



Consolidated
Statement of
Financial Condition
June 26, 2009
(unaudited)

Goldman, Sachs & Co.
Established 1869

GOLDMAN, SACHS & CO. and SUBSIDIARIES

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

**As of June 26, 2009
(in millions)**

Cash and cash equivalents.....	\$	4,529
Cash and securities segregated for regulatory and other purposes (includes \$22,337 at fair value).....		29,077
Receivables from brokers, dealers and clearing organizations.....		7,037
Receivables from customers and counterparties.....		15,589
Collateralized agreements:		
Securities borrowed (includes \$76,591 at fair value).....		240,390
Financial instruments purchased under agreements to resell, at fair value.....		86,911
Financial instruments owned, at fair value.....		116,300
Financial instruments owned and pledged as collateral, at fair value.....		18,112
Total financial instruments owned, at fair value.....		<u>134,412</u>
Other assets.....		<u>4,799</u>
Total assets.....	\$	<u><u>522,744</u></u>

Liabilities and partners' capital

Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes \$2 at fair value).....	\$	15,690
Payables to brokers, dealers and clearing organizations.....		11,529
Payables to customers and counterparties.....		125,325
Collateralized financings:		
Securities loaned.....		78,467
Financial instruments sold under agreements to repurchase, at fair value.....		148,776
Other secured financings (includes \$974 at fair value).....		65,469
Financial instruments sold, but not yet purchased, at fair value.....		43,855
Other liabilities and accrued expenses.....		8,504
Unsecured long-term borrowings (includes \$73 at fair value).....		472
Total liabilities.....		<u>498,087</u>

Commitments, contingencies and guarantees

Subordinated borrowings.....	18,250
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Partners' capital

Partners' capital.....	6,407
Accumulated other comprehensive income.....	-
Total partners' capital.....	<u>6,407</u>
Total liabilities and partners' capital.....	<u><u>\$ 522,744</u></u>

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

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NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (UNAUDITED)

Note 1. Description of Business

Goldman, Sachs & Co. (GS&Co.), a limited partnership registered as a U.S. broker-dealer and futures commission merchant, together with its consolidated subsidiaries (collectively, “the firm”), is an indirectly wholly owned subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation and a financial holding company. The firm is a leading global financial services firm providing investment banking, securities and investment management services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Beijing, Tokyo, Hong Kong and other major financial centers around the world.

The firm’s activities are divided as follows:

- **Investment Banking.** The firm provides a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals.
- **Trading and Principal Investments.** The firm facilitates client transactions with a diverse group of corporations, financial institutions, investment funds, governments and individuals and takes proprietary positions through market making in, trading of and investing in fixed income and equity products, currencies, and derivatives on these products. In addition, the firm engages in market-making activities on equities and options exchanges and the firm clears client transactions on major stock, options and futures exchanges worldwide. In connection with the firm’s other investing activities, the firm makes principal investments.
- **Asset Management and Securities Services.** The firm provides investment advisory and financial planning services and offers investment products (primarily through separately managed accounts and commingled vehicles, such as mutual funds and private investment funds) across all major asset classes to a diverse group of institutions and individuals worldwide and provides prime brokerage services, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and to high-net-worth individuals worldwide.

Note 2. Significant Accounting Policies

Basis of Presentation

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

The firm determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity, a variable interest entity (VIE) or a qualifying special-purpose entity (QSPE) under generally accepted accounting principles.

- **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 obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. Voting interest entities are consolidated in accordance with Accounting Research Bulletin (ARB) No. 51, “Consolidated Financial Statements,” as amended. The

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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usual condition for a controlling financial interest in an entity is ownership of a majority voting interest. Accordingly, the firm 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 will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. In accordance with Financial Accounting Standards Board (FASB) Interpretation (FIN) 46-R, "Consolidation of Variable Interest Entities," the firm determines whether it is the primary beneficiary of a VIE by first performing a qualitative analysis of the VIE's expected losses and expected residual returns. This analysis includes a review of, among other factors, the VIE's capital structure, contractual terms, which interests create or absorb variability, related party relationships and the design of the VIE. Where qualitative analysis is not conclusive, the firm performs a quantitative analysis. For purposes of allocating a VIE's expected losses and expected residual returns to its variable interest holders, the firm utilizes the "top down" method. Under this method, the firm calculates its share of the VIE's expected losses and expected residual returns using the specific cash flows that would be allocated to it, based on contractual arrangements and/or the firm's position in the capital structure of the VIE, under various probability-weighted scenarios. The firm reassesses its initial evaluation of an entity as a VIE and its initial determination of whether the firm is the primary beneficiary of a VIE upon the occurrence of certain reconsideration events as defined in FIN 46-R. See "— Recent Accounting Developments" below for information regarding amendments to FIN 46-R.
- **QSPEs.** QSPEs are passive entities that are commonly used in mortgage and other securitization transactions. Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," sets forth the criteria an entity must satisfy to be a QSPE. These criteria include the types of assets a QSPE may hold, limits on asset sales, the use of derivatives and financial guarantees, and the level of discretion a servicer may exercise in attempting to collect receivables. These criteria may require management to make judgments about complex matters, such as whether a derivative is considered passive and the level of discretion a servicer may exercise, including, for example, determining when default is reasonably foreseeable. In accordance with SFAS No. 140 and FIN 46-R, the firm does not consolidate QSPEs. See "— Recent Accounting Developments" below for information regarding amendments to SFAS No. 140.
- **Equity-Method Investments.** When the firm does not have a controlling financial interest in an entity but exerts significant influence over the entity's operating and financial policies (generally defined as owning a voting interest of 20% to 50%) and has an investment in common stock or in-substance common stock, the firm accounts for its investment either in accordance with Accounting Principles Board Opinion (APB) No. 18, "The Equity Method of Accounting for Investments in Common Stock" or at fair value in accordance with SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." In general, the firm accounts for investments acquired subsequent to the adoption of SFAS No. 159 at fair value. In certain cases, the firm may apply the equity method of accounting to new investments that are strategic in nature or closely related to the firm's principal business activities, where the firm has a significant degree of involvement in the cash flows or operations of the investee, or where cost-benefit considerations are less significant. See "— Other Financial Assets and Financial Liabilities at Fair Value" below for a discussion of the firm's application of SFAS No. 159.

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**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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- **Other.** If the firm does not consolidate an entity or apply the equity method of accounting, the firm accounts for its investment at fair value.

This consolidated statement of financial condition is unaudited and should be read in conjunction with the audited statement of financial condition for the fiscal year ended November 28, 2008.

This unaudited consolidated statement of financial condition reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the period presented. These adjustments are of a normal, recurring nature.

