Goldman, Sachs & Co.
85 Broad Street, New York, N.Y. 10004

Consolidated Statement of Financial Condition
May 28, 2004

Goldman, Sachs & Co.
Established 1869

New York Hong Kong London Tokyo
Atlanta Auckland* Bangkok Beijing Boston Buenos Aires
Calgary Chicago Dallas Dublin Frankfurt Geneva
George Town Houston Jersey City Johannesburg Los Angeles
Madrid Melbourne* Mexico City Miami Milan Moscow
Paris Philadelphia Princeton Salt Lake City San Francisco
São Paulo Seattle Seoul Shanghai Singapore Stockholm
Sydney* Taipei Tampa Toronto Washington, D.C. Zurich

GDMDDH413711-05-04

*Goldman Sachs JBWere

Goldman, Sachs & Co. and Subsidiaries

Consolidated Statement of Financial Condition
(Unaudited)

May 28, 2004
(in thousands)

ASSETS

Cash and cash equivalents	$	5,461,883
Cash and securities segregated in compliance with U.S. federal and other regulations		38,079,695
Receivables from brokers, dealers and clearing organizations		12,737,059
Receivables from customers and counterparties		11,500,239
Securities borrowed		174,946,807
Securities purchased under agreements to resell		15,398,817
Financial instruments owned, at fair value		40,063,243
Financial instruments owned and pledged as collateral, at fair value		13,384,358
Total financial instruments owned, at fair value		53,447,601
Other assets		3,049,347
TOTAL ASSETS	$	314,621,448

LIABILITIES and PARTNERS' CAPITAL

Short-term borrowings	$	40,186,040
Payables to brokers, dealers and clearing organizations		10,020,122
Payables to customers and counterparties		80,692,220
Securities loaned		100,099,639
Securities sold under agreements to repurchase		29,297,820
Financial instruments sold, but not yet purchased, at fair value		35,221,673
Other liabilities and accrued expenses		3,528,449
Long-term borrowings		945,580
		299,991,543
Commitments, contingencies and guarantees		
Subordinated borrowings		10,705,515
Partners' capital		
Partners' capital		3,919,109
Accumulated other comprehensive income		5,281
		3,924,390
TOTAL LIABILITIES and PARTNERS' CAPITAL	$	314,621,448

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

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 a subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation. The firm is an investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

The firm's business activities are as follows:

- **Investment Banking.** The firm provides a broad range of investment banking services to a diverse group of corporations, financial institutions, governments and individuals.
- **Trading.** The firm facilitates customer transactions with a diverse group of corporations, financial institutions, governments and individuals and takes proprietary positions through market making in, and trading of, fixed income and equity products, currencies, and swaps and other derivatives.
- **Asset Management and Securities Services.** The firm offers a broad array of investment strategies and advice across all major asset classes to a diverse client base of institutions and individuals, and provides prime brokerage, financing services and securities lending services to mutual funds, pension funds, hedge funds, foundations, endowments and high-net-worth individuals.

Note 2. Significant Accounting Policies

Basis of Presentation

The 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 transactions and balances with and between subsidiaries 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 are entities in which the total equity investment at risk is sufficient to enable each entity to finance itself independently and provide the equity holders with 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. ARB No. 51 states the usual condition for a controlling financial interest in an entity is ownership of a majority voting interest. Accordingly, the firm consolidates entities in which it has all, or a majority of, the voting interest.

As defined in Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities," VIEs are entities that lack one or more of the characteristics of a voting interest entity described above. Prior to the issuance of FIN No. 46, VIEs were commonly referred to as special purpose entities (SPEs). FIN No. 46 states that a controlling financial interest in an entity is present when an enterprise has a variable interest, or combination of variable interests, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. The enterprise with a controlling financial interest is known as the primary beneficiary under FIN No. 46.

