



GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES

**CONSOLIDATED STATEMENT of FINANCIAL CONDITION
PURSUANT to RULE 17a-5 of the
SECURITIES and EXCHANGE COMMISSION**

As of June 30, 2010

(UNAUDITED)

**30 HUDSON STREET
JERSEY CITY, NJ 07302**

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(UNAUDITED)**

**As of June 30, 2010
(in thousands)**

Assets

Cash and cash equivalents	\$	12,279
Cash and securities segregated for regulatory and other purposes (includes \$5,050,582 at fair value)		5,067,313
Collateralized agreements:		
Securities borrowed		9,649,525
Financial instruments purchased under agreements to resell, at fair value		2,199,655
Receivables from brokers, dealers and clearing organizations		1,188,313
Receivables from customers and counterparties		3,667,971
Financial instruments owned, at fair value		6,479
Financial instruments owned and pledged as collateral, at fair value		43,301
Total financial instruments owned, at fair value		<u>49,780</u>
Other assets		216,817
Total assets	\$	<u><u>22,051,653</u></u>

Liabilities and Partners' Capital

Unsecured short-term borrowings	\$	77,283
Collateralized financings:		
Securities loaned		6,122,263
Financial instruments sold under agreements to repurchase, at fair value		521,409
Payables to brokers, dealers and clearing organizations		430,713
Payables to customers and counterparties		11,724,983
Financial instruments sold, but not yet purchased, at fair value		4,782
Other liabilities and accrued expenses		392,621
Total liabilities		<u>19,274,054</u>

Commitments, contingencies and guarantees

Subordinated borrowings		<u>1,680,000</u>
Partners' capital		<u>1,097,599</u>
Total liabilities and partners' capital	\$	<u><u>22,051,653</u></u>

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

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (UNAUDITED)

Note 1. Description of Business

Goldman Sachs Execution & Clearing, L.P. (GSEC), a limited partnership, is a registered U.S. broker-dealer with the Securities and Exchange Commission (SEC), a member of Financial Industry Regulatory Authority (FINRA) and a registered futures commission merchant with the Commodity Futures Trading Commission (CFTC). GSEC, together with its consolidated subsidiaries (collectively, the Company), is a wholly owned subsidiary of SLK LLC, a limited liability company. SLK LLC is owned by Goldman Sachs Trade Management LLC, which is a wholly owned subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation. The Federal Reserve Board is the primary U.S. regulator of Group Inc., a financial holding company.

The Company provides a wide range of brokerage and investment services to a substantial and diversified client base. The Company's activities primarily consist of:

- **Trading and Principal Investments.** The Company engages in floor-based and electronic market making as a Designated Market Maker (DMM) on U.S. equities exchanges in equity securities and options.
- **Commissions and Clearance.** The Company facilitates and finances transactions with a diverse group of corporations, financial institutions, governments, hedge funds and individuals. It executes and clears customer transactions on major stock, options and futures exchanges worldwide.

Note 2. Significant Accounting Policies

Basis of Presentation

This consolidated statement of financial condition includes the accounts of GSEC and all other entities in which the Company has a controlling financial interest. All material intercompany transactions and balances have been eliminated.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (VIE) under generally accepted accounting principles (GAAP).

- **Voting Interest Entities.** Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity, and the right to receive residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. Accordingly, the Company consolidates voting interest entities in which it has a majority voting interest.
- **Variable Interest Entities.** VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has a variable interest, or a combination of variable interests, that provides the enterprise with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders, (ii) the VIE's

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued) (UNAUDITED)

capital structure, (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE, (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE and (vi) related party relationships. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events. The Company reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment.

- **Other.** If the Company does not consolidate an entity, the Company accounts for its investment at fair value.

This consolidated statement of financial condition is unaudited and should be read in conjunction with the audited consolidated statement of financial condition for the fiscal year ended December 31, 2009.

