

Statement of
Financial Condition
June 30, 2014
(Unaudited)

Goldman Sachs Execution & Clearing, L.P.

**Statement of Financial Condition
(Unaudited)****INDEX**

	Page No.
Statement of Financial Condition (Unaudited)	1
Note 1. Description of Business	2
Note 2. Basis of Presentation	2
Note 3. Significant Accounting Policies	2
Note 4. Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value	4
Note 5. Fair Value Measurements	5
Note 6. Cash Instruments	5
Note 7. Fair Value Option	6
Note 8. Collateralized Agreements and Financings	7
Note 9. Other Assets	10
Note 10. Short-Term Borrowings	10
Note 11. Long-Term Borrowings	10
Note 12. Other Liabilities and Accrued Expenses	10
Note 13. Commitments, Contingencies and Guarantees	11
Note 14. Transactions with Related Parties	11
Note 15. Income Taxes	12
Note 16. Credit Concentrations	12
Note 17. Legal Proceedings	13
Note 18. Net Capital Requirements	13
Note 19. Subsequent Events	13

Statement of Financial Condition (Unaudited)

<i>\$ in thousands</i>	As of June 2014
Assets	
Cash and cash equivalents	\$ 15,410
Cash and securities segregated for regulatory and other purposes (includes \$2,398,033 at fair value)	3,897,593
Collateralized agreements:	
Securities purchased under agreements to resell, at fair value	733,206
Securities borrowed	9,617,535
Receivables from:	
Brokers, dealers and clearing organizations	820,765
Customers and counterparties (includes \$38,633 at fair value)	2,847,593
Financial instruments owned, at fair value (includes \$14,132 pledged as collateral)	24,605
Other assets	112,233
Total assets	\$18,068,940
Liabilities and partners' capital	
Collateralized financings:	
Securities sold under agreements to repurchase, at fair value	\$ 324,613
Securities loaned	5,610,564
Payables to:	
Brokers, dealers and clearing organizations	433,346
Customers and counterparties	9,096,562
Financial instruments sold, but not yet purchased, at fair value	2,334
Unsecured short-term borrowings	184,321
Other liabilities and accrued expenses	150,282
Subordinated borrowings	1,300,000
Total liabilities	17,102,022
Commitments, contingencies and guarantees	
Partners' capital	
Partners' capital	966,918
Total liabilities and partners' capital	\$18,068,940

The accompanying notes are an integral part of this statement of financial condition.

Notes to Statement of Financial Condition (Unaudited)

Note 1.

Description of Business

Goldman Sachs Execution & Clearing L.P. (the firm), a New York limited partnership, is a registered U.S. broker-dealer with the Securities and Exchange Commission (SEC), a member of the Financial Industry Regulatory Authority, a registered Futures Commission Merchant with the Commodity Futures Trading Commission (CFTC) and the National Futures Association. The firm is an indirectly wholly-owned subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation.

The firm executes and clears client transactions primarily with institutional clients such as corporations, financial institutions, investment funds and governments. The firm executes and clears client transactions on major stock, options and futures exchanges. The firm provides financing and a wide range of brokerage services to a substantial and diversified client base.

Note 2.

Basis of Presentation

This statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and includes the accounts of the firm.

This statement of financial condition is unaudited and should be read in conjunction with the audited statement of financial condition as of December 31, 2013.

All references to June 2014 refer to the date June 30, 2014. Any reference to a future year refers to a year ending on December 31 of that year.

Note 3.

Significant Accounting Policies

The firm's significant accounting policies include when and how to measure the fair value of assets and liabilities. See Notes 5 through 7 for policies on fair value measurements. All other significant accounting policies are either discussed below or included in the following footnotes:

Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value	Note 4
Fair Value Measurements	Note 5
Cash Instruments	Note 6
Fair Value Option	Note 7
Collateralized Agreements and Financings	Note 8
Other Assets	Note 9
Short-Term Borrowings	Note 10
Long-Term Borrowings	Note 11
Other Liabilities and Accrued Expenses	Note 12
Commitments, Contingencies and Guarantees	Note 13
Transactions with Related Parties	Note 14
Income Taxes	Note 15
Credit Concentrations	Note 16
Legal Proceedings	Note 17
Net Capital Requirements	Note 18
Subsequent Events	Note 19

Notes to Statement of Financial Condition (Unaudited)

Equity-Method Investments

When the firm does not have a controlling financial interest in an entity but can exert significant influence over the entity's operating and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under U.S. GAAP. Significant influence generally exists when the firm owns 20% to 50% of common stock or in-substance common stock.