In January 2003, the FASB issued FIN No. 46. In accordance with its original provisions, the firm adopted FIN No. 46 immediately for all VIEs created after January 31, 2003. For VIEs created before February 1, 2003 (pre-existing VIEs), the firm was initially required to adopt FIN No. 46 no later than November 2003. In December 2003, the FASB issued a revision to FIN No. 46 (FIN No. 46-R), which clarified and revised the accounting and transition guidance for VIEs. As permitted, the firm adopted either FIN No. 46 or FIN No. 46-R for substantially all VIEs in which it held a variable interest as of November 2003. As of May 2004, the firm adopted FIN no. 46-R for all VIEs in which it held a variable interest.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," and FIN No. 46-R, the firm does not consolidate QSPEs. QSPEs are passive entities that hold financial assets transferred to them by the firm and are commonly used in mortgage and other securitization transactions. Prior to the adoption of FIN No. 46 or FIN No. 46-R, as applicable, the firm consolidated all non-qualifying SPEs if the firm controlled the SPE, held a majority of the SPE's substantive risks and rewards, or had transferred assets to the SPE and independent investors had not made a substantive majority equity investment in legal form.

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 or economic interest of 20% to 50%), the firm accounts for its investment in accordance with the equity method of accounting as prescribed by Accounting Principles Board (APB) Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

If the firm does not have a controlling financial interest in, or exert significant influence over, an entity, the firm accounts for its investment at fair value.

The firm's financial interests in, and derivative transactions with, nonconsolidated VIEs are accounted for at fair value, in the same manner as other financial instruments. As of May 2004, the firm had no material additional financial commitments or guarantees in respect of these entities.

This consolidated statement of financial condition is unaudited and should be read in conjunction with the audited consolidated statement of financial condition incorporated by reference for the fiscal year ended November 28, 2003.

This unaudited consolidated statement of financial condition has been prepared in accordance with generally accepted accounting principles that require management to make estimates and assumptions regarding the outcome of pending litigation, inventory valuations and other matters that affect the consolidated statement of financial condition and related disclosures. These estimates and assumptions are based on the best available information; nonetheless, actual results could be materially different from these estimates.

Unless otherwise stated herein, all references to May 2004 refer to the firm's fiscal period ended or the date, as the context requires, May 28, 2004.

Repurchase Agreements and Collateralized Financing Arrangements. Securities purchased under agreements to resell and securities sold under agreements to repurchase, principally U.S. government, federal agency and investment-grade foreign sovereign obligations, represent short-term collateralized financing transactions and are carried in the consolidated statement of financial condition at their contractual amounts plus accrued interest. These amounts are presented on a net-by-counterparty basis when the requirements of FIN No. 41, "Offsetting of Amounts related to Certain Repurchase and Reverse Repurchase Agreements," are satisfied. The firm takes possession of securities purchased under agreements to resell, makes delivery of securities sold under agreements to repurchase, monitors the market value of these securities on a daily basis and delivers or obtains additional collateral as appropriate.

Securities borrowed and loaned are recorded based on the amount of cash collateral advanced or received. These transactions are generally collateralized by cash, securities or letters of credit. The firm takes possession of securities borrowed, makes delivery of securities loaned, monitors the market value of securities loaned and borrowed, and delivers or obtains additional collateral as appropriate.

Financial Instruments. The consolidated statement of financial condition generally reflects purchases and sales of financial instruments on a trade-date basis.

"Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value" in the consolidated statement of financial condition consist of financial instruments carried at fair value or amounts that approximate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

In determining fair value, the firm separates financial instruments into two categories -- cash (i.e., nonderivative) trading instruments and derivative contracts.

The fair values of cash trading instruments are generally obtained from quoted market prices in active markets, broker or dealer price quotations, or alternative pricing sources with a reasonable level of price transparency. Such instruments may include certain high-yield debt, loans and distressed debt. Certain cash trading instruments trade infrequently and, therefore, have little or no price transparency. The firm generally does not adjust the valuation assumptions for cash trading instruments with little or no price transparency unless there is substantive evidence supporting a change in value.

Cash trading instruments owned by the firm (long positions) are marked to bid prices, whereas instruments sold but not yet purchased (short positions) are marked to offer prices. If liquidating a position is reasonably expected to affect its prevailing market price, the valuation is adjusted generally based on market evidence or predetermined written policies. In limited circumstances and generally for highly illiquid positions, management's estimates are used to determine this adjustment.