All references to June 2010, unless specifically stated otherwise, refer to the date June 30, 2010.

Use of Estimates

This consolidated statement of financial condition has been prepared in accordance with generally accepted accounting principles that require management to make certain estimates and assumptions. The most important of these estimates and assumptions relate to fair value measurements, the accounting for identifiable intangible assets, discretionary compensation accruals and the provision for potential losses that may arise from litigation and regulatory proceedings and tax audits. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Financial Instruments

Total financial instruments owned, at fair value and Financial instruments sold, but not yet purchased, at fair value are reflected in the consolidated statement of financial condition at fair value.

Other Financial Assets and Financial Liabilities at Fair Value

In addition to total financial instruments owned, at fair value" and financial instruments sold, but not yet purchased, at fair value, the Company has elected to account for certain of its other financial assets and financial liabilities at fair value under ASC 815-15 and 825-10 (i.e., the fair value option).

Such financial assets and financial liabilities accounted for at fair value include resale and repurchase agreements.

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 (i.e., the exit price). Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
(UNAUDITED)

The fair value hierarchy under ASC 820 prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company 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. The Company defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

Financial Instruments at Fair Value

In determining fair value, the Company categorizes total financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value as cash instruments.

The Company's cash instruments are generally classified within level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include U.S. government securities, actively traded listed equities and certain money market instruments. These instruments are generally classified within level 1 of the fair value hierarchy. Instruments classified within level 1 of the fair value hierarchy are required to be carried at quoted market prices, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Collateralized Agreements and Financings

Collateralized agreements consist of resale agreements and securities borrowed. For these agreements, the Company requires delivery of collateral with fair value approximately equal to the carrying value of the relevant assets in the consolidated statement of financial condition. Collateralized financings consist of repurchase agreements and securities loaned. Collateralized agreements and financings are presented on a net-by-counterparty basis when a right of setoff exists.

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued) (UNAUDITED)

- **Resale and Repurchase Agreements.** Financial instruments purchased under agreements to resell and financial instruments sold under agreements to repurchase, principally U.S. government and federal agency obligations, represent collateralized financing transactions. The Company receives financial instruments purchased under agreements to resell, makes delivery of financial instruments sold under agreements to repurchase, monitors the market value of these securities on a daily basis and delivers or obtains additional collateral as appropriate. As noted above, resale and repurchase agreements are carried in the consolidated statement of financial condition at fair value under the fair value option. Resale and repurchase agreements are generally valued based on inputs with reasonable levels of price transparency and are generally classified within level 2 of the fair value hierarchy. The Company enters its financial instruments purchased under agreements to resell and financial instruments sold under agreements to repurchase transactions substantially with Goldman, Sachs & Co. (“GSCO”).
- **Securities Borrowed and Loaned.** Securities borrowed and loaned are generally collateralized by cash, securities or letters of credit. The Company receives securities borrowed, makes delivery of securities loaned, monitors the market value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Securities borrowed and loaned relating to both customer activities and, to a lesser extent, certain Company financing activities, 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. The Company conducts its securities borrowed and loaned transactions substantially with GSCO and Goldman Sachs International (“GSI”).

Transfers of Financial Assets

In general, transfers of financial assets are accounted for as sales when the Company has relinquished control over the transferred assets. See “— Recent Accounting Developments” below for further information regarding accounting for transfers of financial assets.

Share-Based Compensation

The Company participates in the share-based compensation plans of Group Inc. The cost of employee services received in exchange for a share-based award is generally measured based on the grant-date fair value of the award in accordance with ASC 718.

Identifiable Intangible Assets

Identifiable intangible assets, which consist of New York Stock Exchange (NYSE) DMM rights, are amortized over their estimated lives. Identifiable intangible assets are tested for impairment whenever events or changes in circumstances suggest that an asset’s or asset group’s carrying value may not be fully recoverable. An impairment loss, generally calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the sum of the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment, net of accumulated depreciation and amortization, are recorded at cost and included in “Other assets” in the consolidated statement of financial condition. 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. Certain costs of software developed or

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
(UNAUDITED)

obtained for internal use are capitalized and amortized on a straight-line basis over the useful life of the software.