The firm applies the equity method of accounting to new investments that are strategic in nature or closely related to the firm's principal business activities, when the firm has a significant degree of involvement in the cash flows or operations of the investee or when cost-benefit considerations are less significant. The firm holds one investment over which it exerts significant influence on the entity's operating and financial policies and accounts for that investment using the equity method of accounting. See Note 9 for further information about equity-method investments.

Use of Estimates

Preparation of this statement of financial condition requires management to make certain estimates and assumptions, the most important of which relate to fair value measurements, discretionary compensation accruals and the provisions for losses that may arise from litigation, regulatory proceedings and tax audits. These estimates and assumptions are based on the best available information but actual results could be materially different.

Revenue Recognition

Financial Assets and Financial Liabilities at Fair Value. Financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value are recorded at fair value either under the fair value option or in accordance with other U.S. GAAP. In addition, the firm has elected to account for certain of its other financial assets and financial liabilities at fair value by electing the fair value option. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. See Notes 5 through 7 for further information about fair value measurements.

Commissions and Fees. The firm earns commissions and fees from executing and clearing client transactions on stock, options and futures markets. Commissions and fees are recognized on the day the trade is executed.

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business.

Receivables from Customers and Counterparties

Receivables from customers and counterparties generally relate to collateralized transactions. Such receivables are primarily comprised of customer margin loans. Certain of the firm's receivables from customers and counterparties are accounted for at fair value under the fair value option. Receivables from customers and counterparties not accounted for at fair value are accounted for at amortized cost net of estimated uncollectible amounts. Interest on receivables from customers and counterparties is recognized over the life of the transaction. See Note 7 for further information about receivables from customers and counterparties.

Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations are accounted for at cost plus accrued interest, which generally approximates fair value. While these receivables and payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 and 7. Had these receivables and payables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of June 2014.

Payables to Customers and Counterparties

Payables to customers and counterparties primarily consist of customer credit balances related to the firm's execution and clearing activities. Payables to customers and counterparties are accounted for at cost plus accrued interest, which generally approximates fair value. While these payables are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 and 7. Had these payables been included in the firm's fair value hierarchy, substantially all would have been classified in level 2 as of June 2014.

Notes to Statement of Financial Condition (Unaudited)

Offsetting Assets and Liabilities

To reduce credit exposures on securities financing transactions, the firm may enter into master netting agreements with counterparties that permit it to offset receivables and payables with such counterparties. A netting agreement is a contract with a counterparty that permits net settlement of multiple transactions with that counterparty, including upon the exercise of termination rights by a non-defaulting party. Upon exercise of such termination rights, all transactions governed by the netting agreement are terminated and a net settlement amount is calculated. In order to assess enforceability of the firm's right of setoff under netting, the firm evaluates various factors including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement. See Note 8 for further information about offsetting.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the statement of financial condition and revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings.

Recent Accounting Developments

Revenue from Contracts with Customers (ASC 606).

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The firm is still evaluating the effect of the ASU on its financial condition.

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASC 860).

In June 2014, the FASB issued ASU No. 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." ASU No. 2014-11 changes the accounting for repurchase- and resale-to-maturity agreements by requiring that such agreements be recognized as financing arrangements, and requires that a transfer of a financial asset and a repurchase agreement entered into contemporaneously be accounted for separately. ASU No. 2014-11 also requires additional disclosures about certain transferred financial assets accounted for as sales and certain securities financing transactions. The accounting changes and additional disclosures about certain transferred financial assets accounted for as sales are effective for the first interim and annual reporting periods beginning after December 15,

2014. The additional disclosures for securities financing transactions are required for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. Early adoption is not permitted. Adoption of ASU No. 2014-11 is not expected to materially affect the firm's financial condition.

