security will be treated as payments of qualified stated interest.

Generally, this election will apply only to the debt security for which you make it; however, if the debt security has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount debt security, you will be treated as having made the election discussed below under Market Discount to include market discount in income currently over the life of all debt instruments having market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke any election to apply the constant-yield method to all interest on a debt security or the deemed elections with respect to amortizable bond premium or market discount debt securities without the consent of the Internal Revenue Service.

Variable Rate Debt Securities. Your debt security will be a variable rate debt security if:

your debt security s issue price does not exceed the total noncontingent principal payments by more than the lesser of:

1. 1.5% of the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date; or

2. 15% of the total noncontingent principal payments; and

your debt security provides for stated interest, compounded or paid at least annually, only at:

1. one or more qualified floating rates;

2. a single fixed rate and one or more qualified floating rates;

3. a single objective rate; or

4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

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Your debt security will have a variable rate that is a qualified floating rate if:

variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your debt security is denominated; or

the rate is equal to such a rate multiplied by either:

1. a fixed multiple that is greater than 0.65 but not more than 1.35; or

2. a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year

following that first day.

If your debt security provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the debt security, the qualified floating rates together constitute a single qualified floating rate.

Your debt security will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the debt security or are not reasonably expected to significantly affect the yield on the debt security.

Your debt security will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate;
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not

within the control of or unique to the circumstances of the issuer or a related party; and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Your debt security will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your debt security s term will be either significantly less than or significantly greater than the average value of the rate during the final half of your debt security s term.

An objective rate as described above is a qualified inverse floating rate if:

the rate is equal to a fixed rate minus a qualified floating rate; and

the variations in the rate can reasonably be expected to inversely reflect

contemporaneous variations in the cost of newly borrowed funds.

Your debt security will also have a single qualified floating rate or an objective rate if interest on your debt security is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

the fixed rate and the qualified floating rate or objective rate have values on the issue date of the debt security that do not differ by more than 0.25 percentage points; or

the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if your variable rate debt security provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your debt

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security is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your debt security.

If your variable rate debt security does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period you generally will determine the interest and OID accruals on your debt security by:

- determining a fixed rate substitute for each variable rate provided under your variable rate debt security;
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above;

determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument; and

adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate debt security, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your debt security.

If your variable rate debt security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, the interest and OID accruals are generally determined by using the method described in the previous paragraph. However, your variable rate debt security will be treated, for purposes of the first three steps of the determination, as if your debt security had

provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate debt security as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-Term Debt Securities. In general, if you are an individual or other cash basis U.S. holder of a short-term debt security, you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for U.S. federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue OID on short-term debt securities on either a

straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term debt security will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue OID on your short-term debt securities, you will be required to defer deductions for interest on borrowings allocable to your short-term debt securities in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term debt security, including stated interest, in your short-term debt security s stated redemption price at maturity.

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Market Discount

You would be treated as if you purchased your debt security, other than a short-term debt security, at a market discount, and your debt security will be a market discount debt security if:

- you purchase your debt security for less than its issue price as determined above under Original Issue Discount General ; and
- the difference between the debt security s stated redemption price at maturity or, in the case of a discount debt security, the debt security s revised issue price, and the price you paid for your debt security is equal to or greater than 1/4 of 1% of your debt security s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the debt security s maturity. To determine the revised issue price of your debt security for these purposes, you generally add any OID that has accrued on your debt security to

its issue price. If your debt security s stated redemption price at maturity or, in the case of a discount debt security, its revised issue price, exceeds the price you paid for the debt security by less than 1/4 of 1% multiplied by the number of complete years to the debt security s maturity, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount debt security as ordinary income to the extent of the accrued market discount on your debt security. Alternatively, you may elect to include market discount in income currently over the life of your debt security. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the Internal Revenue Service. If you own a market discount debt security and do not make this election, you would generally be required to defer deductions for interest on borrowings allocable to

your debt security in an amount not exceeding the accrued market discount on your debt security until the maturity or disposition of your debt security.

If you own a market discount debt security, the market discount debt security would accrue on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it would apply only to the debt security with respect to which it is made and you may not revoke it. You would, however, not include accrued market discount in income unless you elect to do so as described above.

Debt Securities Purchased at a Premium

If you purchase your debt security for an amount in excess of its principal amount (or, in the case of a discount debt security, in excess of its stated redemption price at maturity), you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your debt security by the amount of amortizable bond premium allocable to that year, based on your debt

security s yield to maturity. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the Internal Revenue Service. See also Original Issue Discount Election to Treat All Interest as Original Issue Discount.