Derivative contracts consist of exchange-traded and over-the-counter (OTC) derivatives. The fair values of exchange-traded derivatives are generally determined from quoted market prices. The firm uses a variety of valuation models and techniques including the present value of known or estimated cash flows, option-pricing models and option-adjusted spread models. Wherever possible, the valuation models used are calibrated to current market transactions. The valuation models used to derive the fair values of the firm's OTC derivatives require inputs including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations such inputs. Wherever possible, the inputs to these valuation models are derived from recent market transactions, third-party pricing services, broker quotes and/or prices calibrated to similar instruments.

When appropriate, valuations are adjusted to take account of various factors such as liquidity, bid/offer and credit considerations. These adjustments are generally based on market evidence or predetermined written policies. In limited circumstances and generally for highly illiquid positions, management's estimates are used to determine these adjustments.

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 repurchase agreements or collateralized financing arrangements.

Cash and Cash Equivalents

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

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment, net of accumulated depreciation and amortization, are included in "Other assets" in the consolidated statement of financial condition. Effective December 1, 2001, the firm changed to the straight-line method of depreciation for certain property, leasehold improvements and equipment placed in service on or after December 1, 2001.

The firm's depreciation and amortization is generally computed using the methods set forth below:

	Property and Equipment	Leasehold Improvements		Certain Internal Use Software Costs
		Term of lease greater than useful life	Term of lease less than useful life	
Placed in service prior to December 1, 2001	Accelerated cost recovery	Accelerated cost recovery	Straight-line over the term of the lease	Straight-line over useful life of the asset
Placed in service on or after December 1, 2001	Straight-line over useful life of the asset	Straight-line over useful life of the asset	Straight-line over the term of the lease	Straight-line over useful life of the asset

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 outstanding to/from such affiliates are reflected in the consolidated statement of financial condition as set forth below (in millions):

Assets

Receivables from brokers, dealers and clearing organizations	$ 3,336
Receivables from customers and counterparties	158
Securities borrowed	60,057
Securities purchased under agreements to resell	5,431
Financial instruments owned, at fair value[1]	2,043
Other assets	915

Liabilities

Short-term borrowings	$39,250
Payables to brokers, dealers and clearing organizations	5,859
Payables to customers and counterparties	4,918
Securities loaned	96,088
Securities sold under agreements to repurchase	12,026
Financial instruments sold, but not yet purchased[1]	1,743
Other liabilities and accrued expenses	2
Long-term borrowings	823
Subordinated borrowings	10,706

[1] Includes derivative contracts with affiliates.

The firm, from time to time, makes markets in debt issued by Group Inc. and certain affiliates. Included in "Total financial instruments owned, at fair value" are $632 million of such issuances.

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. 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. 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, GS & Co. is subject to U.S. federal and various state and local income taxes on its earnings. The firm also continues to be subject to taxes in foreign jurisdictions on certain of its operations. Upon its election to be taxed as a corporation, GS & Co. established net deferred tax assets that represent future deductions the benefit of which had previously accrued directly to the partners. This resulted in partner's capital being increased as of May 2004 by $760 million. 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.

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.

Note 3. Financial Instruments

Financial instruments, including both cash instruments and derivatives, are used to manage market risk, facilitate customer transactions, engage in proprietary transactions and meet financing objectives. These instruments can be either executed on an exchange or negotiated in the OTC market.

Transactions involving financial instruments sold, but not yet purchased, generally entail obligations to purchase financial instruments at future dates. The firm may incur a loss if the market value of the financial instrument subsequently increases prior to the purchase of the instrument.

Fair Value of Financial Instruments

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

	As of May 2004	
	Assets	**Liabilities**
Commercial paper, certificates of deposit	$ 162	$ —
U.S. government, federal agency and sovereign obligations	18,782	17,454
Corporate and other debt obligations	13,351	4,566
Equities and convertible debentures	13,766	7,062
State, municipal and provincial obligations	1,060	65
Derivative contracts	6,327	6,075
Total	$ 53,448	$ 35,222

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.

Most of the firm's derivative transactions are entered into for trading purposes. The firm uses derivatives in its trading activities to facilitate customer transactions, to take proprietary positions and as a means of risk management. Risk exposures are managed through diversification, by controlling position sizes and by establishing hedges in related securities or derivatives. For example, the firm may hedge a portfolio of common stock by taking an offsetting position in a related equity-index futures contract.