In connection with Group Inc. becoming a financial holding company, the firm was required to change its fiscal year-end from November to December. On April 13, 2009, the Board of Directors of Group Inc. approved a change in the firm's fiscal year-end from the last Friday of December to December 31, beginning with fiscal 2009. Fiscal 2009 began on November 29, 2008 and will end on December 31, 2009. Beginning in the fourth quarter of 2009, the firm's fiscal year will end on December 31.

All references to June 2009, unless specifically stated otherwise, refer to the firm's fiscal period ended, or the date, as the context requires, June 26, 2009.

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, 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. Substantially all "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 on a trade date basis.

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 firm has elected to account for certain of its other financial assets and financial liabilities at fair value under the fair value option.

Such financial assets and financial liabilities accounted for at fair value include:

- certain unsecured short-term and long-term borrowings, primarily consisting of promissory notes;
- certain other secured financings, primarily transfers accounted for as financings rather than sales under SFAS No. 140;
- resale and repurchase agreements;
- securities borrowed consisting of the firm's matched book and certain firm financing activities; and
- receivables from customers and counterparties arising from transfers accounted for as secured loans rather than purchases under SFAS No. 140.

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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.

SFAS No. 157, "Fair Value Measurements," establishes a fair value hierarchy that 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 under SFAS No. 157 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 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. The firm defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

In October 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active," which specifies that it is acceptable to use inputs based on management estimates or assumptions, or for management to make adjustments to observable inputs, to determine fair value when markets are not active and relevant observable inputs are not available. In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," which provides additional guidance for estimating fair value when the volume and level of activity for an asset or liability have decreased significantly. The firm's fair value measurement policies are consistent with the guidance in both FSP No. FAS 157-3 and FSP No. FAS 157-4. See "— Recent Accounting Developments" below for further information regarding FSP No. FAS 157-4.

Credit risk is an essential component of fair value. Cash products (e.g., bonds and loans) and derivative instruments (particularly those with significant future projected cash flows) trade in the market at levels which reflect credit considerations. The firm calculates the fair value of derivative assets by discounting future cash flows at a rate which incorporates counterparty credit spreads and the fair value of derivative liabilities by discounting future cash flows at a rate which incorporates the firm's own credit spreads. In doing so, credit

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exposures are adjusted to reflect mitigants, namely collateral agreements which reduce exposures based on triggers and contractual posting requirements. The firm manages its exposure to credit risk as it does other market risks and will price, economically hedge, facilitate and intermediate trades which involve credit risk. The firm records liquidity valuation adjustments to reflect the cost of exiting concentrated risk positions, including exposure to the firm's own credit spreads.

In determining fair value, the firm separates its "Total financial instruments owned, at fair value" and its "Financial instruments sold, but not yet purchased, at fair value" into two categories: cash instruments and derivative contracts.

- **Cash Instruments.** The firm's cash instruments are generally classified within level 1 or level 2 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 most government obligations, active listed equities and certain money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy. In accordance with SFAS No. 157, the firm does not adjust the quoted price for such instruments, even in situations where the firm holds a large position and a sale could reasonably impact the quoted price.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans, less liquid listed equities, certain state, municipal and provincial obligations, and certain money market securities. Such instruments are generally classified within level 2 of the fair value hierarchy.

Certain cash instruments are classified within level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity and real estate fund investments, less liquid corporate debt securities and other debt obligations (including less liquid high-yield corporate bonds, distressed debt instruments and collateralized debt obligations (CDOs) backed by corporate obligations), less liquid mortgage whole loans and securities (backed by either commercial or residential real estate). The transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. This valuation is adjusted only when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence where available. In the absence of such evidence, management's best estimate is used.

Management's judgment is required to determine the appropriate risk-adjusted discount rate for cash trading instruments that are classified within level 3 of the fair value hierarchy and that have little or no price transparency as a result of decreased volumes and lower levels of trading activity. In such

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situations, the firm's valuation is adjusted to approximate rates which market participants would likely consider appropriate for relevant credit and liquidity risks.

- **Derivative Contracts.** Derivative contracts can be exchange-traded or over-the-counter (OTC). Exchange-traded derivatives typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The firm generally values exchange-traded derivatives using models which calibrate to market-clearing levels and eliminate timing differences between the closing price of the exchange-traded derivatives and their underlying instruments. In such cases, exchange-traded derivatives are classified within level 2 of the fair value hierarchy.

OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The firm generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. OTC derivatives are classified within level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence.

Certain OTC derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Where the firm does not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, the transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. The valuations of these less liquid OTC derivatives are typically based on level 1 and/or level 2 inputs that can be observed in the market, as well as unobservable level 3 inputs. Subsequent to initial recognition, the firm updates the level 1 and level 2 inputs to reflect observable market changes, with resulting gains and losses reflected within level 3. Level 3 inputs are only changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations, or other empirical market data. In circumstances where the firm cannot verify the model value to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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Collateralized Agreements and Financings. Collateralized agreements consist of resale agreements and securities borrowed. Collateralized financings consist of repurchase agreements, securities loaned and other secured financings.

- **Resale and Repurchase Agreements.** Financial instruments purchased under agreements to resell and financial instruments sold under agreements to repurchase, principally U.S. government, federal agency and investment-grade sovereign obligations, represent collateralized financing transactions. The firm 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 SFAS No. 159. Resale and repurchase agreements are generally valued based on inputs with reasonable levels of price transparency and are classified within level 2 of the fair value hierarchy. Resale and repurchase agreements are presented on a net-by-counterparty basis when the requirements of FIN 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements," or FIN 39, "Offsetting of Amounts Related to Certain Contracts," are satisfied.
- **Securities Borrowed and Loaned.** Securities borrowed and loaned are generally collateralized by cash, securities or letters of credit. The firm 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 firm 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. Securities borrowed and loaned which are related to the firm's matched book and certain firm financing activities, are recorded at fair value under SFAS No. 159. These securities borrowed and loaned transactions are generally valued based on inputs with reasonable levels of price transparency and are classified within level 2 of the fair value hierarchy.
- **Other Secured Financings.** In addition to repurchase agreements and securities loaned, the firm funds assets through the use of other secured financing arrangements and pledges financial instruments and other assets as collateral in these transactions. As noted above, the firm has elected to apply SFAS No. 159 to transfers accounted for as financings rather than sales under SFAS No. 140, for which the use of fair value eliminates non-economic volatility in earnings that would arise from using different measurement attributes. These other secured financing transactions are generally classified within level 2 of the fair value hierarchy. Other secured financings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest. See Note 3 for further information regarding other secured financings.

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Hybrid Financial Instruments. Hybrid financial instruments are instruments that contain bifurcable embedded derivatives under SFAS No. 133 and do not require settlement by physical delivery of non-financial assets. If the firm elects to bifurcate the embedded derivative, it is accounted for at fair value and the host contract is accounted for at amortized cost, adjusted for the effective portion of any fair value hedge accounting relationships. If the firm does not elect to bifurcate, the entire hybrid financial instrument is accounted for at fair value under SFAS No. 155. See Note 3 for further information regarding hybrid financial instruments.