Purchase, Sale and Retirement of the Debt Securities

Your tax basis in your debt security will generally be your cost of your debt security adjusted by:

adding any OID or market discount previously included in income with respect to your debt security; and then

subtracting any payments on your debt security that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your

debt security.

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You will generally recognize gain or loss on the sale or retirement of your debt security equal to the difference between the amount you realize on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments), and your tax basis in your debt security.

You will recognize capital gain or loss when you sell or retire your debt security, except to the extent:

described above under Original Issue Discount Short-Term Debt Securities or Market Discount ; or

the rules governing contingent payment obligations apply.

Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period of greater than one year. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Other Debt Securities

The applicable prospectus supplement will discuss any special U.S. federal income tax rules with respect to debt securities the payments on which are determined by reference to any reference asset, debt securities that are denominated in a currency other than the U.S. dollar, debt securities that are convertible into ordinary shares of Barclays PLC and other debt securities that are subject to the rules governing contingent payment obligations. Any prospectus supplement discussing the U.S. federal income tax rules with respect to debt securities that are convertible into ordinary shares of Barclays PLC will also discuss the U.S. federal income tax rules with respect to such ordinary shares.

Medicare Tax

A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. holder s net investment income for the relevant taxable year and (2) the excess of the U.S. holder s modified adjusted gross income for the taxable year over a certain threshold (which in the case of

individuals is between $125,000 and $250,000, depending on the individual s circumstances). A holder s net investment income generally includes its interest income and its net gains from the disposition of debt securities, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the debt securities.

U.S. Alien Holders

This subsection describes the tax consequences to a U.S. alien holder of owning and disposing of debt securities. You are a U.S. alien holder if you are a beneficial owner of a debt security and you are, for U.S. federal income tax purposes:

a non-resident alien individual;

a foreign corporation; or

an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from a debt security.

If you are a U.S. holder, this subsection does not apply to you.

Interest on Debt Securities. If you are a U.S. alien holder, interest paid to you with respect to debt securities will not be subject to U.S. federal income tax unless the interest is effectively connected with your conduct of a

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trade or business within the United States (or is treated as such), and, if required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis, the interest is attributable to a permanent establishment that you maintain in the United States. In such cases you generally will be taxed in the same manner as a U.S. holder. If you are a corporate U.S. alien holder, effectively connected interest may, under certain circumstances, be subject to an additional branch profits tax at a rate of 30% or a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Disposition of the Debt Securities. If you are a U.S. alien holder, you generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange or retirement of your debt security unless:

the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a

permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis; or

you are an individual, you are present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist.

If you are a corporate U.S. alien holder, effectively connected gains that you recognize may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Information with Respect to Foreign Financial Assets

Owners of specified foreign financial assets with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. Specified foreign financial assets may include financial

accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. The debt securities may be subject to these rules. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the debt securities.

Foreign Account Tax Compliance Withholding

A 30% withholding tax may be imposed on all or some of the payments on the debt securities after December 31, 2016 to holders and non-U.S. financial institutions receiving payments on behalf of holders that, in each case, fail to comply with information reporting, certification and related requirements. Under current guidance, the amount to be withheld is not defined, and it is not yet clear whether or to what extent payments on the debt securities may be subject to this withholding tax. This withholding tax, if it

applies, could apply to any payment made with respect to the debt securities, including payments of both principal and interest. Moreover, withholding may be imposed at any point in a chain of payments if a non-U.S. payee fails to comply with U.S. information reporting, certification and related requirements. Accordingly, debt securities held through a non-compliant institution may be subject to withholding even if the holder otherwise would not be subject to withholding.

Unless otherwise specified in the relevant prospectus supplement, such withholding will not apply to debt securities with an issue date before six months after the date when final regulations defining foreign passthru payments are published by the U.S. Treasury Department.

If such withholding is required, Barclays will not be required to pay any additional amounts with respect to any such amounts withheld. A beneficial owner of debt securities that is not a foreign financial institution

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generally will be entitled to a refund of any such amounts withheld, but this may entail significant administrative burden. U.S. holders and U.S. alien holders are urged to consult their tax advisers regarding the application of such withholding tax to their ownership of the debt securities.

Information Reporting and Backup Withholding

If you are a non-corporate U.S. holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

- payments of principal, any premium and interest, and the accrual of OID on a debt security, including payments made by wire transfer from outside the United States to an account you maintain in the United States; and
- the payment of the proceeds from the sale of a debt security effected at a U.S. office of a broker.

