GOLDMAN SACHS EXECUTION & CLEARING, L.P.

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

As of June 30, 2013

200 WEST STREET
NEW YORK, NY 10282

Statement of Financial Condition
(Unaudited)

INDEX

GOLDMAN SACHS EXECUTION & CLEARING, L.P.

Statement of Financial Condition
(Unaudited)

in thousands	As of June 2013
Assets	
Cash and cash equivalents	$ 90,883
Cash and securities segregated for regulatory and other purposes (includes $1,844,084 at fair value)	3,353,592
Collateralized agreements:	
Securities borrowed, at fair value	9,124,382
Securities purchased under agreements to resell, at fair value	505,038
Receivables from brokers, dealers and clearing organizations	1,407,967
Receivables from customers and counterparties	5,155,254
Financial instruments owned, at fair value (includes $109,290 pledged as collateral)	334,060
Other assets	52,444
Total assets	**$ 20,023,620**
Liabilities and partners' capital	
Collateralized financings:	
Securities loaned, at fair value	$ 6,069,157
Securities sold under agreements to repurchase, at fair value	476,773
Payables to brokers, dealers and clearing organizations	300,731
Payables to customers and counterparties	9,986,714
Financial instruments sold, but not yet purchased, at fair value	312,488
Other liabilities and accrued expenses	230,353
Total liabilities	17,376,216
Commitments, contingencies and guarantees	
Subordinated borrowings	1,600,000
Partners' capital	
Partners' capital	1,047,404
Total liabilities and partners' capital	**$ 20,023,620**

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 Company), a limited partnership, is a registered U.S. broker-dealer with the Securities and Exchange Commission (SEC), a member of the Financial Industry Regulatory Authority (FINRA), a registered futures commission merchant with the Commodity Futures Trading Commission (CFTC) and the National Futures Association (NFA). The Company is an indirectly wholly owned subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation.

The Company provides a wide range of brokerage services to a substantial and diversified client base. The Company's activities primarily consist of execution and clearance. The Company facilitates and clears client transactions primarily with institutional clients such as corporations, financial institutions, investment funds and governments. The Company executes and clears client transactions on major stock, options and futures exchanges worldwide and provides financing, securities lending and other prime brokerage services to institutional clients.

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 Company.

This statement of financial condition is unaudited and should be read in conjunction with the audited statement of financial condition as of December 31, 2012.

All references to June 2013 refer to the date June 30, 2013. Any reference to a future year refers to a year ending on December 31 of that year.

Note 3.
Significant Accounting Policies

The Company'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:

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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, 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.

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 Company 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 Company earns commissions and fees from executing and clearing client transaction on stock, options and futures markets. Commissions and fees are recognized on the day the trade is executed.

Transfers of Assets

Transfers of financial assets are accounted for as sales when the Company has relinquished control over the assets transferred. For transfers of assets accounted for as sales, any related gains or losses are recognized in net revenues. Assets or liabilities that arise from the Company's continuing involvement with transferred assets are measured at fair value. For transfers of assets that are not accounted for as sales, the assets remain in "Financial instruments owned, at fair value" and the transfer is accounted for as a collateralized financing, with the related interest expense recognized over the life of the transaction.

Receivables from Customers and Counterparties

Receivables from customers and counterparties generally relate to collateralized transactions. Such receivables are primarily comprised of customer margin loans. Receivables from customers and counterparties are accounted for at amortized cost net of estimated uncollectible amounts, which generally approximates fair value. While these receivables 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 Company's fair value hierarchy in Notes 6 and 7. Had these receivables been carried at fair value and included in the Company's fair value hierarchy, substantially all would have been classified in level 2 as of June 2013.

Payables to Customers and Counterparties

Payables to customers and counterparties primarily consist of customer credit balances related to the Company'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 Company's fair value hierarchy in Notes 6 and 7. Had these payables been carried at fair value and included in the Company's fair value hierarchy, substantially all would have been classified in level 2 as of June 2013.

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 Company's fair value hierarchy in Notes 6 and 7. Had these receivables and payables been carried at fair value and included in the Company's fair value hierarchy, substantially all would have been classified in level 2 as of June 2013.