Derivative contracts are 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 fair value of derivative financial instruments, computed in accordance with the firm's netting policy, is set forth below (in millions):

	As of May 2004	
	Assets	**Liabilities**
Forward settlement contracts	$ 3,837	$ 3,969
Swap agreements	747	397
Option contracts	1,743	1,709
Total	$ 6,327	$ 6,075

Securitization Activities

The firm securitizes commercial and residential mortgages, home equity loans, 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 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 retain interests in securitized financial assets, which it generally attempts to sell as quickly as possible, subject to prevailing market conditions. Retained interests are held in QSPEs and are accounted for at fair value and included in "Total financial instruments owned, at fair value" in the consolidated statement of financial condition.

During the six months ended May 2004, the firm securitized $25.1 billion of financial assets, including $11.0 billion of agency mortgage-backed securities. As of May 2004, the firm held $ 3.0 billion of retained interests, including $500 million of retained interests for which the fair value is based on quoted market prices in active markets.

The following table sets forth the weighted average key economic assumptions used in measuring the fair value of retained interests for which fair value is based on alternative pricing sources with reasonable, little or no price transparency and the sensitivity of those fair values to immediate adverse changes of 10% and 20% in those assumptions:

	As of May 2004
	Type of Retained Interests
	Mortgage and Other Asset-Backed[3]
	($ in millions)
Fair value of retained interests	$ 2,328
Weighted average life (years)	4.4
Annual constant prepayment rate	18.9%
Impact of 10% adverse change	$ (6)
Impact of 20% adverse change	$ (15)
Annual credit losses[1]	3.9%
Impact of 10% adverse change[2]	$ (9)
Impact of 20% adverse change[2]	$ (16)
Annual discount rate	10.9%
Impact of 10% adverse change	$ (52)
Impact of 20% adverse change	$ (101)

1 Annual percentage credit loss is based only on positions in which expected credit loss is a key assumption in the determination of fair values.
2 The impacts of adverse change take into account credit mitigants incorporated in the retained interests, including over-collateralization and subordination provisions.
3 Other asset-backed includes retained interests in government and corporate bonds and other types of financial assets that are not subject to prepayment risk.

The preceding table does not give effect to the offsetting benefit of other financial instruments that are held to hedge risks inherent in these retained interests. Changes in fair value based on a 10% 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.

Variable Interest Entities (VIEs)

The firm, in the ordinary course of its business, retains interests in VIEs in connection with its securitization activities. The firm also purchases and sells variable interests in VIEs, primarily mortgage and asset-backed interests, in connection with its market-making activities and makes investments in and loans to VIEs that hold performing and non-performing debt, real estate and other assets. In addition, the firm utilizes VIEs to provide investors with credit-linked and asset-repackaged notes designed to meet their objectives.

VIEs generally purchase assets by issuing debt and equity instruments and through other contractual arrangements. In certain instances, the firm has provided guarantees to certain VIEs or holders of variable interests in these VIEs. In such cases, the maximum exposure to loss included in the tables set forth below is the notional amount of such guarantees. Such amounts do not represent the anticipated loss in connection with these guarantees. The firm's variable interests in these VIEs may include senior and subordinated debt; preferred and common stock; interest rate, foreign currency, equity and credit derivatives; guarantees; and residual interests in mortgage and asset-backed securitization vehicles. GS&Co. generally is not directly or indirectly obligated to repay the debt and equity instruments and contractual arrangements entered into by these VIEs.

The following table sets forth the firm's total assets and maximum exposure to loss associated with its significant variable interests in nonconsolidated VIEs (excluding QSPEs).

	As of May 2004 Nonconsolidated[1] ($ in millions)
VIE assets	
Mortgages	$ 1,467
Other asset-backed	2,838
Total VIE assets	$ 4,305
Maximum exposure to loss	
Mortgages	$ 97
Other asset-backed	89
Total maximum exposure to loss	$ 186

[1] The firm did not have consolidated VIEs as of May 2004.

Secured Borrowing and Lending Activities

The firm obtains secured, short-term financing principally through the use of repurchase agreements and securities lending agreements to obtain securities for settlement, to finance inventory positions and to meet customers' needs. In these transactions, the firm either provides or receives collateral, including U.S. government, federal agency, mortgage-backed, investment-grade foreign sovereign obligations and equity securities.