Note 4.

Financial Instruments Owned, at Fair Value and Financial Instruments Sold, But Not Yet Purchased, at Fair Value

Financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value are accounted for at fair value either under the fair value option or in accordance with other U.S. GAAP. See Note 7 for further information about other financial assets and financial liabilities accounted for at fair value under the fair value option. The table below presents the firm's financial instruments owned, at fair value, including those pledged as collateral, and financial instruments sold, but not yet purchased, at fair value.

	As of June 2014	
	Financial Instruments Owned	Financial Instruments Sold, But Not Yet Purchased
<i>\$ in thousands</i>		
Corporate debt securities	\$ -	\$ 17
Equities	20,934	1,805
Derivatives ¹	3,671	512
Total	\$24,605	\$2,334

¹ As of June 2014, all derivative assets and liabilities have been classified in level 2 of the firm's fair value hierarchy.

Notes to Statement of Financial Condition (Unaudited)

Note 5.

Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The firm measures certain financial assets and financial liabilities as a portfolio (i.e., based on its net exposure to market and/or credit risks).

The best evidence of fair value is a quoted price in an active market. If quoted prices in active markets are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use market-based or independently sourced parameters as inputs including, but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, commodity prices, credit spreads and funding spreads (i.e., the spread, or difference, between the interest rate at which a borrower could finance a given financial instrument relative to a benchmark interest rate).

U.S. GAAP has a three-level fair value hierarchy for disclosure of fair value measurements. The fair value hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in the fair value hierarchy is based on the lowest level of input that is significant to its fair value measurement.

The fair value hierarchy is as follows:

Level 1. Inputs are unadjusted quoted prices in active markets to which the firm had access at the measurement date for identical, unrestricted assets or liabilities.

Level 2. Inputs to valuation techniques are observable, either directly or indirectly.

Level 3. One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the firm's financial assets and financial liabilities are based on observable prices and inputs and are classified in levels 1 and 2 of the fair value hierarchy. Certain level 2 and level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and the firm's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

See Note 6 and 7 for further information about fair value measurements of cash instruments and other financial assets and financial liabilities accounted for at fair value primarily under the fair value option, respectively.

The table below presents financial assets and financial liabilities accounted for at fair value under the fair value option or in accordance with other U.S. GAAP.

<i>\$ in thousands</i>	As of June 2014
Total level 1 financial assets	\$ 20,927
Total level 2 financial assets	3,173,543
Total level 3 financial assets	7
Total financial assets at fair value	\$3,194,477
Total level 1 financial liabilities	\$ 1,822
Total level 2 financial liabilities	325,125
Total financial liabilities at fair value	\$ 326,947

Note 6.

Cash Instruments

Cash instruments are primarily comprised of equities. See below for cash instruments included in each level of the fair value hierarchy and the valuation techniques and significant inputs used to determine their fair values. See Note 5 for an overview of the firm's fair value measurement policies.

Level 1 Cash Instruments

Level 1 cash instruments include actively traded listed equities. These instruments are valued using quoted prices for identical unrestricted instruments in active markets.

The firm defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument.

Level 2 Cash Instruments

Level 2 cash instruments include restricted or less liquid listed equities. Valuations of level 2 cash instruments can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Valuation adjustments are typically made to level 2 cash instruments (i) if the cash instrument is subject to transfer restrictions and/or (ii) for other premiums and liquidity discounts that a market participant would require to arrive at fair value. Valuation adjustments are generally based on market evidence.

As of June 2014, the firm had no level 2 cash instruments.

Notes to Statement of Financial Condition (Unaudited)

Level 3 Cash Instruments

Level 3 cash instruments have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, level 3 cash instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the firm uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realized on sales of financial assets.

\$ in thousands

	Level 1	Level 2	Level 3	Total
Equities	\$20,927	\$-	\$7	\$20,934

\$ in thousands

	Level 1	Level 2	Level 3	Total
Corporate debt securities	\$ 17	\$-	\$-	\$ 17
Equities	1,805	-	-	1,805
Total	\$ 1,822	\$-	\$-	\$ 1,822

Note 7.