Additionally, backup withholding will apply to such payments, including payments of OID, if you are a non-corporate U.S. holder that:

- fails to provide an accurate taxpayer identification number;
- is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

If you are a U.S. alien holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

- payments of principal and interest on a debt security made to you outside the United States by us or another non-U.S. payor; and
- other payments of principal and interest and, the payment of the proceeds from the

sale of a debt security effected at a U.S. office of a broker, as long as either:

the payor or broker does not have actual knowledge or reason to know that you are a U.S. person and you have furnished to the payor or broker:

an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a U.S. person; or

other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with U.S. Treasury regulations; or

you otherwise establish an exemption.

Payment of the proceeds from the sale of a debt security effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting (and in certain

cases may be subject to backup withholding) if:

- the proceeds are transferred to an account maintained by you in the United States;
- the payment of proceeds or the confirmation of the sale is mailed to you at a U.S. address; or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a U.S. person and the documentation requirements described above are met or you otherwise establish an exemption.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

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United Kingdom Taxation of Debt Securities

The following paragraphs summarize certain United Kingdom withholding and other tax considerations with respect to the acquisition, ownership and disposition of debt securities described in this prospectus by persons who are the absolute beneficial owners of their securities and who are neither (a) resident in the United Kingdom for United Kingdom tax purposes nor (b) hold securities in connection with any trade or business carried on in the United Kingdom through any branch, agency or permanent establishment in the United Kingdom. It is based upon the opinion of Clifford Chance LLP, our United Kingdom solicitors. Except where expressly stated to the contrary, the following summary does not relate to ordinary shares or contingent convertible securities. This summary is based on current United Kingdom law and Her Majesty s Revenue & Customs (HMRC) practice and the provisions of the Double Taxation Treaty between the United Kingdom and

the United States (the Treaty) of July 24, 2001 (as amended), all of which are subject to change at any time, possibly with retrospective effect.

This summary is not comprehensive and does not deal with the position of United Kingdom resident persons or with that of persons who are resident outside the United Kingdom who carry on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in the United Kingdom through or for the purposes of which their securities are used or held. Additionally, the summary may not apply to certain classes of persons, such as dealers in securities. The summary below assumes that securities will not be issued or transferred to any depositary receipt system.

You should consult your own tax advisors concerning the consequences of acquiring, owning and disposing of securities in your particular circumstances, including the applicability and effect of the Treaty.

Payments of Interest. If the interest on the securities does not have a

United Kingdom source, no withholding or deduction for or on account of United Kingdom tax will be made from payments of interest on the securities.

Interest on the securities may, however, constitute United Kingdom source income for United Kingdom tax purposes. Even if the interest does have a United Kingdom source, securities that carry a right to interest will constitute quoted Eurobonds within the meaning of Section 987 of the Income Tax Act 2007 (the ITA), provided they are and continue to be listed on a recognized stock exchange within the meaning of Section 1005 of the ITA. Accordingly, payments of interest (including payments of premium, if any, to the extent such premium, or any part of such premium, constitutes interest for United Kingdom tax purposes) on the securities made by us or any paying agent (or received by any collecting agent) may be made (or received, as the case may be) without withholding or deduction for or on account of United Kingdom income tax provided the securities are listed on a recognized stock exchange at the time the interest is paid.

	Interest on the securities may be paid without withholding or deduction for or on account of United Kingdom income tax if the securities constitute regulatory capital securities for the purposes of the 2013 Regulations and there are no arrangements, the main purpose, or one of the main purposes, of which is to obtain a tax advantage as a result of the application of the 2013 Regulations in respect of the securities. Securities will constitute a regulatory capital security for the purposes of the 2013 Regulations provided the New Securities qualify, or have qualified, as an Tier 2 instrument under Article 63 of the Commission Regulation (EU) No. 575/2013 and form, or formed, a component of Tier 2 capital for the purposes of Commission Regulation (EU) No 575/2013. Interest on securities having a maturity of not more than 364 days from the date of issue may also be paid without withholding or deduction for or on account of United Kingdom income tax, provided the securities are not issued under arrangements the effect of which is to render such securities part of a borrowing with

a total term of a year or more. In all other cases, an amount must be withheld on account of income tax at the basic rate	

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(currently 20%), subject to any such relief as may be available, or subject to any direction to the contrary by HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double tax treaty.

Payments made in respect of the securities may be subject to United Kingdom tax by direct assessment even where such payments are paid without withholding or deduction. However, as regards a holder of securities who is not resident in the United Kingdom for United Kingdom tax purposes, payments made in respect of the securities without withholding or deduction will generally not be subject to United Kingdom tax provided that the relevant holder does not carry on a trade, profession or vocation in the United Kingdom through a branch or agency or (in the case of a company) carry on a trade or business in the United Kingdom through any permanent establishment in the United Kingdom in each case in connection with which the interest is received or to which the debt securities are attributable, in which

case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency, or permanent establishment.