Offsetting Assets and Liabilities

To reduce credit exposures on securities financing transactions, the Company may enter into master netting agreements or similar arrangements (collectively, 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 addition, the Company receives and posts cash and securities collateral with respect to its securities financing transactions, subject to the terms of the related credit support agreements. An enforceable credit support agreement grants the non-defaulting party exercising termination rights the right to liquidate the collateral and apply the proceeds to any amounts owed. In order to assess enforceability of the Company's right of setoff under netting and credit support agreements, the Company evaluates various factors including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement.

Resale and repurchase agreements and securities borrowed and loaned transactions with the same term and currency are presented on a net-by-counterparty basis in the statement of financial condition when such transactions meet certain settlement criteria and are subject to netting agreements.

In the statement of financial condition, resale and repurchase agreements, and securities borrowed and loaned are not reported net of the related cash and securities received or posted as collateral. See Note 8 for further information about collateral received and pledged, including rights to deliver or repledge collateral and 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.

Cash and Cash Equivalents

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

Recent Accounting Developments

Disclosures about Offsetting Assets and Liabilities (ASC 210). In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210) — Disclosures about Offsetting Assets and Liabilities." ASU No. 2011-11, as amended by ASU 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," requires disclosure of the effect or potential effect of offsetting arrangements on the Company's financial position as well as enhanced disclosure of the rights of setoff associated with the Company's recognized derivative instruments, resale and repurchase agreements, and securities borrowing and lending transactions. ASU No. 2011-11 was effective for periods beginning on or after January 1, 2013. Since these amended principles require only additional disclosures concerning offsetting and related arrangements, adoption of ASU No. 2011-10 did not materially affect the Company's financial condition. See Note 8 for further information about the Company's offsetting related to collateralization agreements and financings. As of June 2013, the Company did not have a material derivative balance.

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 the fair value option. The table below presents the Company'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 2013	
in thousands	**Financial Instruments Owned**	**Financial Instruments Sold, But Not Yet Purchased**
Money market instruments	$ 5,000	$ –
Corporate debt securities	15	–
Equities	328,016	312,399
Derivatives[1]	1,029	89
Total	**$334,060**	**$312,488**

[1] As of June 2013, all derivative assets and liabilities have been classified in level 2 of the Company's fair value hierarchy.

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 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 Company 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 Company'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 Company's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence.

See Note 6 for further information about fair value measurements of cash instruments included in "Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value," and Note 7 for further information about fair value measurements of other financial assets and financial liabilities accounted for at fair value under the fair value option.

Financial assets and financial liabilities accounted for at fair value under the fair value option or in accordance with other U.S. GAAP are summarized below.

in thousands	As of June 2013
Total level 1 financial assets	$ 364,024
Total level 2 financial assets	11,443,533
Total level 3 financial assets	7
Total financial assets at fair value	**$11,807,564**
Total level 1 financial liabilities	$ 312,399
Total level 2 financial liabilities	6,546,019
Total financial liabilities at fair value	**$ 6,858,418**

Note 6.

Cash Instruments

Cash instruments include corporate debt securities, equities and other non-derivative financial instruments owned and financial instruments sold, but not yet purchased. See below for the types of 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 Company's fair value measurement policies.

Level 1 Cash Instruments

Level 1 cash instruments include actively traded listed equities, corporate debt securities and money market instruments. These instruments are valued using quoted prices for identical unrestricted instruments in active markets.

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.

Level 2 Cash Instruments

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 2013, the Company had no level 2 cash instruments.

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 Company 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.

Notes to Statement of Financial Condition
(Unaudited)

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 2013			
in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market instruments	$ 5,000	$ –	$ –	$ 5,000
Corporate debt securities	15	–	–	15
Equities	328,009[1]	–	7[2]	328,016
Total	**$333,024**	**$ –**	**$ 7**	**$ 333,031**

	Cash Instrument Liabilities at Fair Value as of June 2013			
in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$312,399	$ –	$ –	$ 312,399
Total	**$312,399**	**$ –**	**$ –**	**$ 312,399**

[1] Consists of publicly listed equity securities.
[2] Consists of private equity investments.