Fair Value Option

Other Financial Assets and Financial Liabilities at Fair Value

In addition to all cash and derivative instruments included in “Financial instruments owned, at fair value” and “Financial instruments sold, but not yet purchased, at fair value,” the firm accounts for certain of its other financial assets and financial liabilities at fair value under the fair value option.

The primary reasons for electing the fair value option are to:

- reflect economic events in earnings on a timely basis; and
- mitigate volatility in earnings from using different measurement attributes.

Other financial assets and financial liabilities accounted for at fair value under the fair value option include:

- repurchase and resale agreements; and
- certain receivables from customers and counterparties, consisting of certain margin loans.

These financial assets and financial liabilities at fair value are generally valued based on discounted cash flow techniques, which incorporate inputs with reasonable levels of price transparency, and are generally classified as level 2 because the inputs are observable. Valuation adjustments may be made for liquidity and for counterparty and the firm’s credit quality.

As of June 2014, the firm’s level 3 cash instruments were not material.

Fair Value of Cash Instruments by Level

The tables below present, by level within the fair value hierarchy, cash instrument assets and liabilities, at fair value. Cash instrument assets and liabilities are included in “Financial instruments owned, at fair value” and “Financial instruments sold, but not yet purchased, at fair value,” respectively.

Cash Instrument Assets at Fair Value as of June 2014

	Level 1	Level 2	Level 3	Total
Equities	\$20,927	\$-	\$7	\$20,934

Cash Instrument Liabilities at Fair Value as of June 2014

	Level 1	Level 2	Level 3	Total
Corporate debt securities	\$ 17	\$-	\$-	\$ 17
Equities	1,805	-	-	1,805
Total	\$ 1,822	\$-	\$-	\$ 1,822

Resale and Repurchase Agreements. The significant inputs to the valuation of resale and repurchase agreements are funding spreads, the amount and timing of expected future cash flows and interest rates. As of June 2014 there were no level 3 resale and repurchase agreements. See Note 8 for further information about collateralized agreements.

Receivables from Customers and Counterparties.

Receivables from customers and counterparties at fair value are comprised of customer margin loans. The significant inputs to the valuation of such receivables are interest rates, the amount and timing of expected future cash flows and funding spreads. As of June 2014 there were no level 3 receivables from customers and counterparties.

Receivables from customers and counterparties not accounted for at fair value are accounted for at amortized cost net of estimated uncollectible amounts, which generally approximates fair value. Such receivables are primarily comprised of customer margin loans. While these items are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm’s fair value hierarchy in Notes 5 and 7. Had these items been included in the firm’s fair value hierarchy, substantially all would have been classified in level 2 as of June 2014.

Notes to Statement of Financial Condition (Unaudited)

Fair Value of Other Financial Assets and Financial Liabilities by Level

The tables below present, by level within the fair value hierarchy, other financial assets and financial liabilities

<i>\$ in thousands</i>	Other Financial Assets at Fair Value as of June 2014			
	Level 1	Level 2	Level 3	Total
Securities segregated for regulatory and other purposes ¹	\$–	\$2,398,033	\$–	\$2,398,033
Securities purchased under agreements to resell	–	733,206	–	733,206
Receivables from customers and counterparties	–	38,633	–	38,633
Total	\$–	\$3,169,872	\$–	\$3,169,872

<i>\$ in thousands</i>	Other Financial Liabilities at Fair Value as of June 2014			
	Level 1	Level 2	Level 3	Total
Securities sold under agreements to repurchase	\$–	\$ 324,613	\$–	\$ 324,613

¹ Represents securities segregated for regulatory and other purposes accounted for at fair value under the fair value option, which consist of resale agreements with Goldman, Sachs & Co. (GS&Co.).

Note 8.

Collateralized Agreements and Financings

Collateralized agreements are securities purchased under agreements to resell (resale agreements) and securities borrowed. Collateralized financings are securities sold under agreements to repurchase (repurchase agreements) and securities loaned. The firm enters into these transactions in order to, among other things, facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain firm activities.