Property, leasehold improvements and equipment are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable. An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the sum of the expected undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

The Company records a liability, based on the fair value of the remaining lease rentals reduced by any potential or existing sublease rentals, for leases where the Company has ceased using the space and management has concluded that the Company will not derive any future economic benefits. Costs to terminate a lease before the end of its term are recognized and measured at fair value upon termination.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the consolidated statement of financial condition.

Income Taxes

Income taxes are provided for using the asset and liability method. Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of the Company's assets and liabilities. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. The Company's tax assets and liabilities are presented as a component of "Other assets" and "Other liabilities and accrued expenses," respectively, in the consolidated statement of financial condition. The Company recognizes tax positions in the consolidated statement of financial condition only when it is more likely than not that the position will be sustained upon 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 upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated statement of financial condition.

Cash and Cash Equivalents

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

Recent Accounting Developments

Improving Disclosures about Fair Value Measurements (ASC 820). In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements." ASU No. 2010-06 provides amended disclosure requirements related to fair value measurements. ASU No. 2010-06 is effective for statement of financial condition issued for reporting periods beginning after December 15, 2009 for certain disclosures and for reporting periods beginning after December 15, 2010 for other disclosures. Since these amended principles require only additional disclosures concerning fair value measurements, adoption did not and will not affect the Company's financial condition.

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
(UNAUDITED)

Note 3. Financial Instruments

Fair Value of Financial Assets

Cash and securities segregated for regulatory and other purposes included in the Company's consolidated statement of financial condition consist of money market instruments and resale agreements. The underlying securities of these resale agreements have been segregated to satisfy certain regulatory requirements. As of June 2010, the Company has \$979 million of assets in level 1 and \$4.07 billion of level 2 assets, respectively.

Fair Value of Financial Instruments

The following table sets forth the Company's total financial instruments owned, at fair value, including those pledged as collateral, and financial instruments sold, but not yet purchased, at fair value (in thousands):

	As of June 2010	
	Assets	Liabilities
Money market instruments	\$ 12,550	\$ -
Equities	37,230	4,782
Total	\$ 49,780	\$ 4,782

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Due to the Company's business line of trading as a DMM and market maker of listed securities on U.S. equities exchanges, all of GSEC's financial instruments owned and sold, but not yet purchased, at fair value are level 1 securities.

Derivative Activities

Derivative contracts are instruments, such as futures, forwards, swaps or option contracts that derive their value from underlying asset prices, indices, reference rates or a combination of these factors. Derivative instruments may be privately negotiated contracts, which are often referred to as over-the-counter (OTC) derivatives, or they may be listed and traded on an exchange. Derivatives may involve future commitments to purchase or sell financial instruments or commodities, or to exchange currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, fixed income securities, commodities, currencies or indices. The Company does not trade or carry any OTC derivatives but enters into derivative transactions to facilitate client transactions.

Collateralized Transactions

The Company receives financial instruments as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans. Such financial instruments may include obligations of the U.S. government, federal agencies and corporations, as well as equities. The resale agreements and securities borrowed related transactions are primarily conducted with GSCO.

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued) (UNAUDITED)

In many cases, the Company is permitted to deliver or repledge these financial instruments in connection with entering into repurchase agreements, securities lending agreements and other secured financings, collateralizing derivative transactions and meeting Company or customer settlement requirements. As of June 2010, the fair value of financial instruments received as collateral by the Company that it was permitted to deliver or repledge was \$22.88 billion, of which the Company delivered or repledged \$22.79 billion.