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 Company has elected to account 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;
- mitigate volatility in earnings from using different measurement attributes (e.g., transfers of financial instruments owned accounted for as financings are recorded at fair value whereas the related secured financing would be recorded on an accrual basis absent electing the fair value option); and
- address simplification and cost-benefit considerations.

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

- repurchase and resale agreements; and
- securities borrowed and loaned consisting of the Company's financing activities.

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 Company's credit quality.

Resale and Repurchase Agreements and Securities Borrowed and Loaned. The significant inputs to the valuation of resale and repurchase agreements and securities borrowed and loaned are collateral funding spreads, the amount and timing of expected future cash flows and interest rates. See Note 8 for further information about collateralized agreements.

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

	Other Financial Assets at Fair Value as of June 2013			
in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities segregated for regulatory and other purposes[1]	$31,000	$ 1,813,084	$–	$ 1,844,084
Securities borrowed	–	9,124,382	–	9,124,382
Securities purchased under agreements to resell	–	505,038	–	505,038
Total	**$31,000**	**$11,442,504**	**$–**	**$11,473,504**

	Other Financial Liabilities at Fair Value as of June 2013			
in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities loaned	$ –	$ 6,069,157	$–	$ 6,069,157
Securities sold under agreements to repurchase	–	476,773	–	476,773
Total	**$ –**	**$ 6,545,930**	**$–**	**$ 6,545,930**

1. Includes securities segregated for regulatory and other purposes accounted for at fair value under the fair value option, which consists of resale agreements with Goldman, Sachs & Co. (GS&Co.). The table above includes $31 million of level 1 securities segregated for regulatory and other purposes accounted for at fair value under other U.S. GAAP.

Transfers Between Levels of the Fair Value Hierarchy

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. There were no transfers of other financial assets and financial liabilities between level 1 and level 2 during the six months ended June 2013.

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), securities loaned and other secured financings. The Company 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 Company 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.

in thousands	**As of June 2013**
Securities borrowed	$9,124,382
Securities purchased under agreements to resell	505,038
Securities loaned	6,069,157
Securities sold under agreements to repurchase	476,773

Resale and Repurchase Agreements

A resale agreement is a transaction in which the Company 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 Company 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 Company 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 Company 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.

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 Company 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 Company effectively no longer has a repurchase obligation and has relinquished control over the underlying security and, accordingly, accounts for the transaction as a sale. The Company had no repos to maturity outstanding as of June 2013.

The Company enters into substantially all of its financial instruments purchased under agreements to resell and financial instruments sold under agreements to repurchase transactions with GS&Co.

Securities Borrowed and Loaned Transactions

In a securities borrowed transaction, the Company borrows securities from a counterparty in exchange for cash. When the Company returns the securities, the counterparty returns the cash. Interest is generally paid periodically over the life of the transaction.

In a securities loaned transaction, the Company lends securities to a counterparty typically in exchange for cash or securities. When the counterparty returns the securities, the Company returns the cash or securities posted as collateral. Interest is generally paid periodically over the life of the transaction.

The Company 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 Company typically requires collateral with a fair value approximately equal to the carrying value of the securities borrowed transaction.

Securities borrowed and loaned, which are related to certain Company financing activities, are recorded at fair value under the fair value option. See Note 7 for further information about securities borrowed and loaned accounted for at fair value.

The Company enters into substantially all of its securities borrowed and loaned transactions with GS&Co. and Goldman Sachs International.