Collateralized agreements and financings are presented on a net-by-counterparty basis when a legal right of setoff exists. Interest on collateralized agreements and collateralized financings is recognized over the life of the transaction.

The table below presents the carrying value of resale and repurchase agreements and securities borrowed and loaned transactions.

<i>\$ in thousands</i>	As of June 2014
Securities purchased under agreements to resell ¹	\$ 733,206
Securities borrowed	9,617,535
Securities sold under agreements to repurchase ¹	324,613
Securities loaned	5,610,564

¹ Resale and repurchase agreements are carried at fair value under the fair value option. See Note 7 for further information about the valuation techniques and significant inputs used to determine fair value.

accounted for at fair value primarily under the fair value option.

Resale and Repurchase Agreements

A resale agreement is a transaction in which the firm purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest at a future date.

A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date.

The financial instruments purchased or sold in resale and repurchase agreements typically include U.S. government and federal agency obligations.

The firm receives financial instruments purchased under resale agreements, makes delivery of financial instruments sold under repurchase agreements, monitors the market value of these financial instruments on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the financial instruments, as appropriate. For resale agreements, the firm typically requires delivery of collateral with a fair value approximately equal to the carrying value of the relevant assets in the statement of financial condition.

Notes to Statement of Financial Condition (Unaudited)

Even though repurchase and resale agreements involve the legal transfer of ownership of financial instruments, they are accounted for as financing arrangements because they require the financial instruments to be repurchased or resold at the maturity of the agreement. However, “repos-to-maturity” are accounted for as sales. A repo-to-maturity is a transaction in which the firm transfers a security under an agreement to repurchase the security where the maturity date of the repurchase agreement matches the maturity date of the underlying security. Therefore, the firm effectively no longer has a repurchase obligation and has relinquished control over the underlying security and, accordingly, accounts for the transaction as a sale. See Note 3 for information about future changes to the accounting for repos-to-maturity. The firm had no repos to maturity outstanding as of June 2014.

The firm enters into all of its resale and repurchase agreements with GS&Co.

Securities Borrowed and Loaned Transactions

In a securities borrowed transaction, the firm borrows securities from a counterparty in exchange for cash or securities. When the firm returns the securities, the counterparty returns the cash or securities. Interest is generally paid periodically over the life of the transaction. Interest as affected by rebates on securities borrowed transactions is recognized as interest income on an accrual basis.

In a securities loaned transaction, the firm lends securities to a counterparty typically in exchange for cash or securities. When the counterparty returns the securities, the firm returns

the cash or securities posted as collateral. Interest is generally paid periodically over the life of the transaction. Interest as affected by rebates for securities loaned transactions is recognized as interest expense on an accrual basis.

The firm receives securities borrowed, makes delivery of securities loaned, monitors the market value of these securities on a daily basis, and delivers or obtains additional collateral due to changes in the market value of the securities, as appropriate. For securities borrowed transactions, the firm typically requires collateral with a fair value approximately equal to the carrying value of the securities borrowed transaction.

Securities borrowed and loaned are recorded based on the amount of cash collateral advanced or received plus accrued interest. As these arrangements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Therefore, the carrying value of such arrangements approximates fair value. While these arrangements are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm’s fair value hierarchy in Notes 5 and 7. Had these arrangements been included in the firm’s fair value hierarchy, they would have been classified in level 2 as of June 2014.

The firm enters into substantially all of its securities borrowed and loaned transactions with GS&Co.

Notes to Statement of Financial Condition (Unaudited)

Offsetting Arrangements

The table below presents the gross and net resale and repurchase agreements and securities borrowed and loaned transactions, and the related amount of netting with the same counterparty under enforceable netting agreements (i.e., counterparty netting) included in the statement of financial condition. Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements. The table below also presents the amounts not

offset in the statement of financial condition including counterparty netting that does not meet the criteria for netting under U.S. GAAP and the fair value of cash or securities collateral received or posted subject to enforceable credit support agreements. Where the firm has received or posted collateral under credit support agreements, but has not yet determined such agreements are enforceable, the related collateral has not been netted in the table below.