Discount. The profit realized on any disposal (which includes redemption) of any Discount Debt Security or Discount Security may attract United Kingdom withholding tax. However, even if it does not, it may be subject to United Kingdom tax by direct assessment to the same extent as interest which has a United Kingdom source and may also be subject to reporting requirements as outlined below under Provision of Information.

Payments other than interest. Where a payment on a security does not constitute (or is not treated as) interest for United Kingdom tax purposes, it could potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment, a manufactured payment, rent or royalties for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified in the prospectus supplement of the

securities). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty. Holders of securities should seek their own professional advice as regards the withholding tax treatment of any payment on the securities which does not constitute interest or principal as those terms are understood in United Kingdom tax law.

Provision of Information. Holders of securities should note that the Company or any persons in the United Kingdom paying interest to or receiving interest on behalf of another person may be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be passed to the tax authorities in other countries.

In addition, on June 3, 2003 the European Council adopted the

Directive 2003/48/EC on the taxation of savings income. Under the Directive, each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 percent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from January 1, 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or

	transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

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The European Council formally adopted a Council Directive amending the Directive on March 24, 2014 (the Amending Directive). The Amending Directive broadens the scope of the requirements described above. Member States have until January 1, 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of interest payment to cover income that is equivalent to interest.

Disposal (including Redemption), Accruals and Changes in Value. A holder of securities who is not resident in the United Kingdom will not be liable to United Kingdom taxation in respect of a disposal (including redemption) of a security, any gain accrued in respect of a security or any change in the value of a security unless the holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a company,

through a permanent establishment and the security was used in or for the purposes of this trade, profession or vocation or acquired for the use by or for the purposes of the branch or agency or permanent establishment.

Inheritance Tax. Where the securities are not situate in the United Kingdom, beneficial owners of such securities who are individuals not domiciled in the United Kingdom will not be subject to United Kingdom inheritance tax in respect of such securities. Domicile usually has an extended meaning in respect of inheritance tax, so that a person who has been resident for tax purposes in the United Kingdom for 17 out of a period of 20 years ending with the current year will be regarded as domiciled in the United Kingdom. Where the securities are situate in the United Kingdom, beneficial owners of such securities who are individuals may be subject to United Kingdom inheritance tax in respect of such securities on the death of the individual or, in some circumstances, if the securities are the subject of a gift, including a transfer at less than full market value, by that individual. Inheritance tax is not generally

chargeable on gifts to individuals made more than seven years before the death of the donor. Subject to limited exclusions, gifts to settlements (which would include, very broadly, private trust arrangements) or to companies may give rise to an immediate inheritance tax charge. Securities held in settlements may also be subject to inheritance tax charges periodically during the continuance of the settlement, on transfers out of the settlement or on certain other events. Investors should take their own professional advice as to whether any particular arrangements constitute a settlement for inheritance tax purposes.

Exemption from or reduction in any United Kingdom inheritance tax liability may be available for U.S. holders under the Estate Tax Treaty made between the United Kingdom and the United States.

Issue of securities Stamp Duty. No United Kingdom stamp duty will generally be payable on the issue of securities provided that, in the case of bearer securities, a statutory exemption applies, such as the exemption for securities which constitute loan capital for the purposes

of section 78(7) of the Finance Act 1986 (see below, under Transfer of securities Stamp Duty) or which are denominated in a currency other than sterling.

Issue of securities Stamp Duty Reserve Tax. No United Kingdom stamp duty reserve tax will be payable on the issue of securities unless the securities are issued directly to the provider of a clearance service or its nominee. In that case, stamp duty reserve tax may be chargeable at the rate of 1.5% of the issue price of the securities (although please see below, under Stamp Duty Reserve Tax Court of Justice of the European Union Decision).

This charge may arise unless either (a) a statutory exemption is available or (b) the clearance service has made an election under section 97A of Finance Act 1986 which applies to the relevant securities. A statutory exemption from the charge will be available (i) if the relevant securities constitute exempt loan capital (see below, under Transfer of securities Stamp Duty), (ii) for certain bearer securities provided certain conditions are satisfied or (iii) if the relevant securities constitute regulatory

capital securities and certain conditions are met (see below, under Issue and Transfers of Securities Regulatory Capital Securities).

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If this charge arises, the clearance service operator or its nominee will strictly be accountable for the stamp duty reserve tax, but in practice it will generally be reimbursed by participants in the clearance service.