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 Company 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 2013			
	Assets		Liabilities	
in thousands	**Securities borrowed**	**Securities purchased under agreements to resell**	**Securities loaned**	**Securities sold under agreements to repurchase**
Amounts included in the statement of financial condition				
Gross carrying value	$ 9,124,382	$ 2,318,122	$ 6,069,157	$ 476,773
Counterparty netting	–	–	–	–
Total	**9,124,382**	**2,318,122**[1]	**6,069,157**	**476,773**
Amounts that have not been offset in the statement of financial condition				
Counterparty netting	(6,064,930)	(476,773)	(6,064,930)	(476,773)
Collateral	(2,929,615)	(1,841,311)	–	–
Total	**$ 129,837**	**$ 38**	**$ 4,227**	**$ –**

1 As of June 2013, the Company had $1.81 billion of securities received under resale agreements that were segregated to satisfy certain regulatory requirements. These securities are included in “Cash and securities segregated for regulatory and other purposes.”

Collateral Received and Pledged

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

The resale agreements and securities borrowed related transactions are primarily with GS&Co.

In many cases, the Company 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 Company is also permitted to deliver or repledge these financial instruments in connection with collateralizing derivative transactions and meeting Company or customer settlement requirements.

The Company also pledges certain financial instruments owned, at fair value in connection with repurchase agreements, securities lending agreements and other secured financings, in connection with other secured financings 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 Company.

in thousands	As of June 2013
Collateral available to be delivered or repledged	$24,613,904
Collateral that was delivered or repledged	22,506,429

The table below presents information about assets pledged by the Company.

in thousands	As of June 2013
Financial instruments owned, at fair value pledged to counterparties that:	
Had the right to deliver or repledge	$ 109,290
Did not have the right to deliver or repledge	54

Note 9.

Other Assets

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

in thousands	As of June 2013
Property, leasehold improvements and equipment[1]	$11,178
Identifiable intangible assets	12,648
Deferred tax assets[2]	1,120
Exchange memberships	2,400
Other[3]	25,098
Total	**$52,444**

1 Net of accumulated depreciation and amortization of $70 million.
2 See Note 15 for further information about income taxes.
3 Includes amounts advanced and subsequently reimbursed related to the REDI transaction. See Note 19 for further information about the transaction.

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment that the Company uses are in connection with its operations. 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 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. The Company's policy for impairment testing of property, leasehold improvements and equipment is the same as is used for identifiable intangible assets with finite lives.

Identifiable Intangible Assets

The Company's identifiable intangible assets are considered to have finite lives and 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.

If an impairment test is necessary, the carrying value of an asset or asset group is compared to the total of the undiscounted cash flows expected to be received over the remaining useful life and from the disposition of the asset or asset group.

- If the total of the undiscounted cash flows exceeds the carrying value, the asset or asset group is not impaired.
- If the total of the undiscounted cash flows is less than the carrying value, the asset or asset group is not fully recoverable and an impairment loss is recognized as the difference between the estimated fair value and the carrying value of an asset or asset group.

Note 10.
Short-Term Borrowings

Unsecured short-term borrowings include the portion of unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder.

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 2013, the Company had no short-term borrowings outstanding. The Company has a secured third-party line of credit. As of June 2013, the Company had no amount outstanding with this line of credit.

Note 11.
Subordinated Borrowings

As of June 2013, the Company had outstanding borrowings of $1.60 billion from Group Inc., which mature in 2014.

Amounts borrowed under this subordinated loan agreement bear interest at a rate of LIBOR plus .75% per annum. The subordinated borrowings are available in computing net capital under the SEC's uniform net capital rule 15C3-1. To the extent that such borrowings are required for the Company'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.

in thousands	**As of June 2013**
Compensation and benefits	$ 17,169
Income tax-related liabilities [1]	76,391
Accrued expenses and other payables	136,793
Total	**$230,353**

[1] See Note 15 for further information about income taxes.

Note 13.
Commitments, Contingencies and Guarantees

Leases

The Company 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.

in thousands	**As of June 2013**
Remainder of 2013	$ 1,814
2014	3,201
2015	2,201
2016	2,253
2017	2,298
2018	6,725
Total	**$18,492**

Contingencies

Legal Proceedings. See Note 17 for information about legal proceedings

Guarantees

In the ordinary course of business, the Company provides other financial guarantees of the obligations of third parties (e.g., standby letters of credit and other guarantees to enable clients to complete transactions and fund-related guarantees). These guarantees represent obligations to make payments to beneficiaries if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary; the liability related to these guarantees is immaterial as of June 2013.