	As of June 2014			
	Assets		Liabilities	
	Securities purchased under agreements to resell	Securities borrowed	Securities sold under agreements to repurchase	Securities loaned
<i>\$ in thousands</i>				
Amounts included in the consolidated statement of financial condition				
Gross carrying value	\$3,131,239	\$9,617,535	\$324,613	\$5,610,564
Counterparty netting	–	–	–	–
Total	3,131,239¹	9,617,535	324,613	5,610,564
Amounts that have not been offset in the statement of financial condition				
Counterparty netting	(324,613)	(5,606,006)	(324,613)	(5,606,006)
Collateral	(2,806,517)	(3,941,907)	–	–
Total	\$ 109	\$ 69,622	\$ –	\$ 4,558

¹ As of June 2014, the firm had \$2.40 billion of securities received under resale agreements that were segregated to satisfy regulatory requirements. These securities are included in "Cash and securities segregated for regulatory and other purposes."

Collateral Received and Pledged

The firm receives cash and securities (e.g., U.S. government and federal agency, other sovereign and corporate obligations, as well as equities and convertible debentures) as collateral, primarily in connection with resale agreements, securities borrowed and customer margin loans. The firm obtains cash as collateral on an upfront basis for collateralized agreements to reduce its credit exposure to individual counterparties.

In many cases, the firm is permitted to deliver or repledge these financial instruments received as collateral when entering into repurchase agreements and securities lending agreements, primarily in connection with secured client financing activities. The firm is also permitted to deliver or repledge these financial instruments in connection with other secured financings and meeting firm or customer settlement requirements.

The firm also pledges certain financial instruments owned, at fair value in connection with repurchase agreements and

securities lending agreements to counterparties who may or may not have the right to deliver or repledge them.

The table below presents financial instruments at fair value received as collateral that were available to be delivered or repledged and were delivered or repledged by the firm.

<i>\$ in thousands</i>	As of June 2014
Collateral available to be delivered or repledged	\$23,143,153
Collateral that was delivered or repledged	22,489,431

The table below presents information about assets pledged.

<i>\$ in thousands</i>	As of June 2014
Financial instruments owned, at fair value pledged to counterparties that:	
Had the right to deliver or repledge	\$ 14,132
Did not have the right to deliver or repledge	1,288

Notes to Statement of Financial Condition (Unaudited)

Note 9. Other Assets

Other assets are generally less liquid, non-financial assets. The table below presents other assets by type.

<i>\$ in thousands</i>	As of June 2014
Property, leasehold improvements and equipment	\$ 9,164
Identifiable intangible assets	10,276
Equity method investments	67,467
Miscellaneous receivables and other	25,326
Total	\$112,233

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment that the firm uses are in connection with its operations. Substantially all property and equipment are depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the useful life of the improvement or the term of the lease, whichever is shorter.

Identifiable Intangible Assets

The firm's identifiable intangible assets are considered to have finite lives and are amortized over their estimated lives.

Impairments

The firm tests property, leasehold improvements and equipment, identifiable intangible assets and other assets for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the firm determines the asset is impaired and records an impairment loss equal to the difference between the estimated fair value and the carrying value of the asset or asset group. In addition, the firm will recognize an impairment loss prior to the sale of an asset if the carrying value of the asset exceeds its estimated fair value.

Note 10. Short-Term Borrowings

The firm obtains unsecured short-term borrowings primarily from Group Inc. As of June 2014, these borrowings were \$184 million. Unsecured short-term borrowings are accounted for at cost plus accrued interest which generally approximates fair value due to the short-term nature of the obligations. While these unsecured short-term borrowings are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at

fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 and 7. Had these borrowings been included in the firm's fair value hierarchy, all would have been classified in level 2 as of June 2014.

Note 11. Long-Term Borrowings

Subordinated Borrowings

As of June 2014, the firm had outstanding subordinated borrowings of \$1.30 billion from Group Inc., which mature in 2015.