The Company also pledges assets that it owns to counterparties who may or may not have the right to deliver or repledge them. Total financial instruments owned pledged to counterparties that have the right to deliver or repledge are included in "Total financial instruments owned, at fair value" in the consolidated statement of financial condition and was \$43 million as of June 2010. Total financial instruments owned pledged in connection with repurchase agreements, securities lending agreements and other secured financing to counterparties that did not have the right to sell or repledge are included in "Total financial instruments owned, at fair value" in the consolidated statement of financial condition and was \$0.1 million as of June 2010.

Note 4. Variable Interest Entity

The Company had a VIE investment. The entity, Just Options LLC was formed to provide option trading and clearing facilities for traders and market makers who became members of Just Options LLC. The Company provided a majority of capital to fund the entity. The Company has terminated its joint venture in Just Options LLC. All capital related to this investment was returned during the first quarter 2010.

Note 5. Short-Term Borrowings

The Company obtains unsecured short-term borrowings primarily from Group Inc. at floating rates of interest, which are based on prevailing market rates. As of June 2010, these borrowings were \$77 million. The Company has a third party line of credit for \$1.5 billion. This is a secured facility with the Company pledging collateral to the third party. At June 30, 2010, the Company had no outstanding loan balance. The carrying value of these short-term obligations approximates fair value due to their short-term nature.

Note 6. Subordinated Borrowings

Subordinated borrowings are obtained from Group Inc. As of June 2010, outstanding subordinated borrowings, which matures in October 2010; bear interest at floating rates and total approximately \$1.68 billion. The borrowing agreement contains an automatic rollover provision, whereby the maturity date will be extended an additional year, provided the borrower does not give notice of repayment on or before the day seven months preceding the then in effect maturity date. Amounts borrowed under this subordinated loan agreement bear interest at a rate of LIBOR plus .75% per annum. The carrying value of these borrowings approximates fair value due to the floating rates. The subordinated borrowings are available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
(UNAUDITED)

Note 7. Commitments, Contingencies and Guarantees

Commitments

Leases. The Company has contractual obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through 2012. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. Future minimum rental payments, net of minimum sublease rentals, are set forth below (in thousands):

<u>As of June 2010</u>	
2010	\$ 757
2011	1,523
2012	918
Total	<u>\$ 3,198</u>

Contingencies

The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. Management believes, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition.

Guarantees

In the ordinary course of its business, the Company 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 Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions. In addition, the Company is a member of payment, clearing and settlement networks as well as securities exchanges around the world that may require the Company to meet the obligations of such networks and exchanges in the event of member defaults. In connection with its prime brokerage and clearing businesses, the Company agrees to clear and settle on behalf of its clients the transactions entered into by them with other brokerage firms. The Company'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 Company on behalf of the client. The Company is unable to develop an estimate of the maximum payout under these guarantees and indemnifications, however, management believes that it is unlikely the Company will have to make any material payments under these arrangements and has not recorded any contingent liability in the consolidated statement of financial condition for these indemnifications for the period ended June 2010.

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
(UNAUDITED)

Note 8. Identifiable Intangible Assets

The following table sets forth the gross carrying amount, accumulated amortization and net carrying amount of identifiable intangible assets, which is included in "Other Assets" in the consolidated statement of financial condition (in thousands):

		As of June 2010
NYSE DMM rights	Gross carrying amount	\$ 319,564
	Accumulated amortization	(163,606)
	Net carrying amount	<u>\$ 155,958</u>

All of the Company's identifiable intangible assets are considered to have finite lives and are amortized over their estimated lives. The weighted average remaining life of the Company's identifiable intangibles is approximately 11 years.