The firm receives collateral in connection with resale agreements, securities lending transactions, derivative transactions, customer margin loans and other secured lending activities. In many cases, the firm is permitted to sell or repledge securities held as collateral. These securities may be used to secure repurchase agreements, enter into securities lending or derivative transactions, or cover short positions. As of May 2004, the fair value of securities received as collateral by the firm that it was permitted to sell or repledge was $297 billion, of which the firm sold or repledged $286 billion.

The firm also pledges its own assets to collateralize repurchase agreements and other secured financings. As of May 2004, the carrying value of securities included in "Financial instruments owned, at fair value" that had been loaned or pledged to counterparties that did not have the right to sell or repledge was $21 billion.

Note 4. Short-Term Borrowings

The firm generally obtains short-term borrowings, on a secured basis, primarily from Group Inc. and through bank loans on an unsecured basis. The carrying value of these short-term obligations approximates fair value due to their short-term nature.

Note 5. Subordinated Borrowings

Subordinated borrowings bear interest at floating rates and include $10.7 billion payable on September 30, 2006, to Group Inc. The carrying value of these borrowings approximates fair value.

Note 6. Commitments, Contingencies and Guarantees

Commitments

The firm had commitments to enter into forward secured financing transactions, including certain repurchase and resale agreements and secured borrowing and lending arrangements, of $16.5 billion as of May 2004.

In connection with its lending activities, the firm had outstanding commitments of $550 million as of May 2004. These commitments are agreements to lend to counterparties, have fixed termination dates and are contingent on all conditions to borrowing set forth in the contract having been met. Since these commitments may expire unused, the total commitment amount does not necessarily reflect the actual future cash flow requirements.

The firm provides letters of credit issued by various banks to counterparties in lieu of securities or cash to satisfy various collateral and margin deposit requirements. Letters of credit outstanding were $7.8 billion as of May 2004.

The firm has obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through fiscal 2011. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. Minimum rental payments, net of minimum sublease rentals, are set forth below (in millions):

Minimum rental payments

Remainder of 2004	$ 39
2005	76
2006	77
2007	50
2008	32
2009-thereafter	20
Total	$ 294

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 results for such period.

Guarantees

The firm enters into various derivative contracts that meet the definition of a guarantee under FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Such derivative contracts include written equity put options, written currency contracts and interest rate caps, floors and swaptions. FIN No. 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 these conditions have been met, for certain large, internationally active commercial and investment banks and end users. Accordingly, the firm has not included such contracts in the table below.

In relation to certain asset sales and securitization transactions, the firm guarantees the collection of contractual cash flows. In addition, the firm provides other guarantees, on a limited basis, to enable clients to enhance their credit standing and complete transactions.

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 May 2004 (in millions):

		Maximum Payout/Notional Amount by Period of Expiration[2]				
	Carrying Value	2004	2005–2006	2007–2008	2009–Thereafter	Total
Derivatives[1, 3]	$188	$14,216	$181	$2	-	$14,399
Guarantees of the collection of contractual cash flows				528		528
Other guarantees			2			2

[1] The carrying value of $188 million excludes the effect of a legal right of setoff that may exist under an enforceable netting agreement.
[2] Such amounts do not represent anticipated losses in connection with these contracts.
[3] Excludes derivative contracts with affiliates.

In the normal course of its 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 subcustodians 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 may agree 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 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 May 2004.

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. 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. However, management believes that the probability that the firm will have to make material payments under these arrangements is remote; therefore no liabilities related to these arrangements have been recognized in the consolidated statement of financial condition as of May 2004.

Note 7. 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 and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants. GS&Co. has elected to compute net capital in accordance with the "Alternate Net Capital Requirement," as permitted by Rule 15c3-1. As of May 2004, GS&Co. had regulatory net capital, as defined, of $4.7 billion, which exceeded the amount required by $3.7 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 May 2004, these subsidiaries were in compliance with their local capital adequacy requirements.

As of May 2004, GS&Co. made a computation related to the reserve requirement for Proprietary Accounts of Introducing Brokers. The reserve requirement and amounts held on deposit in the Reserve Bank were $768 million and $547 million, respectively.

This statement of financial condition filed pursuant to rule 17a-5 of the Securities and Exchange Commission is available for inspection at the principal office of the firm and at the New York regional office of the Commission.