Transfers of Financial Assets. In general, transfers of financial assets are accounted for as sales under SFAS No. 140 when the firm has relinquished control over the transferred assets. Transfers that are not accounted for as sales are accounted for as collateralized financings.

Asset Management. Management fees are recognized over the period that the related service is provided based upon average net asset values.

Share-Based Compensation

The firm accounts for share-based compensation in accordance with SFAS No. 123-R, "Share-Based Payment." 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. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement-eligible employees) are expensed immediately. Share-based employee awards that require future service are amortized over the relevant service period. In the first quarter of 2006, the firm adopted SFAS No. 123-R under the modified prospective adoption method. Under this method of adoption, the provisions of SFAS No. 123-R are generally applied only to share-based awards granted subsequent to adoption. Share-based awards held by employees that were retirement-eligible on the date of adoption of SFAS No. 123-R continue to be amortized over the stated service period of the award.

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 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 in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." 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 firm's operating leases include office space held in excess of current requirements. In accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," the firm 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 firm has ceased using the space and management has concluded that the firm will not

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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

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of the firm'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 firm'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. Tax provisions are computed in accordance with SFAS No. 109, "Accounting for Income Taxes." The firm adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109," as of December 1, 2007. Under FIN 48, a tax position can be recognized in the financial statements 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 financial statements. The adoption had no effect on the firm's financial condition.

Cash and Cash Equivalents

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

Recent Accounting Developments

FSP No. FAS 140-3. In February 2008, the FASB issued FASB Staff Position No. FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions." FSP No. FAS 140-3 requires an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously or in contemplation of the initial transfer to be evaluated as a linked transaction under SFAS No. 140 unless certain criteria are met, including that the transferred asset must be readily obtainable in the marketplace. The firm adopted FSP No. FAS 140-3 for new transactions entered into after June 2009. The adoption of FSP No. FAS 140-3 did not have a material effect on the firm's financial condition.

SFAS No. 161. In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities, and was effective for the firm beginning December 2008. Since SFAS No. 161 requires only additional disclosures concerning derivatives and hedging activities, adoption of SFAS No. 161 did not affect the firm's financial condition.

SFAS No. 141(R). In December 2007, the FASB issued a revision to SFAS No. 141, "Business Combinations." SFAS No. 141(R) requires changes to the accounting for transaction costs, certain contingent assets and liabilities, and other balances in a business combination. In addition, in partial acquisitions, when control is obtained, the acquiring company must measure and record all of the target's assets and liabilities, including goodwill, at fair value as if the entire target company had been acquired. The

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provisions of SFAS No. 141(R) apply to business combinations beginning in the first quarter of 2009. Adoption of SFAS No. 141(R) did not affect the firm's financial condition, but may have an effect on accounting for future business combinations.

SFAS No. 160. In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." SFAS No. 160 requires that ownership interests in consolidated subsidiaries held by parties other than the parent (i.e., noncontrolling interests) be accounted for and presented as equity, rather than as a liability or mezzanine equity. SFAS No. 160 was effective for the firm as of the beginning of fiscal 2009. Adoption of SFAS No. 160 did not have material effect on the firm's financial condition.

FSP No. FAS 140-4 and FIN 46(R)-8. In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities." FSP No. FAS 140-4 and FIN 46(R)-8 requires enhanced disclosures about transfers of financial assets and interests in VIEs, and was effective for the firm as of the beginning of fiscal 2009. Since the FSP requires only additional disclosures concerning transfers of financial assets and interests in VIEs, adoption of the FSP will not affect the firm's financial condition.

FASB Staff Position No. FAS 157-4. In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." The FSP provides guidance for estimating fair value when the volume and level of activity for an asset or liability have decreased significantly. Specifically, the FSP lists factors which should be evaluated to determine whether a transaction is orderly, clarifies that adjustments to transactions or quoted prices may be necessary when the volume and level of activity for an asset or liability have decreased significantly, and provides guidance for determining the concurrent weighting of the transaction price relative to fair value indications from other valuation techniques when estimating fair value. The firm adopted FSP No. FAS 157-4 in the second quarter of 2009. Since the firm's fair value methodologies were consistent with FSP No. FAS 157-4, adoption of the FSP did not affect the firm's financial condition.

FASB Staff Position No. FAS 107-1 and APB 28-1. In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." The FSP requires that the fair value disclosures prescribed by FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" be included in financial statements prepared for interim periods. The firm adopted FSP No. FAS 107-1 and APB 28-1 in the second quarter of 2009. The adoption of the FSP did not affect the firm's financial condition.

SFAS No. 165. In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which codifies the guidance regarding the disclosure of events occurring subsequent to the balance sheet date. SFAS No. 165 does not change the definition of a subsequent event (i.e., an event or transaction that occurs after the balance sheet date but before the financial statements are issued) but requires disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required. SFAS No. 165 was effective for the firm for the second quarter of 2009. For the second quarter of fiscal 2009, the firm evaluated subsequent events through August 27, 2009. Since SFAS No. 165 requires only additional disclosures concerning subsequent events, adoption of the standard did not affect the firm's financial condition.

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SFAS No. 166 and 167. In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No.140" and SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," which changed the accounting for securitizations and VIEs. SFAS No. 166 will eliminate the concept of a QSPE, changes the requirements for derecognizing financial assets, and requires additional disclosures about transfers of financial assets, including securitization transactions, and continuing involvement with transferred financial assets. SFAS No. 167 will change the determination of when a VIE should be consolidated. Under SFAS No. 167, the determination of whether to consolidate a VIE is based on the power to direct the activities of the VIE that most significantly impact the VIE's economic performance together with either the obligation to absorb losses or the right to receive benefits that could be significant to the VIE, as well as the VIE's purpose and design. Both statements are effective for fiscal years beginning after November 15, 2009. The firm is currently evaluating the impact of adopting SFAS No. 166 and 167 on its financial condition.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

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Note 3. Financial Instruments

Fair Value of Financial Instruments

The following table sets forth 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. At any point in time, the firm may use cash instruments as well as derivatives to manage a long or short risk position.

	As of June 2009	
	Assets	Liabilities
	(in millions)	
Commercial paper, certificates of deposit, time deposits and other money market instruments.....	\$ 6,275	\$ -
U.S. government, and federal agency obligations.....	90,332	21,976
Non-U.S. government obligations.....	1,016	343
Mortgage and other asset-backed loans and securities.....	3,104	5
Bank loans	198	1
Corporate debt securities and other debt obligations.....	13,626	3,119
Equities and convertible debentures.....	11,092	11,164
Derivative contracts.....	8,769 ⁽¹⁾	7,247 ⁽²⁾
Total.....	\$ 134,412	\$ 43,855

⁽¹⁾ Net of cash received pursuant to legally enforceable netting agreements of \$539 million.