Transfers of securities Stamp Duty. No liability for United Kingdom stamp duty will arise on a transfer of, or an agreement to transfer, full legal and beneficial ownership of any securities, provided that the securities constitute exempt loan capital. Broadly, exempt loan capital is loan capital for the purposes of section 78(7) of the Finance Act 1986 which does not carry or (in the case of (ii), (iii) and (iv) below) has not at any time prior to the relevant transfer or agreement carried any of the following rights:

(i) a right of conversion into shares or other securities, or to the acquisition of shares or other securities, including loan capital of the same description;

(ii) a right to interest the amount of which

exceeds a reasonable commercial return on the nominal amount of the capital;

(iii) a right to interest the amount of which falls or has fallen to be determined to any extent by reference to the results of, or of any part of, a business or to the value of any property; or

(iv) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the FCA.

Even if a security does not constitute exempt loan capital (a Non-Exempt Security), no stamp duty will arise on transfer of the security if the security is held within a clearing system and the transfer is effected by electronic means, without executing any written transfer of, or written agreement to transfer, the security.

However, if a Non-Exempt Security is

transferred by means of a written instrument, or a written agreement is entered into to transfer an interest in the security where such interest falls short of full legal and beneficial ownership of the security, the relevant instrument or agreement may be liable to stamp duty (at the rate of 0.5% of the consideration, rounded up if necessary to the nearest multiple of £5). If the relevant instrument or agreement is executed and retained outside the United Kingdom at all times, no stamp duty should, in practice, need to be paid on such document. However, in the event that the relevant document is executed in or brought into the United Kingdom for any purpose, then stamp duty may be payable. Interest may also be payable on the amount of such stamp duty, unless the document is duly stamped within 30 days after the day on which it was executed. Penalties for late stamping may also be payable on the stamping of such document (in addition to interest) unless the document is duly stamped within 30 days after the day on which it was executed or, if the instrument was executed outside the United Kingdom, within 30 days of it first being brought into the United Kingdom.

However, no stamp duty will be payable on any such written transfer, or written agreement to transfer, if the amount or value of the consideration for the transfer is £1,000 or under, and the document contains a statement that the transfer does not form part of a larger transaction or series of transactions in respect of which the amount or value, or aggregate amount or value, of the consideration exceeds £1,000.

In addition to the above, if a Non-Exempt Security is in registered form, and the security is transferred, or agreed to be transferred, to a clearance service provider or its nominee, stamp duty may be chargeable (at the rate of 1.5% of the consideration for the transfer or, if none, of the value of the relevant securities, rounded up if necessary to the nearest multiple of £5) on any document effecting, or containing an agreement to effect, such a transfer (although please see below, under Stamp Duty Reserve Tax Court of Justice of the European Union Decision).

If a document is subject to stamp duty, it may not be produced in civil proceedings in the United Kingdom, and

may not be available for any other purpose in the United Kingdom, until the stamp duty (and any interest and penalties for late stamping) have been paid.

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Transfers of securities Stamp Duty Reserve Tax. No stamp duty reserve tax will be chargeable on the transfer of, or on an agreement to transfer, full legal and beneficial ownership of a security which constitutes exempt loan capital.

If a security is a Non-Exempt Security, stamp duty reserve tax (at the rate of 0.5% of the consideration) may be chargeable on an unconditional agreement to transfer the security. An exemption from the charge is available for certain securities in bearer form, provided certain conditions are satisfied. In addition, an exemption from the charge will be available if the securities are held within a clearance service, provided the clearance service has not made an election pursuant to section 97A of the Finance Act 1986 which applies to the relevant securities. Any liability to stamp duty reserve tax which arises on such an agreement may be removed if a transfer is executed pursuant to the agreement and either no stamp duty is chargeable on that transfer or the transfer is duly stamped within the prescribed

time limits. Where stamp duty reserve tax arises, subject to certain exceptions, it is normally the liability of the purchaser or transferee of the securities.

In addition to the above, stamp duty reserve tax may be chargeable (at the rate of 1.5% of the consideration for the transfer or, if none, of the value of the relevant security) on the transfer of a Non-Exempt Security to the provider of a clearance service or its nominee (although please see below, under Stamp Duty Reserve Tax Court of Justice of the European Union Decision). This charge may arise unless either (a) a statutory exemption is available or (b) the clearance service has made an election under section 97A of Finance Act 1986 which applies to the relevant securities. A statutory exemption from the charge will be available for certain bearer securities provided certain conditions are satisfied. If this charge arises, the clearance service operator or its nominee will strictly be accountable for the stamp duty reserve tax, but in practice it will generally be reimbursed by participants in the clearance service.