Indemnities and Guarantees of Service Providers. In the ordinary course of 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.

The Company may also be liable to some clients for losses caused by acts or omissions of third-party service providers, including sub-custodians and third-party brokers. 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 execution 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 no material liabilities related to these guarantees and indemnifications have been recognized in the statement of financial condition as of June 2013.

Note 14.
Transactions with Related Parties

The Company enters into transactions with Group Inc. and affiliates in the normal course of business as part of its financing and general operations.

Amounts payable to, and receivable from, such affiliates are reflected in the statement of financial condition as of June 30, 2013, as set forth below:

in thousands	**As of June 2013**
Assets	
Securities segregated for regulatory and other purposes, at fair value	$1,813,084
Collateralized agreements:	
Securities borrowed, at fair value	9,124,382
Securities purchased under agreements to resell, at fair value	505,038
Receivables from brokers, dealers and clearing organizations	291,156
Other assets	575
Liabilities	
Collateralized agreements:	
Securities loaned, at fair value	$6,069,157
Securities sold under agreements to repurchase, at fair value	476,773
Payables to brokers, dealers and clearing organizations	229,353
Other liabilities and accrued expenses	9,140
Subordinated borrowings	1,600,000

Note 15.

Income Taxes

Provision for 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 is included with Group Inc. and subsidiaries in the consolidated corporate federal tax return as well as the consolidated/combined state and local returns. The Company computes its tax liability as if it was filing a tax return on a modified separate company basis and settles 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.

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. During the six months ended June 2013, the Company 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.

The table below presents the significant components of deferred tax assets and liabilities.

in thousands	**As of June 2013**
Deferred tax assets	
Compensation and benefits	$8,526
Other, net	13
Total deferred tax assets	**$8,539**
Depreciation and amortization	3,917
Occupancy	3,282
Other, net	220
Total deferred tax liabilities	**$7,419**

Unrecognized Tax Benefits

The Company 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 2013, the Company did not record a liability related to uncertainty in income taxes.

Regulatory Tax Examinations

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

All years subsequent and including 2005 for U.S. Federal, 2004 for New York State and City, 2008 for Pennsylvania and New Jersey, and 2006 or later years for all other states in which the Company is included in a combined tax filing remain open to examination by the taxing authorities. The Company believes that the liability for unrecognized tax benefits it has established is adequate in relation to the potential for additional assessments.

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 return examined under this program.

Note 16.
Credit Concentrations

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

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

In the ordinary course of business, the Company 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 2013, the Company did not have credit exposure to any counterparty that exceeded 2% of total assets.

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

Note 17.
Legal Proceedings

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

Management is generally unable to estimate a range of reasonably possible loss for proceedings, including where (i) plaintiffs have not claimed an amount of money damages, unless management can otherwise determine an appropriate amount, (ii) the proceedings 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, (iv) 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 proceedings will have a material adverse effect on the Company's financial condition, though the outcomes could be material to the Company's operating results for any particular period, depending in part, upon the operating results for such period.

Note 18.
Net Capital Requirements

The Company 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 Company has elected to compute net capital in accordance with the "Alternative Net Capital Requirement," as permitted by Rule 15c3-1. As of June 2013, the Company has regulatory net capital, as defined by Rule 15c3-1, of $1.95 billion, which exceeded the amount required by $1.82 billion.

As of June 2013, the Company made a computation related to the reserve requirement for Proprietary Accounts of Introducing Brokers (PAIB) that indicated the Company's PAIB debits (receivables) exceed its PAIB credits (payables). The amount held on deposit in the Reserve Bank at June 2013 was $1 million.

Note 19.
Subsequent Events

On July 17, 2013, the Company sold a majority equity interest in REDI, the technology provider for the leading REDIPlus® Execution Management System, to a consortium of investors. The Company retained a significant minority equity stake in REDI.

Management has evaluated whether any other events or transactions occurred subsequent to the date of the statement of financial condition and through September 3, 2013, and determined that there were no other material events or transactions that would require recognition or disclosure in this statement of financial condition.