Amherst® Securities Group LP

Statement of Financial Condition

June 30, 2011

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

Period Ended JUNE 30, 2011
(in '000s)

Unaudited

ASSETS	
Cash and cash equivalents	$ 34,284
Cash segregated under federal regulations	10
Security clearing receivable	69,198
Receivable from affiliates	186
Accrued interest receivable	4,722
Securities purchased under agreements to resell	230,966
Securities owned, at fair value	1,556,182
Other current assets	3,188
Furniture and equipment, less accumulated depreciation	5,173
Other assets	4
TOTAL ASSETS	$1,903,913

LIABILITIES AND PARTNERS' CAPITAL	
LIABILITIES	
Securities sold under agreements to repurchase	$ 1,081,634
Securities sold, not yet purchased, at fair value	253,306
Payables to broker-dealers	263,938
Accounts payable	619
Payables to affiliates	3,643
Accrued compensation liability	12,265
Accrued tax liability	117
Principal and interest payable on securities sold	1,194
Other accrued liabilities	1,690
TOTAL LIABILITIES	1,618,406
PARTNERS' CAPITAL	285,507
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$1,903,913

(See accompanying notes)

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Note 1 - Nature of Business

Amherst Securities Group, L.P. ("Partnership") is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Partnership primarily markets and trades fixed income securities to institutions throughout the United States. The Partnership has offices located in Colorado, Connecticut, Florida, Illinois, New Jersey, New York, Montana, Texas and Virginia. The Partnership operates under the provisions of Rule 15c3-3 of the SEC and has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

The Partnership is a Texas Limited Partnership. The general partner is ASG General Partner, Inc., which is a wholly owned subsidiary of Amherst Holdings, LLC ("Holdings"). Holdings is the sole limited partner of the Partnership.

Note 2 - Significant Accounting Policies

Basis of Accounting

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles whereby revenues are recognized in the period earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statements of financial condition and cash flows, the Partnership considers short-term investments, which may be withdrawn at any time without penalty, to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial condition. Realized and unrealized gains and losses are included in trading profits in the statement of operations.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Computer equipment and software	2-3 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of estimated life or lease term

Assets are periodically reviewed for impairment, if any.

Revenue Recognition

Securities owned and securities sold, not yet purchased, are valued at fair value with the difference between cost and fair value included in net trading profits. Trading profits also consist of realized gains or losses on firm securities trading accounts, which are reported on a trade date basis net of the related interest income and expense.

Commission revenue and related expense from customer security transactions is recorded on a trade date basis. Customer security transactions that are executed through the Partnership's proprietary trading account are recorded on a trade date basis as principal commission revenue. The related expense is also recorded on a trade date basis.

The Partnership does not carry or clear customer accounts and all customer transactions are executed and cleared with another broker on a fully disclosed basis. This broker has agreed to maintain such records of the transactions affected and cleared in the customers' accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the SEC, and to perform all services customarily incident thereto.

Financial instruments and credit risk
Financial instruments that potentially subject the Partnership to credit risk include cash and cash equivalents, security clearing receivables, securities owned, securities purchased under agreements to resell, securities sold under agreements to repurchase, note receivable from an employee, and receivable from affiliates. The financial instruments of the Partnership are reported at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. Securities not readily marketable are carried at fair value as determined by management of the Partnership. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations.

While the Partnership's cash and cash equivalents are on deposit with high quality FDIC insured financial institutions, at times such deposits exceed the insured limits. The Partnership had cash and cash equivalents balances in excess of federally insured limits of $146,164 at June 30, 2011. The Partnership has not experienced any losses in such accounts.

Income Taxes
The Partnership is not subject to federal income taxes. Instead the partners are individually liable for federal income taxes on their respective share of the Partnership's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements. The Partnership is subject to taxes in various states.

Resale and Repurchase Agreements
Transactions involving the purchase of securities under agreements to resell ("reverse repurchase agreements") or the sale of securities under agreements to repurchase ("repurchase agreements") are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts. Accrued interest receivable or payable is included in the value presented for reverse repurchase and repurchase agreements, respectively. It is the policy of the Partnership to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. At June 30, 2011, the fair value, including accrued interest, of the securities sold subject to repurchase was approximately $1,082 million. At June 30, 2011, the fair value, including accrued interest, of the securities purchased subject to resale was approximately $231 million.

Financial instruments with off-balance-sheet risk
In the normal course of business, the Partnership enters into transactions in financial instruments with varying degrees of off-balance-sheet risk. These financial instruments may include exchange traded financial futures contracts, credit default swaps ("CDS"), options and mortgage-backed to-be-announced securities ("TBAs") and securities sold, not yet purchased. Futures contracts are executed on an exchange and cash settlement is made on a daily basis for market movements. Accordingly, futures contracts generally do not have credit risk. TBAs are used by the Partnership in order to reduce exposure on securities owned and are net settled on a periodic basis. The Partnership has sold securities, not yet purchased, in order to reduce interest rate exposure on bonds included in securities owned. The Partnership enters into CDS to manage its exposure to the market and/or reduce its risk exposure to defaults of corporate issuers and has included

them in securities owned. The Partnership records the change in fair value of these off-balance-sheet transactions as of the balance sheet date and records either an asset or liability and recognizes either a gain or a loss related to these transactions. The market risk is the potential change in the value of the financial instrument caused by unfavorable changes in interest rates or the market values of the securities underlying the instruments. The Partnership monitors its exposure to market risk through a variety of control procedures, including daily review of trading positions.