Amounts borrowed under these subordinated loan agreements bear interest at a rate of LIBOR plus 0.75% per annum. The carrying value of these borrowings approximates fair value. While these subordinated loan agreements are carried at amounts that approximate fair value, they are not accounted for at fair value under the fair value option or at fair value in accordance with other U.S. GAAP and therefore are not included in the firm's fair value hierarchy in Notes 5 and 7. Had these borrowings been included in the firm's fair value hierarchy, all would have been classified in level 2 as of June 2014.

The subordinated borrowings from Group Inc. are available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the firm's continued compliance with minimum net capital requirements, they may not be repaid.

Note 12. Other Liabilities and Accrued Expenses

The table below presents other liabilities and accrued expenses by type.

<i>\$ in thousands</i>	As of June 2014
Compensation and benefits	\$ 8,797
Income tax-related liabilities	61,247
Accrued expenses and other	80,238
Total	\$150,282

Notes to Statement of Financial Condition (Unaudited)

Note 13.

Commitments, Contingencies and Guarantees

Commitments

Leases. The firm has contractual obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through 2018. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. The table below presents future minimum rental payments, net of minimum sublease rentals.

<i>\$ in thousands</i>	As of June 2014
Remainder of 2014	\$ 1,401
2015	3,365
2016	3,671
2017	3,715
2018	6,742
2019 - thereafter	-
Total	\$18,894

Contingencies

Legal Proceedings. See Note 17 for information about legal proceedings arising in connection with the conduct of the firm's businesses.

Guarantees

Indemnities and Guarantees of Service Providers. In the ordinary course of business, the firm indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the firm or its affiliates.

The firm may also be liable to some clients or other parties, for losses arising from its custodial role or caused by acts or omissions of third-party service providers, including sub-custodians and third-party brokers. In certain cases, the firm has the right to seek indemnification from these third-party service providers for certain relevant losses incurred by the firm. In addition, the firm is a member of payment, clearing and settlement networks as well as securities exchanges around the world that may require the firm to meet the obligations of such networks and exchanges in the event of member defaults and other loss scenarios.

In connection with execution and clearing businesses, the firm agrees to clear and settle on behalf of its clients the

transactions entered into by them with other brokerage firms. The firm's obligations in respect of such transactions are secured by the assets in the client's account as well as any proceeds received from the transactions cleared and settled by the firm on behalf of the client.

The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no material liabilities related to these guarantees and indemnifications have been recognized in the statement of financial condition as of June 2014.

Note 14.

Transactions with Related Parties

The firm enters into transactions with Group Inc. and affiliates in the normal course of business. Amounts payable to, and receivable from, such affiliates are reflected in the statement of financial condition as of June 2014, as set forth below:

<i>\$ in thousands</i>	As of June 2014
Assets	
Collateralized agreements:	
Securities purchased under agreements to resell, at fair value	\$ 733,206
Securities borrowed	9,617,535
Receivables from:	
Brokers, dealers and clearing organizations	389,067
Customers and counterparties	71
Liabilities	
Unsecured short-term borrowings	\$ 182,801
Collateralized agreements:	
Securities sold under agreements to repurchase, at fair value	324,613
Securities loaned	5,610,564
Payables to:	
Brokers, dealers and clearing organizations	339,997
Customers and counterparties	3,613
Subordinated borrowings	1,300,000

Notes to Statement of Financial Condition (Unaudited)

Note 15.

Income Taxes

Provision for Income Taxes

The firm is taxed as a corporation for U.S. federal income tax purposes. As a corporation for tax purposes, the firm is subject to U.S. federal and various state and local income taxes on its earnings.

The firm is included with Group Inc. and subsidiaries in the consolidated corporate federal tax return as well as consolidated combined state and local tax returns. The firm computes its tax liability on a modified separate company basis and settles such liability with Group Inc. pursuant to the tax sharing agreement. To the extent the firm generates tax benefits from losses, it will be reimbursed by Group Inc. pursuant to the tax sharing agreement. The firm's state and local tax liabilities are allocated to reflect its share of the consolidated combined state and local income tax liability.

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. As of June 2014, the firm did not record a valuation allowance to reduce deferred tax assets. Tax assets and liabilities are presented as a component of "Other assets." and "Other liabilities and accrued expenses," respectively.