Issue and Transfers of securities Regulatory Capital Securities. No liability to United Kingdom stamp duty or stamp duty reserve tax will arise on the issue or transfer of securities provided that the securities are regulatory capital securities for the purposes of the 2013 Regulations and there are no arrangements, the main purpose, or one of the main purposes, of which is to obtain a tax advantage as a result of the application of the 2013 Regulations in respect of the securities.

Redemption of securities Stamp Duty and Stamp Duty Reserve Tax. No stamp duty or stamp duty reserve tax will generally be payable on the redemption of securities, provided no issue or transfer of shares or other securities is effected upon or in connection with such redemption.

Consequences of Holding the Ordinary Shares. For a summary of certain United Kingdom tax consequences of holding the ordinary shares see pages 394-395 of the Annual Report of Barclays PLC and Barclays Bank PLC on Form 20-F for the year ended December 31, 2013, which is incorporated by reference herein.

Stamp Duty Reserve Tax Court of Justice of the European Union Decision. The Court of Justice of the European Union (CJEU) gave its decision in the case of *HSBC Holdings plc, Vidacos Nominees Ltd v. The Commissioners of Her Majesty s Revenue & Customs* (Case C 596/07) on October 1, 2009. In summary, it stated that the 1.5% charge to stamp duty reserve tax on the issue of shares to a clearance service is incompatible with the EC Capital Duty Directive.

On April 27, 2012, following the decision of the First Tier Tribunal (Tax Chamber) in *HSBC Holdings PLC and The Bank of New York Mellon Corporation v. The Commissioners for Her Majesty s Revenue & Customs*, HMRC announced that the 1.5% stamp duty reserve tax charge is no longer applicable to the issue of U.K. shares and securities to clearance services or depositary receipt systems anywhere in the world.

The CJEU made no express comment with respect to the compatibility with EC law of the 1.5% stamp duty reserve tax charge on the transfer of existing securities to (as opposed to issue of new securities

into) a clearance system. The position, in this regard, is therefore unclear, although HMRC s view is that both the 1.5% stamp duty and depositary receipt systems charges continue to apply to the transfer of shares and securities to clearance services that are not an integral part of an issue of share capital.

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HMRC have also stated in an earlier press release that the Government s policy position remains that transactions involving U.K. shares should bear their fair share of tax and that they are considering further changes to the stamp duty reserve tax regime in the light of this decision. Such changes may affect any aspects of the stamp duty and stamp duty reserve tax regimes but the 1.5% charges to stamp duty and stamp duty reserve tax referred to in this opinion would seem particularly likely to be affected.

Specific professional advice should be sought before paying the 1.5% stamp duty reserve tax change in any circumstances.

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PLAN OF DISTRIBUTION

Initial Offering and Issue of Securities

We may issue all or part of the securities from time to time, on terms determined at that time, through underwriters, dealers and/or agents, directly to purchasers or through a combination of any of these methods. We will set forth in the applicable prospectus supplement:

- the terms of the offering of the securities;
- the names of any underwriters, dealers or agents involved in the sale of the securities;
- the amount of securities any underwriters will subscribe for;
- any applicable underwriting commissions or discounts, which shall be no more than 3% of the proceeds from the offering; and

our net proceeds.

If we use underwriters in the issue, they will acquire the securities for their own account and they may effect distribution of the securities from time to time in one or more transactions. These transactions may be at a fixed price or prices, which they may change, or at prevailing market prices, or related to prevailing market prices, or at negotiated prices. The securities may be offered to the public either through underwriting syndicates represented by managing underwriters or underwriters without a syndicate. Unless the applicable prospectus supplement specifies otherwise, the underwriters obligations to subscribe for the securities will depend on certain conditions being satisfied. If the conditions are satisfied, the underwriters will be obligated to subscribe for all of the securities of the series, if they subscribe for any of them. The initial public offering price of any securities and any discounts or concessions allowed or reallowed or paid to dealers may change from time to time.

If we use dealers in the issue, unless the applicable prospectus supplement specifies

otherwise, we will issue the securities to the dealers as principals. The dealers may then sell the securities to the public at varying prices that the dealers will determine at the time of sale.

We may also issue securities through agents we designate from time to time, or we may issue securities directly. The applicable prospectus supplement will name any agent involved in the offering and issue of the securities, and will also set forth any commissions that we will pay. Unless the applicable prospectus supplement indicates otherwise, any agent will be acting on a best efforts basis for the period of its appointment. Agents through whom we issue securities may enter into arrangements with other institutions with respect to the distribution of the securities, and those institutions may share in the commissions, discounts or other compensation received by our agents, may be compensated separately and may also receive commissions from the purchasers for whom they may act as agents.

