

# U.S. FEDERAL INCOME TAX CONSIDERATIONS

## iPath® Exchange Traded Notes

iPath Exchange Traded Notes (ETNs) provide investors with cost-effective exposure to asset classes that have not always been easy to access. Here are answers to questions financial professionals and individuals commonly ask about the tax treatment of the iPath ETNs currently available.

### How are iPath ETNs treated for U.S. federal income tax purposes?

Barclays and investors agree to treat all iPath ETNs, except single currency ETNs, for all U.S. federal tax purposes, as prepaid executory contracts with respect to the relevant index. If such iPath ETNs are so treated, investors should recognize gain or loss upon the sale, redemption or maturity of their iPath ETNs as the amount equal to the difference between the amount they receive at such time and their cost basis in the securities. Investors generally agree to treat such gain or loss as capital gain or loss, except with respect to those iPath ETNs for which investors agree to treat such gain or loss as ordinary, as detailed in the chart below.

The following table summarizes certain U.S. federal tax consequences that holders of iPath ETNs and Barclays agree to be subject to by purchasing an iPath ETN. These tax consequences,

TYPE/TICKERS	TREATMENT AT MATURITY	RECOGNITION OF CURRENT INCOME
<b>Alternatives:</b> GRN, VXX, VXZ	Capital Gains	No
<b>Buy-Write:</b> BWV	Capital Gains	No
<b>Commodities:</b> DJP, GSP, JJA, JJE, JIG, JJS, JJM, JJP, COW, GAZ, OIL, NIB, JO, BAL, SGG, JJU, JJC, LD, JIN, JIT, PGM	Capital Gains	No
<b>Equity:</b> INP	Capital Gains	No
<b>Fixed Income:</b> STPP, FLAT, DTUL, DTUS, DTYL, DTYS, DLBL, DLBS	Capital Gains	No
<b>Carry Trade:</b> ICI	Ordinary Income	No
<b>Single Currency:</b> ERO, GBB, JYN	Ordinary Income	Yes

however, are not certain and alternative treatments are possible. Please see the applicable prospectus for a more complete discussion of the primary tax treatment and alternative tax characterizations that are possible with respect to each iPath ETN.

### What makes iPath ETNs an attractive investment option?

Unlike mutual funds that may be required to make taxable distributions to shareholders, the iPath ETNs currently available will not make taxable distributions. Therefore, holders of iPath ETNs (other than the single currency ETNs) should, assuming they are treated as described earlier, generally not be required to include amounts in income prior to sale, redemption or maturity. This enables investors to control the timing of taxable events related to their investment in iPath ETNs. However, the IRS and U.S. Treasury are actively considering the tax treatment of instruments such as iPath ETNs, which could change.

### Is there an IRS or court ruling that governs the U.S. tax treatment of iPath ETNs?

Yes, for iPath single currency ETNs only.

### What is the ruling on the U.S. tax treatment of iPath ETNs?

Revenue ruling 2008-1, issued on December 7, 2007, holds that certain financial instruments linked directly to the value of a foreign currency—regardless of whether the instrument is privately offered, publicly offered or traded on an exchange—should be treated like debt for federal tax purposes. Revenue Ruling 2008-1 extends to iPath single currency ETNs.

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### What does it mean for iPath single currency ETN investors?

This means that any interest accrued (net of fees) during the life of the note is taxable to investors, even though the interest is reinvested and not paid out until the holder sells the ETN or the note matures. It also means that a gain or loss from the sale or redemption of the notes will be ordinary and investors will not be able to elect capital gains treatment.

### Do iPath single currency ETN investors need to submit a form to the IRS requesting certain tax treatment?

No, it is not necessary to elect any specific treatment since the IRS has ruled how financial instruments linked directly to the value of a foreign currency should be treated from a tax perspective. Most custodians will provide Form 1099 OID for annual tax reporting purposes.

### What are the benefits of investing in iPath single currency ETNs?

Institutional and individual investors increasingly recognize that currency exposure may constitute a separate asset class to provide portfolio diversification and add potential portfolio returns. The iPath single currency ETNs provide simple, transparent and cost-effective access to three significant exchange rates.

### What is Barclays' reaction to the ruling on the U.S. tax treatment of iPath ETNs?

The ruling provides investors clarity on the tax treatment of certain financial instruments linked directly to the value of a

foreign currency—regardless of whether the instrument is privately offered, publicly offered or traded on an exchange. In addition, because they make no distributions, holders benefit from daily compounding.

### What is the current tax status on equity, fixed income, commodity and certain alternatives ETNs?

The revenue ruling does not apply to iPath ETNs other than iPath single currency ETNs. On December 7, 2007, the IRS also issued notice 2008-2 asking for comments on the appropriate tax treatment of instruments such as the equity and commodity ETNs. The IRS has not issued additional guidance on this issue.

### What is Barclays' position about the tax status on equity, fixed income, commodity and certain alternatives ETNs?

Barclays is aligned with the Securities Industry and Financial Markets Association (SIFMA). We believe that the tax treatment of an investment product should be driven by the product's attributes. Mutual funds and ETNs are taxed differently because they are fundamentally different products. Investors who buy shares in a mutual fund own the underlying securities and receive dividend income from those securities annually, which is taxable. ETN investors do not own underlying securities and receive no dividends while holding the ETN.

**An investment in iPath ETNs involves risks, including possible loss of principal. For a description of the main risks see "Risk Factors" in the applicable prospectus.**

Barclays Bank PLC has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus and other documents Barclays Bank PLC has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting [www.iPathETN.com](http://www.iPathETN.com) or EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, Barclays Bank PLC will arrange for Barclays Capital Inc. to send you the prospectus if you request it by calling toll-free 1-877-76-iPATH, or you may request a copy from any other dealer participating in the offering.

BlackRock Fund Distribution Company assists in the promotion of the Securities.

iPath ETNs (the "Securities") are unsecured obligations of Barclays Bank PLC and are not secured debt. The Securities are riskier than ordinary unsecured debt securities and have no principal protection. Risks of investing in the Securities include limited portfolio diversification, trade price fluctuations, uncertain principal repayment and illiquidity. Investing in the Securities is not equivalent to investing directly in an index or in any particular index components. The investor fee will reduce the amount of your return at maturity or on redemption, and as a result you may receive less than the principal amount of your investment at maturity or upon redemption of your Securities even if the level of the relevant index has increased or decreased (as may be applicable to the particular series of Securities). An investment in iPath ETNs may not be suitable for all investors.

The Securities may be sold throughout the day on the exchange through any brokerage account. There are restrictions on the minimum number of Securities you

may redeem directly with the issuer as specified in the applicable prospectus. Commissions may apply and there are tax consequences in the event of sale, redemption or maturity of Securities. **Sales in the secondary market may result in significant losses.**

iPath ETNs typically have lower investor fees than currently existing mutual funds that invest in similar markets and are available to retail investors. Buying and selling iPath ETNs will result in brokerage commissions.

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