⁽²⁾ Net of cash paid pursuant to credit support agreements of \$25 million.

Fair Value Hierarchy

The following tables set forth by level within the fair value hierarchy "Total financial instruments owned, at fair value," "Financial instruments sold, but not yet purchased, at fair value" and other financial assets and financial liabilities accounted for at fair value under the fair value option as of June 2009. See Note 2 for further information on the fair value hierarchy. As required by SFAS No. 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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Financial Assets at Fair Value as of June 2009					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
	(in millions)				
Commercial paper, certificates of deposit, time deposits and other money market instruments.....	\$ 464	\$ 5,811	\$ -	\$ -	\$ 6,275
U.S. government and federal agency obligations.....	33,761	56,571	-	-	90,332
Non-U.S. government obligations....	309	707	-	-	1,016
Mortgage and other asset-backed loans and securities:					
Loans and securities backed by commercial real estate.....	-	645	185	-	830
Loans and securities backed by residential real estate.....	-	1,775	499	-	2,274
Bank loans	-	194	4	-	198
Corporate debt securities.....	116	5,458	1,441	-	7,015
State and municipal obligations.....	-	1,434	1,429	-	2,863
Other debt obligations.....	-	2,554	1,194	-	3,748
Equities and convertible debentures	7,844	2,245	1,003	-	11,092
Cash instruments.....	42,494	77,394	5,755	-	125,643
Derivative contracts.....	41	8,728	495	(495) ⁽⁵⁾	8,769
Financial instruments owned, at fair value	42,535	86,122	6,250	(495)	134,412
Securities segregated for regulatory and other purposes	9,959 ⁽²⁾	12,378 ⁽³⁾	-	-	22,337
Financial instruments purchased under agreements to resell, at fair value.....	-	86,911	-	-	86,911
Securities borrowed ⁽¹⁾	-	76,591	-	-	76,591
Total financial assets at fair value	\$ 52,494	\$ 262,002	\$ 6,250 ⁽⁴⁾	\$ (495)	\$ 320,251

⁽¹⁾ Consists of securities borrowed, excluding securities borrowed which are accounted for based on the amount of cash collateral advanced plus accrued interest.

⁽²⁾ Consists of U.S. Treasury securities and money market instruments.

⁽³⁾ Principally consists of securities borrowed and resale agreements. The underlying securities have been segregated to satisfy certain regulatory requirements.

⁽⁴⁾ Level 3 assets were 2% of Total financial assets at fair value and 1% of "Total assets" in the consolidated statement of financial condition.

⁽⁵⁾ Represents cash collateral netting and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

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**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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Financial Liabilities at Fair Value as of June 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Netting and Collateral</u>	<u>Total</u>
			(in millions)		
U.S. government and federal agency obligations.....	\$ 21,853	\$ 123	\$ -	\$ -	\$ 21,976
Non-U.S. government obligations.....	143	200	-	-	343
Mortgage and other asset-backed loans and securities:					
Loans and securities backed by commercial real estate.....	-	2	-	-	2
Loans and securities backed by residential real estate.....	1	2	-	-	3
Bank loans	-	1	-	-	1
Corporate debt securities.....	13	2,852	254	-	3,119
Equities and convertible debentures...	10,978	185	1	-	11,164
Cash instruments.....	32,988	3,365	255	-	36,608
Derivative contracts.....	37	7,186	173	(149) ⁽³⁾	7,247
Financial instruments sold, but not yet purchased, at fair value	33,025	10,551	428	(149)	43,855
Financial instruments sold under agreements to repurchase, at fair value....	-	148,776	-	-	148,776
Other secured financings ⁽²⁾	-	198	776	-	974
Unsecured short-term borrowings ⁽¹⁾	-	-	2	-	2
Unsecured long-term borrowings ⁽¹⁾	-	-	73	-	73
Total financial liabilities at fair value.....	\$ 33,025	\$ 159,525	\$ 1,279 ⁽⁴⁾	\$ (149)	\$ 193,680

⁽¹⁾ Consists of hybrid financial instruments.

⁽²⁾ Primarily consists of Municipal Tender Option Bond (TOB) program.

⁽³⁾ Represents the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

⁽⁴⁾ Level 3 liabilities were less than 1% of Total financial liabilities at fair value and "Total liabilities" in the consolidated statement of financial condition.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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Credit Concentrations

Credit concentrations may arise from trading, underwriting and securities borrowing activities 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 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 counterparties in the financial services industry, including brokers and dealers, commercial banks, investment funds and other institutional clients, resulting in significant credit concentration with respect to this industry. 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.

As of June 2009, the firm held \$95.0 billion (18% of total assets) of U.S. government and federal agency obligations included in "Total financial instruments owned, at fair value" and "Cash and securities segregated for regulatory and other purposes" in the consolidated statement of financial condition. In addition, as of June 2009, \$115.4 billion of the firm's financial instruments purchased under agreements to resell and securities borrowed (including those in "Cash and securities segregated for regulatory and other purposes"), respectively, were collateralized by U.S. government and federal agency obligations. As of June 2009, \$4.5 billion of the firm's financial instruments purchased under agreements to resell and securities borrowed, were collateralized by other sovereign obligations. As of June 2009, the firm did not have credit exposure to any other counterparty that exceeded 2% of the firm's total assets.

Derivative Activities

Derivative contracts are instruments, such as futures, forwards, swaps or option contracts that derive their value from underlying assets, indices, reference rates or a combination of these factors. Derivative instruments may be privately negotiated contracts, which are often referred to as OTC derivatives, or they may be listed and traded on an exchange. Derivatives may involve future commitments to purchase or sell financial instruments, 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, securities, currencies or indices.

Certain cash instruments, such as mortgage-backed securities, interest-only and principal-only obligations, and indexed debt instruments, are not considered derivatives even though their values or contractually required cash flows are derived from the price of some other security or index. However, certain commodity-related contracts are included in the firm's derivative disclosure, as these contracts may be settled in cash or the assets to be delivered under the contract are readily convertible to cash.

The firm enters into derivative transactions to facilitate client transactions, to take proprietary positions and as a means of risk management. Risk exposures are managed through diversification, by controlling position sizes and by entering into offsetting positions. For example, the firm may manage the risk related to a portfolio of common stock by entering into an offsetting position in a related equity-index futures contract.