Note 9. Other Assets and Other Liabilities

Other Assets

Other assets are generally less liquid, nonfinancial assets. The following table sets forth the Company's other assets by type (in thousands):

	As of June 2010
Property, leasehold improvements and equipment	\$ 2,023
Identifiable intangible assets	155,958
Income tax-related assets	19,104
Exchange memberships	17,695
Miscellaneous receivables and other	22,037
Total	<u>\$ 216,817</u>

Other Liabilities

Other liabilities and accrued expenses primarily include compensation and benefits, litigation liabilities, tax-related payables, deferred revenue and other payables. The following table sets forth the Company's other liabilities and accrued expenses by type (in thousands):

	As of June 2010
Compensation and benefits	\$ 48,176
Income tax-related liabilities	197,467
Accrued expenses and other payables	146,978
Total	<u>\$ 392,621</u>

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
(UNAUDITED)

Note 10. Related Party Transactions

The Company enters into transactions with Group Inc. and affiliates in the normal course of business as part of its trading, financing and general operations. Amounts outstanding to/from Group Inc. and affiliates are reflected in the consolidated statement of financial condition as set forth below (in thousands):

	As of June 2010
<u>Assets</u>	
Cash and securities segregated for regulatory and other purposes	\$ 4,071,482
Collateralized agreements:	
Securities borrowed	9,649,525
Financial instruments purchased under agreements to resell, at fair value	2,199,655
Receivables from brokers, dealers and clearing organizations	569,940
Other assets	640
 <u>Liabilities</u>	
Unsecured short-term borrowings	\$ 77,283
Collateralized financings:	
Securities loaned	6,122,263
Financial instruments sold under agreements to repurchase, at fair value	521,409
Payables to brokers, dealers and clearing organizations	230,418
Other liabilities and accrued expenses	28,868
Subordinated borrowings	1,680,000

Note 11. Income Taxes

The Company is taxed as a corporation for U.S. federal income tax purposes. As a corporation for tax purposes, the Company is subject to U.S. federal and various state and local income taxes on its earnings. The Company also continues to be subject to taxes in foreign jurisdictions on certain of its operations. The Company is included with Group Inc. and subsidiaries in the consolidated corporate tax return as well as the consolidated/combined state and local tax returns. The Company computes its tax liability as if it was filing a tax return on a modified separate company basis and will settle such liability with Group Inc. pursuant to the tax sharing agreement. To the extent the Company generates tax benefits from losses; it will be reimbursed by Group Inc. pursuant to the tax sharing agreement.

As of June 30, 2010, the Company did not record a liability related to accounting for uncertainty in income taxes. All years subsequent to and including 2005 for U.S. Federal and 2004 for New York State and City remain open to examination by the taxing authorities.

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.

GOLDMAN SACHS EXECUTION & CLEARING, L.P. and SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
(UNAUDITED)

Significant components of the Company's deferred tax assets and liabilities are set forth below (in thousands):

	As of June 2010
Deferred tax assets	
Compensation and benefits	\$ 10,601
Other, net	13,495
Total deferred tax assets	\$ 24,096
Deferred tax liabilities	
Depreciation and amortization	\$ 5,000
Total deferred tax liabilities	\$ 5,000

No valuation allowance was required and there was no change in the valuation allowance during the period.

Note 12. Net Capital Requirement

GSEC 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 Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants. GSEC has elected to compute net capital in accordance with the "Alternate Net Capital Requirement" as permitted by Rule 15c3-1. As of June 2010, GSEC had regulatory net capital, as defined, of \$1.91 billion of which \$1.82 billion exceeded the minimum net capital requirement of \$96 million.

A subsidiary of GSEC is subject to Rule 15c3-1, which was in compliance as of June 2010. This subsidiary of GSEC is also subject to additional regulatory requirements of exchanges of which it is a member. As of June 2010, these requirements were greater than the minimum requirements under Rule 15c3-1. As of June 2010, this entity was in compliance with their respective exchange requirements. GSEC's net capital includes a reduction for the capital invested in each subsidiary to satisfy any applicable requirements.

As of June 2010, GSEC made a computation related to the reserve requirement for Proprietary Accounts of Introducing Brokers ("PAIB"). The reserve amount and value of securities held on deposit in the Reserve Bank account was \$713 million.