Unrecognized Tax Benefits

The firm recognizes tax positions in the statement of financial condition only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the statement of financial condition. As of June 2014, the firm did not record a liability related to accounting for uncertainty in income taxes.

Regulatory Tax Examinations

The firm is subject to examination by the U.S. Internal Revenue Service (IRS) and other taxing authorities in jurisdictions where the firm has significant business operations such as New York State and City. The tax years under examination vary by jurisdiction.

All years subsequent to and including 2008 for U.S. Federal returns remain open to examination by the IRS. New York State and City examinations of fiscal 2004 through 2006 were finalized during the first quarter of 2014. All years subsequent to and including 2007 for New York State and City and for all other significant states remain open to examination by the taxing authorities.

In January 2013, Group Inc. was accepted into the Compliance Assurance Process program by the IRS. This program will allow Group Inc. to work with the IRS to identify and resolve potential U.S. Federal tax issues before the filing of tax returns. The 2013 tax return will be the first year being examined under the program. Group Inc. was accepted into the program again for the 2014 tax year.

Note 16.

Credit Concentrations

Credit concentrations may arise from client facilitation and collateralized transactions and may be impacted by changes in economic, industry or political factors. The firm seeks to mitigate credit risk by actively monitoring exposures and obtaining collateral from counterparties as deemed appropriate.

While the firm's activities expose it to many different industries and counterparties, the firm routinely executes a high volume of transactions with investment funds, commercial banks, brokers and dealers, clearing houses and exchanges, which results in significant credit concentrations.

In the ordinary course of business, the firm may also be subject to a concentration of credit risk to a particular counterparty, borrower or issuer, including sovereign issuers, or to a particular clearing house or exchange. As of June 2014, the firm did not have credit exposure to any external counterparty that exceeded 5% of total assets.

To reduce credit exposures, the firm may enter into agreements with counterparties that permit the firm to offset receivables and payables with such counterparties and/or enable the firm to obtain collateral on an upfront or contingent basis. Collateral obtained by the firm related to resale agreements transactions is primarily U.S. government and federal agency obligations. See Note 8 for further information about collateralized agreements and financings.

Notes to Statement of Financial Condition (Unaudited)

The table below presents U.S. government and federal agency obligations that collateralize resale agreements (including those in “Cash and securities segregated for regulatory and other purposes”). Because the firm’s primary credit exposure on such transactions is to the counterparty to the transaction, the firm would be exposed to the collateral issuer only in the event of counterparty default.

<i>\$ in thousands</i>	As of June 2014
U.S. government and federal agency obligations	\$3,131,239

Note 17. Legal Proceedings

The firm is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of the firm’s businesses. Many of these proceedings are in early stages, and many of these cases seek an indeterminate amount of damages.

With respect to material proceedings, management is generally unable to estimate a range of reasonably possible loss for matters, including where (i) actual or potential plaintiffs have not claimed an amount of money damages, unless management can otherwise determine an appropriate amount, (ii) the matters are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) there are novel legal issues presented.

Management does not believe, based on currently available information, that the outcomes of any matters will have a material adverse effect on the firm’s financial condition, though the outcomes could be material to the firm’s operating results for any particular period, depending in part, upon the operating results for such period.

Note 18. Net Capital Requirements

The firm is a registered U.S. broker-dealer and futures commission merchant subject to Rule 15c3-1 of the SEC and Rule 1.17 of the CFTC, which specify uniform minimum net capital requirements, as defined, for their registrants, and also effectively require that a significant part of the registrants’ assets be kept in relatively liquid form. The firm has elected to compute net capital in accordance with the “Alternative Net Capital Requirement,” as permitted by Rule 15c3-1. As of June 2014, the firm had regulatory net capital, as defined by Rule 15c3-1, of \$1.53 billion, which exceeded the minimum net capital requirement of \$160 million by \$1.37 billion.

Note 19. Subsequent Events

Management has evaluated whether any events or transactions occurred subsequent to the date of the statement of financial condition and through August 28, 2014, and determined that there were no material events or transactions that would require recognition or disclosure in this statement of financial condition.