The firm applies hedge accounting under SFAS No. 133 to certain derivative contracts. The firm uses these derivatives to manage certain interest rate and currency exposures. The firm designates certain interest rate swap contracts as fair value hedges.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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The fair value of the firm's derivative contracts is reflected net of cash paid or received pursuant to credit support agreements and is reported on a net-by-counterparty basis in the firm's consolidated statement of financial condition when management believes a legal right of setoff exists under an enforceable netting agreement. The following table sets forth the fair value and the number of the firm's derivative contracts by major product type on a gross basis as of June 2009. Gross fair values in the table below exclude the effects of both netting under enforceable netting agreements and netting of cash received or posted pursuant to credit support agreements, and therefore are not representative of the firm's exposure:

	As of June 2009		
	Derivative Assets	Derivative Liabilities	Number of Contracts
	(in millions, except number of contracts)		
<u>Derivative contracts for trading activities</u>			
Interest Rates	\$13,962	\$14,706	15,067
Credit.....	9,656	8,757	7,589
Currencies	8,146	8,004	128,301
Commodities	139	116	395
Equities	23,281	21,660	140,485
Subtotal	\$55,184	\$53,243	291,837
Gross fair value of derivative contracts	\$55,184	\$53,243	291,837
Counterparty netting ⁽¹⁾	(45,944)	(45,944)	
Cash collateral netting ⁽²⁾	(471)	(52)	
Fair value included in "Financial instruments owned, at fair value"	\$8,769		
Fair value included in "Financial instruments sold, but not yet purchased, at fair value"		\$7,247	

⁽¹⁾ Represents the netting of receivable balances with payable balances for the same counterparty pursuant to credit support agreements in accordance with FIN 39.

⁽²⁾ Represents the netting of cash collateral received and posted on a counterparty basis pursuant to credit support agreements.

The firm enters into various derivative transactions that are considered credit derivatives under FASB FSP No. 133-1 and FIN 45-4. The firm's written and purchased credit derivatives include credit default swaps, credit spread options, credit index products and total return swaps. As individually negotiated contracts, credit derivatives can have numerous settlement and payment conventions. The more common types of triggers include bankruptcy of the reference credit entity, acceleration of indebtedness, failure to pay, restructuring, repudiation and dissolution of the entity. Substantially all of the firm's purchased credit derivative transactions are with financial institutions and are subject to stringent collateral thresholds. As of June 2009, the firm's written and purchased credit derivatives had total gross notional amounts of \$130.1 billion and \$141.3 billion, respectively, for total net purchased protection of \$11.2 billion in notional value.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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The following table sets forth certain information related to the firm's written credit derivatives, including fair value and maximum potential payout, on a gross basis. Fair values in the table below exclude the effects of both netting under enforceable netting agreements and netting of cash paid pursuant to credit support agreements, and therefore are not representative of the firm's net exposure.

	Maximum Payout/Notional Amount of Written Credit Derivatives by Tenor ⁽¹⁾				Maximum Payout/Notional Amount of Purchased Credit Derivatives		Written Credit Derivatives at Fair Value
	0 - 12 Months	1 - 5 Years	5 Years or Greater	Total	Offsetting Purchased Credit Derivatives ⁽²⁾	Other Purchased Credit Derivatives ⁽³⁾	
	(in millions)						
As of June 2009							
Credit spread on underlying (basis points) ⁽⁴⁾							
0-250.....	\$4,362	\$44,036	\$18,733	\$67,131	\$65,836	\$5,019	\$3,266
251-500.....	3,159	26,912	13,726	43,797	40,039	6,487	1,771
501-1,000.....	834	7,455	1,593	9,882	8,977	5,180	795
Greater than 1,000...	590	6,844	1,837	9,271	9,132	605	1,784
Total.....	\$8,945	\$85,247	\$35,889	\$130,081	\$123,984	\$17,291	\$7,616 ⁽⁵⁾

⁽¹⁾ Tenor is based on expected duration for mortgage-related credit derivatives and on remaining contractual maturity for other credit derivatives.

⁽²⁾ Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives to the extent they hedge written credit derivatives with identical underlyings.

⁽³⁾ Comprised of purchased protection in excess of the amount of written protection on identical underlyings and purchased protection on other underlyings on which the firm has not written protection.

⁽⁴⁾ Credit spread on the underlying, together with the tenor of the contract, are indicators of payment/performance risk. For example, the firm is least likely to pay or otherwise be required to perform where the credit spread on the underlying is "0-250" basis points and the tenor is "0-12 Months." The likelihood of payment or performance is generally greater as the credit spread on the underlying and tenor increase.

⁽⁵⁾ This liability excludes the effects of both netting under enforceable netting agreements and netting of cash collateral paid pursuant to credit support agreements. Including the effects of netting receivable balances with payable balances for the same counterparty pursuant to enforceable netting agreements, the firm's net liability related to credit derivatives in the firm's consolidated statement of financial condition as of June 2009 was \$ 287 million. This net amount excludes the netting of cash collateral paid pursuant to credit support agreements.

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Collateralized Transactions

The firm 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, sovereigns and corporations, as well as equities and convertibles.

In many cases, the firm 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 firm or customer settlement requirements. As of June 2009, the fair value of financial instruments received as collateral by the firm that it was permitted to deliver or repledge was \$462.9 billion, of which the firm delivered or repledged \$374.2 billion.

The firm also pledges assets that it owns to counterparties who may or may not have the right to deliver or repledge them. Financial instruments owned and pledged to counterparties that have the right to deliver or repledge are reported as "Financial instruments owned and pledged as collateral, at fair value" in the consolidated statement of financial condition and were \$18.1 billion as of June 2009. Financial instruments owned and pledged in connection with repurchase agreements and securities lending agreements to counterparties that did not have the right to sell or repledge are included in "Financial instruments owned, at fair value" in the consolidated statement of financial condition and were \$75.7 billion as of June 2009.

In addition to repurchase agreements and securities lending agreements, the firm obtains secured funding through the use of other arrangements. Other secured financings include arrangements that are nonrecourse, that is, only the subsidiary that executed the arrangement or a subsidiary guaranteeing the arrangement is obligated to repay the financing. Other secured financings primarily consist of liabilities related to the firm's short-term borrowings with Group Inc.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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Other secured financings by maturity are set forth in the table below:

	As of June 2009
	(in millions)
Other secured financings (short-term) ^{(1) (2)}	\$ 65,362
Other secured financings (long-term):	
2010.....	-
2011.....	79
2012.....	-
2013.....	-
2014.....	-
2015- thereafter.....	28
Total other secured financings (long-term).....	107
Total other secured financings ^{(3) (4)}	\$ 65,469

- ⁽¹⁾ The weighted average interest rate was 2.1% as of June 2009. The weighted average interest rate as of June 2009 excluded financial instruments accounted for at fair value under SFAS No. 159.
- ⁽²⁾ Includes other secured financings maturing within one year of the date of the statement of financial condition and other secured financings that are redeemable within one year of the statement of financial condition date at the option of the holder.
- ⁽³⁾ As of June 2009, other secured financings were collateralized by financial instruments. Other secured financings include \$79 million of nonrecourse obligations as of June 2009.
- ⁽⁴⁾ As of June 2009, other secured financings includes \$52 million related to transfers of financial assets accounted for as financings rather than sales under SFAS No. 140. Such financings were collateralized by financial assets of \$52 million included in "Total financial instruments owned, at fair value" in the consolidated statement of financial condition as of June 2009.