In connection with the issue of securities, underwriters may receive compensation from us or from subscribers of

securities for whom they may act as agents. Compensation may be in the form of discounts, concessions or commissions. Underwriters may sell securities to or through dealers, and these dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters. Dealers may also receive commissions from the subscribers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of securities may be deemed to be underwriters, and any discounts or commissions received by them from us and any profit on the sale of securities by them may be deemed to be underwriting discounts and commissions under the Securities Act. The prospectus supplement will identify any underwriter or agent, and describe any compensation that we provide.

If the applicable prospectus supplement so indicates, we will authorize underwriters, dealers or agents to solicit offers to subscribe the securities from institutional investors. In this case, the prospectus supplement will

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also indicate on what date payment and delivery will be made. There may be a minimum amount which an institutional investor may subscribe, or a minimum portion of the aggregate principal amount of the securities which may be issued by this type of arrangement. Institutional investors may include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and any other institutions we may approve. The subscribers obligations under delayed delivery and payment arrangements will not be subject to any conditions; however, the institutional investors subscription for particular securities must not at the time of delivery be prohibited under the laws of any relevant jurisdiction in respect, either of the validity of the arrangements, or the performance by us or the institutional investors under the arrangements.

We may enter into agreements with the underwriters, dealers and agents who participate in the distribution of the securities that may fully or partially indemnify

them against some civil liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, or be affiliates of Barclays PLC in the ordinary course of business.

Barclays Capital Inc. is a subsidiary of Barclays PLC and may participate in one or more offerings of our securities. Rule 5121 of the consolidated rulebook of the Financial Industry Regulatory Authority (FINRA) (or any successor rule thereto) (Rule 5121) imposes certain requirements when a FINRA member, such as Barclays Capital Inc., distributes an affiliated company s securities, such as our securities. Barclays Capital Inc. has advised us that each particular offering of securities in which it participates will comply with the applicable requirements of Rule 5121.

Barclays Capital Inc. will not confirm initial issues to accounts over which it exercises discretionary authority without the prior written approval of the customer.

Selling Restrictions

Unless the applicable prospectus supplement specifies otherwise, we will not offer the securities or any investments representing securities of any series to the public in the United Kingdom or any member state of the European Economic Area (EEA) which has implemented Directive 2003/71/EC (the Prospectus Directive).

Selling Restrictions Addressing United Kingdom Securities Laws

Unless otherwise specified in any agreement between us and the underwriters, dealers and/or agents in relation to the distribution of the securities or any investments representing securities, of any series and subject to the terms specified in the agreement, any underwriter, dealer or agent in connection with an offering of securities or any investments representing securities of any series will confirm and agree that:

in relation to any securities having a maturity of less than one year:

(i) it is a person whose ordinary activities

involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any securities other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(A) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the securities would otherwise constitute a contravention of Section 19 of the FSMA by us;

it has only communicated or

caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

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Section 21 of the FSMA) received by it in connection with the issue or sale of any securities or any investments representing securities in circumstances in which Section 21(1) of the FSMA does not apply to us; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the securities, or any investments representing securities from or otherwise involving the United Kingdom.

Public Offer Selling Restriction Under The Prospectus Directive

Unless otherwise specified in any agreement between us and the underwriters, dealers and/or agents in relation to the distribution of the securities or any investments representing securities of any series and subject to the terms specified in the agreement, in relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant

Member State), any underwriter, dealer or agent in connection with an offering of securities or any investments representing securities of any series will confirm and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the relevant implementation date) it has not made and will not make an offer of any securities or any investments representing securities which are the subject of the offering contemplated by the prospectus as completed by the prospectus supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the relevant implementation date, make an offer of the securities to the public in that Relevant Member State:

to any legal entity which is a qualified investor as defined in the Prospectus Directive;

to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive,

150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by Barclays PLC for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities referred to in the bullet points above shall require us or any underwriter, dealer and/or agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

The expression an offer of any securities or any investments representing securities to the public in relation to such securities or investments in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities or investments to be offered so as to enable an

investor to decide to purchase or subscribe the securities or investments, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Market-Making Resales

This prospectus may be used by an affiliate of Barclays PLC in connection with offers and sales of the securities in market-making transactions. In a market-making transaction, such affiliate may resell a security it acquires from other holders, after the original offering and sale of the security. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of resale or at related or negotiated prices. In these transactions, such

	affiliate may act as principal, or agent, including as agent for the counterparty in a transaction in which such affiliate acts as principal, or as agent for both counterparties in a transaction in which such affiliate does not act as principal. Such affiliate may receive compensation in the form of discounts and commissions, including from both counterparties in some cases.