Note 4. Securitization Activities and Variable Interest Entities

Securitization Activities

The firm securitizes commercial and residential mortgages, government and corporate bonds and other types of financial assets. The firm acts as underwriter of the beneficial interests that are sold to investors. The firm also acts as underwriter when other subsidiaries of Group Inc. securitize financial assets. The firm derecognizes financial assets transferred in securitizations provided it has relinquished control over such assets. Transferred assets are accounted for at fair value prior to securitization.

The firm may have continuing involvement with transferred assets, including: retaining interests in securitized financial assets, primarily in the form of senior or subordinated securities; retaining servicing rights; and purchasing senior or subordinated securities in connection with secondary market-making activities. Retained interests and any other interests related to the firm's continuing involvement are accounted for at fair value and are included in "Total financial instruments owned, at fair value" in the consolidated statement of financial condition. See Note 2 for additional information regarding fair value measurement.

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**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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During the seven months ended June 2009, the firm securitized \$16.7 billion of financial assets in which the firm had continuing involvement as of June 2009, all related to residential mortgages.

The following table sets forth certain information related to the firm's continuing involvement in securitization entities to which the firm sold assets, as well as the total outstanding principal amount of transferred assets in which the firm has continuing involvement, as of June 2009 in accordance with FSP No. FAS 140-4 and FIN 46(R)-8. The outstanding principal amount set forth in the tables below is presented for the purpose of providing information about the size of the securitization entities in which the firm has continuing involvement, and is not representative of the firm's risk of loss. For retained or purchased interests, the firm's risk of loss is limited to the fair value of these interests.

	As of June 2009 ⁽¹⁾		
	Outstanding principal amount	Fair value of retained interests	Fair value of purchased interests ⁽²⁾
		(in millions)	
Residential mortgage-backed.....	\$20,751	\$1,854 ⁽⁴⁾	\$ 2
Other asset-backed ⁽³⁾	4,388	22	-
Total	\$25,139	\$1,876	\$2

⁽¹⁾ As of June 2009, fair value of other continuing involvement excludes \$66 million, of purchased interests in securitization entities where the firm's involvement was related to secondary market-making activities. Continuing involvement also excludes derivative contracts that are used by securitization entities to manage credit, interest rate or foreign exchange risk. See Note 3 for information on the firm's derivative contracts.

⁽²⁾ Comprised of senior and subordinated interests purchased in connection with secondary market-making activities in VIEs and QSPEs in which the firm also holds retained interests. In addition to these interests, the firm had other continuing involvement in the form of derivative transactions and guarantees with certain VIEs for which the carrying value was a net liability of \$242 million as of June 2009. The notional amounts of these transactions are included in maximum exposure to loss in the nonconsolidated VIE table below.

⁽³⁾ Primarily consists of CDOs backed by corporate and mortgage obligations. Outstanding principal amount and fair value of retained interests include \$4.4 billion and \$22 million, respectively, as of June 2009 related to VIEs which are also included in the nonconsolidated VIE table below.

⁽⁴⁾ Primarily consists of retained interests in government agency QSPEs.

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The following table sets forth the weighted average key economic assumptions used in measuring the fair value of the firm's retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions:

	As of June 2009	
	Type of Retained Interests ⁽¹⁾	
	Mortgage- Backed	Other Asset- Backed ⁽²⁾
	(in millions)	
Fair value of retained interests.....	\$ 1,854	\$ 22
Weighted average life (years).....	5.5	3.9
Constant prepayment rate ⁽³⁾	19.3 %	N.M.
Impact of 10% adverse change ⁽³⁾	\$ (15)	N.M.
Impact of 20% adverse change ⁽³⁾	(30)	N.M.
Discount rate ⁽⁴⁾	6.1 %	N.M.
Impact of 10% adverse change.....	\$ (38)	N.M.
Impact of 20% adverse change.....	(75)	N.M.

⁽¹⁾ Includes \$1.9 billion as of June 2009 held in QSPEs.

⁽²⁾ Due to the nature and current fair value of certain of these retained interests, the weighted average assumptions for constant prepayment and discount rates and the related sensitivity to adverse changes are not meaningful as of June 2009. The firm's maximum exposure to adverse changes in the value of these interests is the firm's carrying value of \$22 million.

⁽³⁾ Constant prepayment rate is included only for positions for which constant prepayment rate is a key assumption in the determination of fair value.

⁽⁴⁾ The majority of the firm's mortgage-backed retained interests are U.S. government agency-issued collateralized mortgage obligations, for which there is no anticipated credit loss. For the remainder of the firm's retained interests, the expected credit loss assumptions are reflected within the discount rate.

The preceding table does not give effect to the offsetting benefit of other financial instruments that are held to mitigate risks inherent in these retained interests. Changes in fair value based on an adverse variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value is not usually linear. In addition, the impact of a change in a particular assumption is calculated independently of changes in any other assumption. In practice, simultaneous changes in assumptions might magnify or counteract the sensitivities disclosed above.

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Variable Interest Entities (VIEs)

The firm, in the ordinary course of business, retains interests in VIEs in connection with its securitization activities. The firm also purchases and sells variable interests in VIEs, which primarily issue mortgage-backed securities, CDOs and CLOs, in connection with its market-making activities and makes investments in and loans to VIEs that hold performing and nonperforming debt, equity, real estate, and other assets. In addition, the firm utilizes VIEs to provide investors with credit-linked notes designed to meet their objectives. VIEs generally purchase assets by issuing debt and equity instruments.

The firm's significant variable interests in VIEs include senior and subordinated debt interests in mortgage backed and asset backed securitization vehicles, CDOs and CLOs, loan commitments; limited and general partnership interests; preferred and common stock; interest rate, foreign currency, equity, commodity and credit derivatives; and guarantees.

The firm's exposure to the obligations of VIEs is generally limited to its interests in these entities. In the tables set forth below, the maximum exposure to loss for purchased and retained interests and loans and investments is the carrying value of these interests. In certain instances, the firm provides guarantees, including derivative guarantees, to VIEs or holders of variable interests in VIEs. For these contracts, maximum exposure to loss set forth in the tables below is the notional amount of such guarantees, which does not represent anticipated losses and also has not been reduced by unrealized losses already recorded by the firm in connection with these guarantees. As a result, the maximum exposure to loss exceeds the firm's liabilities related to VIEs.

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**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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The following tables set forth total assets in firm-sponsored nonconsolidated VIEs in which the firm holds variable interests and other nonconsolidated VIEs in which the firm holds significant variable interests, and the firm's maximum exposure to loss excluding the benefit of offsetting financial instruments that are held to mitigate the risks associated with these variable interests. For June 2009, in accordance with FSP No. FAS 140-4 and FIN 46(R)-8, the following tables also set forth the total assets and total liabilities included in the consolidated statement of financial condition related to the firm's significant interests in nonconsolidated VIEs. The firm has aggregated nonconsolidated VIEs based on principal business activity, as reflected in the first column. The nature of the firm's variable interests can take different forms, as described in the columns under maximum exposure to loss.

As of June 2009

	Assets in VIE	Carrying Value of the Firm's Variable Interests		Maximum Exposure to Loss in Nonconsolidated VIEs ⁽¹⁾				
		Assets	Liabilities	Purchased and Retained Interests	Commitments and Guarantees	Derivatives	Loans and Investments	Total
Mortgage CDOs ⁽²⁾	\$ 1,913	\$ 49	\$ -	\$ 49	\$ -	\$ -	\$ -	\$ 49
Corporate CDOs and CLOs ⁽²⁾	18,936	426	275	209	-	2,981 ⁽⁴⁾	-	3,190
Real estate, credit-related and other investing ⁽³⁾	192	9	-	-	20	-	-	20
Total	\$21,041	\$484	\$275	\$258	\$ 20	\$2,981	\$ -	\$3,259

⁽¹⁾ Such amounts do not represent the anticipated losses in connection with these transactions as they exclude the effect of offsetting financial instruments that are held to mitigate these risks.

⁽²⁾ These VIEs are generally financed through the issuance of debt instruments collateralized by assets held by the VIE. Substantially all assets and liabilities held by the firm related to these VIEs are included in "Total financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value," respectively, in the consolidated statement of financial condition.

⁽³⁾ The firm obtains interests in these VIEs in connection with making investments in real estate, distressed loans and other types of debt, mezzanine instruments and equities. These VIEs are generally financed through the issuance of debt and equity instruments which are either collateralized by or indexed to assets held by the VIE. Substantially all assets and liabilities held by the firm related to these VIEs are included in "Total financial instruments owned, at fair value" and "Other liabilities and accrued expenses," respectively, in the consolidated statement of financial condition.

⁽⁴⁾ Primarily consists of total return swaps on CDOs and CLOs. The firm has generally transferred the risks related to the underlying securities through derivatives with non-VIEs.

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The following table sets forth the firm's total assets excluding the benefit of offsetting financial instruments that are held to mitigate the risks associated with its variable interests in consolidated VIEs. The following table excludes VIEs in which the firm holds a majority voting interest unless the activities of the VIE are primarily related to securitization, asset-backed financings or single-lessee leasing arrangements. For June 2009, in accordance with FSP No. FAS 140-4 and FIN 46(R)-8, the following table also sets forth the total liabilities included in the consolidated statement of financial condition related to the firm's consolidated VIEs. The firm has aggregated consolidated VIEs based on principal business activity, as reflected in the first column.

	As of	
	June 2009	
	VIE	VIE
	Assets ⁽¹⁾	Liabilities ⁽¹⁾
	(in millions)	
Real estate, credit-related and other investing.....	\$312	\$225 ⁽²⁾
Municipal bond securitizations	733	922 ⁽³⁾
CDOs, mortgage-backed and other asset-backed	130	52 ⁽⁴⁾
Total	\$1,175	\$1,199

- ⁽¹⁾ Consolidated VIE assets and liabilities are presented after intercompany eliminations and include assets financed on a nonrecourse basis. Substantially all VIE assets are included in "Total financial instruments owned, at fair value" in the consolidated statement of financial condition.
- ⁽²⁾ These VIE liabilities, which are collateralized by the related VIE assets, are primarily included in "Other secured financings" in the consolidated statement of financial condition and generally do not provide for recourse to the general credit of the firm.
- ⁽³⁾ These VIE liabilities, which are partially collateralized by the related VIE assets, are included in "Other secured financings" in the consolidated statement of financial condition.
- ⁽⁴⁾ These VIE liabilities are included in "Other secured financings" in the consolidated statement of financial condition and generally do not provide for recourse to the general credit of the firm.

The firm did not have off-balance-sheet commitments to purchase or finance any CDOs held by structured investment vehicles as of June 2009.

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

Note 5. Short-Term Borrowings

As of June 2009, short-term borrowings were \$81.1 billion, comprised of \$65.4 billion included in “Other secured financings” in the consolidated statement of financial condition and \$15.7 billion of unsecured short-term borrowings. See Note 3 for information on other secured financings.

The firm obtains unsecured short-term borrowings primarily from Group Inc.. Such amounts 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 firm accounts for certain hybrid financial instruments at fair value under SFAS No. 155 or SFAS No. 159. Short-term borrowings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest, and such amounts approximate fair value due to the short-term nature of the obligations.

Note 6. Long-Term Borrowings

As of June 2009, long-term borrowings were \$579 million, comprised of \$107 million included in “Other secured financings” in the consolidated statement of financial condition and \$472 million of unsecured long-term borrowings. See Note 3 for information on other secured financings.

The firm obtains unsecured long-term borrowings primarily from third parties which have various maturity dates. As of June 2009, the carrying values of these long-term obligations approximated fair value.

Subordinated Borrowings

As of June 2009, the firm had outstanding borrowings of \$5.0 billion from Group Inc. under four subordinated loan agreements with maturities ranging from 2010 through 2011. In addition, the firm has \$16.9 billion revolving subordinated loan agreements with Group Inc., the majority of which matures on September 30, 2010. As of June 2009, \$13.3 billion was drawn down under these agreements.

Amounts borrowed under these subordinated loan agreements bear interest at a rate of LIBOR plus .75% per annum. The carrying value of these borrowings approximates fair value.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

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

Note 7. Commitments, Contingencies and Guarantees

Commitments

The following table summarizes the firm's commitments as of June 2009:

	Commitment Amount by Fiscal Period of Expiration as of June 2009			Total Commitments as of June 2009
	Remainder of 2009	2010- 2011	2012- Thereafter	
	(in millions)			
Forward starting resale and securities borrowing agreements	\$ 5,784	\$ -	\$ -	\$ 5,784
Forward starting repurchase and securities lending agreements	3,606	-	-	3,606
Letters of credit ⁽¹⁾	1,297	157	-	1,454
Other	112	30	22	164
Total commitments.....	\$ 10,799	\$ 187	\$ 22	\$ 11,008

⁽¹⁾ Consists of commitments under letters of credit issued by various banks which the firm provides to counterparties in lieu of securities or cash to satisfy various collateral and margin deposit requirements.

Leases. The firm has contractual obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through 2027. 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 millions):

Remainder of 2009.....	\$	42
2010.....		84
2011.....		47
2012.....		18
2013.....		4
2014-thereafter.....		9
Total.....	\$	204

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

Contingencies

The firm 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 firm's financial condition, but may be material to the firm's operating results for any particular period, depending, in part, upon the operating results for such period. Given the inherent difficulty of predicting the outcome of the firm's litigation and regulatory matters, particularly in cases or proceedings in which substantial or indeterminate damages or fines are sought, the firm cannot estimate losses or ranges of losses for cases or proceedings where there is only a reasonable possibility that a loss may be incurred.