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The indeterminate aggregate initial offering price relates to the initial offering of the securities described in the prospectus supplement. This amount does not include securities sold in market-making transactions.

We do not expect to receive any proceeds from market-making transactions.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale.

Unless we or an agent informs you in your confirmation of sale that your security is being purchased in its original offering and sale, you may assume that you are purchasing your security in a market-making transaction.

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SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

We are an English public limited company. A majority of our directors and executive officers and a number of the experts named in this document are non-residents of the United States. All or a substantial portion of the assets of those persons are located outside the United States. Most of our assets are located outside of the United States. As a result, it may not be possible for you to effect service of process within the United States upon those persons or to enforce against them judgments of U.S. courts based upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our English solicitors, Clifford Chance LLP, that there is doubt as to the enforceability in the United Kingdom, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities based solely upon the federal securities laws of the United States.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Exchange Act. Accordingly, we file jointly with Barclays Bank PLC, reports and other information with the SEC.

The SEC maintains an internet site at http://www.sec.gov that contains reports and other information we file electronically with the SEC. You may also inspect and copy reports and other information that we file with the SEC at the public reference facilities maintained at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such material may be obtained by mail from the Public Reference Section of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 at prescribed rates. In addition, you may inspect and copy that material at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which some of our securities are listed.

We will furnish to the trustee referred to under Description of Debt Securities and Description of Contingent Convertible Securities annual reports, which will include a description of operations and annual audited

consolidated financial statements prepared in accordance with IFRS. We will also furnish to the trustee interim reports that will include unaudited interim summary consolidated financial information prepared in accordance with IFRS. We will furnish to the trustee all notices of meetings at which holders of securities are entitled to vote, and all other reports and communications that are made generally available to those holders.

FURTHER INFORMATION

We have filed with the SEC a registration statement on Form F-3 with respect to the securities offered with this prospectus. This prospectus is a part of that registration statement and it omits some information that is contained in the registration statement. You can access the registration statement together with exhibits on the internet site maintained by the SEC at http://www.sec.gov or inspect these documents at the offices of the SEC in order to obtain that additional information about us and about the securities offered with this prospectus.

VALIDITY OF SECURITIES

If stated in the prospectus supplement applicable to a specific issuance of debt securities or contingent convertible securities, the validity of such securities under New York law may be passed upon for us by our U.S. counsel, Sullivan & Cromwell LLP. If stated in the prospectus supplement applicable to a specific issuance of debt securities, contingent convertible securities or ordinary shares (including the ordinary shares into which such contingent convertible securities may under certain circumstances convert), the validity of such securities under English law may be passed upon by our English solicitors, Clifford Chance LLP. Sullivan & Cromwell LLP may rely on the opinion of Clifford Chance LLP as to all matters of English law and Clifford Chance LLP may rely on the opinion of Sullivan & Cromwell LLP as to all matters of New York law. If this prospectus is

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delivered in connection with an underwritten offering, the validity of the debt securities, contingent convertible securities or ordinary shares (including the ordinary shares into which such contingent convertible securities may under certain circumstances convert) may be passed upon for the underwriters by United States and English counsel for the underwriters specified in the related prospectus supplement.

EXPERTS

The financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) of Barclays PLC incorporated in this prospectus by reference to the combined Annual Report of Barclays PLC and Barclays Bank PLC on Form 20-F for the year ended December 31, 2013 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said

	firm as experts in auditing and accounting.
The financial statements of Barclays Bank PLC incorporated in this prospectus by reference to the combined Annual Report of Barclays PLC and Barclays Bank PLC on Form 20-F for the year ended December 31, 2013 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.	

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EXPENSES OF ISSUANCE AND DISTRIBUTION

The following is a statement of the expenses (all of which are estimated), other than any underwriting discounts and commission and expenses reimbursed by us, to be incurred in connection with a distribution of an assumed amount of $100,000,000 of securities registered under this registration statement:

Securities and Exchange Commission registration fee	$ (1)
Printing expenses	17,000
Legal fees and expenses	95,000
Accountants fees and expenses	65,000
Trustee fees and expenses	10,000
Miscellaneous	20,000
Total	$ 207,000

(1) Deferred in accordance with Rule 456(b) and 457(r) under the Securities Act.

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US$ % Fixed Rate Senior Notes due

Barclays PLC

Prospectus Supplement

, 2015

(to Prospectus dated May 2, 2014)

Global Coordinator

Barclays