Guarantees

The firm enters into various derivative contracts that meet the definition of a guarantee under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," as amended by FSP No. FAS 133-1 and FIN 45-4.

FIN 45 does not require disclosures about derivative contracts if such contracts may be cash settled and the firm has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. The firm has concluded that these conditions have been met for certain large, internationally active commercial and investment bank counterparties and certain other counterparties. Accordingly, the firm has not included such contracts in the table below.

In the ordinary course of business, the firm provides other financial guarantees of the obligations of third parties (e.g., performance bonds, standby letters of credit and other guarantees that enable clients to complete transactions and merchant banking 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.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

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

The following table sets forth certain information about the firm's derivative contracts that meet the definition of a guarantee and certain other guarantees as of June 2009. Derivative contracts set forth below include written equity and commodity put options, written currency contracts and interest rate caps, floors and swaptions. See Note 3 for information regarding credit derivative contracts that meet the definition of a guarantee, which are not included below.

	Carrying Value	As of June 2009				Total
		Maximum Payout/Notional Amount by Period of Expiration ⁽¹⁾				
		2009	2010- 2011	2012- 2013	2014- Thereafter	
		(in millions)				
Derivatives ⁽²⁾	\$50	\$2,363	\$177	\$36	\$79	\$2,655
Other financial guarantees...	-	30	-	-	-	30

⁽¹⁾ Such amounts do not represent the anticipated losses in connection with these contracts.

⁽²⁾ Because derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment/performance risk for individual contracts. However, the carrying value excludes the effect of a legal right of setoff that may exist under an enforceable netting agreement and the effect of netting of cash paid pursuant to credit support agreements. These derivative contracts are risk managed together with derivative contracts that are not considered guarantees under FIN 45 and, therefore, these amounts do not reflect the firm's overall risk related to its derivative activities.

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 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 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. In connection with its prime brokerage 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 liabilities related to these guarantees and indemnifications have been recognized in the consolidated statement of financial condition as of June 2009.

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

The firm provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The firm may also provide indemnifications protecting against changes in or adverse application of certain U.S. tax laws in connection with ordinary-course transactions such as securities issuances, borrowings or derivatives. In addition, the firm may provide indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or an adverse application of certain non-U.S. tax laws. These indemnifications generally are standard contractual terms and are entered into in the ordinary course of business. Generally, there are no stated or notional amounts included in these indemnifications, and the contingencies triggering the obligation to indemnify are not expected to occur. The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely that the firm will have to make any material payments under these arrangements, and no liabilities related to these arrangements have been recognized in the consolidated statement of financial condition as of June 2009.

Note 8. Employee Benefit Plans

The firm's employees participate in various Group Inc. sponsored pension plans and certain other postretirement benefit plans, primarily healthcare and life insurance. The firm also provides certain benefits to former or inactive employees prior to retirement.

Defined Benefit Pension Plans and Postretirement Plans

Group Inc. maintains a defined benefit pension plan for substantially all U.S. employees hired prior to November 1, 2003. As of November 2004, this plan has been closed to new participants and no further benefits will be accrued to existing participants. Employees of certain subsidiaries participate in various defined benefit pension plans. In addition, Group Inc. has unfunded postretirement benefit plans that provide medical and life insurance for eligible retirees and their dependents covered under the programs.

Defined Contribution Plans

The firm contributes to Group Inc. employee sponsored U.S. and non-U.S. defined contribution plans.

GOLDMAN, SACHS & CO. and SUBSIDIARIES

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

Note 9. Income Taxes

Effective November 29, 2003, GS&Co. elected to be 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 also subject to taxes in foreign jurisdictions on certain of its operations. The firm is included with Group Inc. and subsidiaries in the consolidated corporate federal tax return as well as the consolidated/combined state and local tax returns. The firm computes its tax liability as if it were filing a tax return on a 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 adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109," as of December 1, 2007. As of June 2009, the firm did not record a FIN 48 liability. The firm's policy is to recognize interest related to income tax matters in income tax expense. Income tax penalties, if any, are recognized as a component of other expense.

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.

Significant components of the firm's deferred tax assets and liabilities are set forth below:

	As of June 2009	
	(in millions)	
Deferred tax assets		
Compensation and benefits.....	\$	1,110
Unrealized losses.....		904
Other, net.....		345
Total deferred tax assets.....	<u>\$</u>	<u>2,359</u>
Deferred tax liabilities		
Depreciation and amortization.....	\$	219
Total deferred tax liabilities.....	<u>\$</u>	<u>219</u>

GOLDMAN, SACHS & CO. and SUBSIDIARIES

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

Note 10. Transactions with Related Parties

The firm enters into transactions with Group Inc. and affiliates in the normal course of business as part of its trading, financing and general operations. Amounts payable to, and receivable from, such affiliates are reflected in the consolidated statement of financial condition as set forth below:

	As of June 2009
	(in millions)
Assets	
Receivables from brokers, dealers and clearing organizations	\$ 3,458
Receivables from customers and counterparties	1,057
Securities borrowed	40,391
Financial instruments purchased under agreements to resell, at fair value	12,256
Financial instruments owned, at fair value (derivatives)	4,031
Other assets	2,567
Liabilities	
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings	\$ 15,456
Payables to brokers, dealers and clearing organizations	6,273
Payables to customers and counterparties	12,545
Securities loaned	75,592
Financial instruments sold under agreements to repurchase, at fair value	34,817
Other secured financings	64,440
Financial instruments sold, but not yet purchased, at fair value	838
Unsecured long-term borrowings	139
Subordinated liabilities	18,250

The firm, from time to time, makes markets in debt issued by Group Inc. and certain affiliates. Included in Financial instruments owned, at fair value are \$2.1 billion of such issuances.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Continued)
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Note 11. Net Capital Requirements

GS&Co. is a registered U.S. broker-dealer and futures commission merchant subject to Rule 15c3-1 of the Securities and Exchange Commission (SEC) and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require that a significant part of the registrants' assets are kept in relatively liquid form. GS&Co. has elected to compute net capital in accordance with the "Alternative Net Capital Requirement," as permitted by Rule 15c3-1. As of June 2009, GS&Co. had regulatory net capital, as defined, of \$13.2 billion, which exceeded the amount required by \$11.4 billion.

Certain other subsidiaries of GS&Co. are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of June 2009, these subsidiaries were in compliance with their local capital adequacy requirements.

As of June 2009, GS&Co. made a computation related to the reserve requirement for Proprietary Accounts of Introducing Brokers (PAIB) that indicated the Company's PAIB credits exceeded its PAIB debits. The amount held on deposit in the Reserve Bank at June 2009 was \$411 million.