Date of Management's Review
Management has evaluated the financial statements for subsequent events through the issuance date, August 31, 2011.

Recent Accounting Pronouncements
In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 increases disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements and the transfers between Levels 1, 2 and 3 fair value measurements. The new disclosures and clarifications of existing disclosures were effective for the Partnership's fiscal year ended December 31, 2010, except for the activity in Level 3 fair value measurements. Those disclosures are effective for the Partnership's fiscal year ending December 31, 2011. The adoption of this guidance did not, and is not expected to have, a significant impact on the Partnership's financial statements. Other recent accounting pronouncements issued by the FASB, the American Institute of Certified Public Accountants, and the SEC are not believed by management to have a material impact on the Partnership's financial statements.

Note 3 - Cash Segregated Under Regulations
At June 30, 2011, no cash has been segregated in a special reserve bank account for the exclusive benefit of customers under Rule 15c3-3 of the SEC. The Partnership generally is not required to segregate cash in a special reserve account as a fully disclosed broker-dealer.

Note 4 - Fair Value Measurements
Fair value is the price 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 (an exit price methodology). Determining fair value includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Partnership for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. The Partnership's Level 1 assets and liabilities include fixed income debt securities (government debentures), U.S. Treasuries and exchange traded equities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs. The Partnership's Level 2 assets include fixed income debt securities (structured government, non-government and private issue mortgage-backed securities) and CDS agreements where the Partnership has purchased protection. Valuations are generally compared with third party pricing services for identical or comparable assets and are determined through use of valuation methodologies using observable market inputs.

The Level 2 positions held by the Partnership are valued based on model driven valuations, whereby all significant inputs are observable or can be derived from or corroborated by observable market data. Valuation of securities is based on both third party and proprietary models, and inputs are documented in accordance with the fair value measurements hierarchy. The valuation process considers various assumptions, including quoted forward prices, time value, volatility factors and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. The Partnership values most securities that it holds on a daily basis.

Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques. There were no Level 3 investments during the year ended June 30, 2011.

The following table sets forth the Partnership's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011 (in '000s):

Description	**Total**	**Level 1**	**Level 2**
Financial instruments owned			
US government and agency securities	$ 1,418,687	$390,782	$1,027,905
Non-government bonds	131,573	-	131,573
Equities	1,558	1,558	-
Derivatives (Note 12)	4,364	2,005	2,359
Total assets	**$ 1,556,182**	**$394,345**	**$1,161,837**
Financial instruments sold, not yet purchased			
US government and agency securities	$253,306	$220,244	$ 33,062
Total liabilities	**$253,306**	**$220,244**	**$ 33,062**

Securities owned are held by a clearing organization as collateral for amounts payable to such clearing organization.

Note 5 - Property and Equipment
Property and equipment consists of the following at June 30, 2011 (in '000s):

Computer equipment and software	$	3,944
Furniture and fixtures		2,422
Leasehold improvements		3,663
Total property and equipment		10,029
Less accumulated depreciation and amortization		(4,856)
Property and equipment, net	$	5,173

Note 6 - Security Clearing Receivable and Payable to Broker-Dealers
The Partnership conducts substantially all business through its primary clearing broker, (Pershing, LLC), which settles trades for the Partnership, on a fully disclosed basis, on behalf of its customers. The following table sets forth detail of the Partnership's security clearing receivable and payable to broker-dealers at June 30, 2011 (in '000s):

	Receivable	Payable
Receivable from clearing organizations	$ 65,310	$ -
Cash collateral deposited with counterparty for fair value adjustments on CDS agreements (Note 12)	3,888	-
Payable to clearing organization	-	257,339
Cash collateral deposited by counterparty for fair value adjustments on CDS agreements (Note 12)	-	6,599
	$ 69,198	$ 263,938

Note 7 - Net Capital Requirements
The Partnership is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At June 30, 2011, the Partnership had net capital and net capital requirements of approximately $243 million and approximately $15 million, respectively. The Partnership's aggregate indebtedness to net capital ratio was .927 to 1.

Note 8 - Employee Benefit Plans
Holdings indirectly sponsors a 401(k) plan for all eligible employees of the Partnership, Holdings and other U.S. subsidiaries of Holdings. Participants are permitted to defer compensation up to a maximum of 90% of their income not in excess of the limit determined by the Internal Revenue Service. Holdings may elect to make additional contributions to the plan at its discretion. The cost of additional contributions is allocated to each employer company.

Note 9 - Commitments and Contingencies
Clearing Agreement
Pershing acts as the primary clearing broker to clear and carry, on a fully disclosed basis, the Partnership's margin, cash, and proprietary accounts, and the Partnership is a correspondent of Pershing. The clearing agreement with Pershing calls for a minimum quarterly charge of $45,000.

Cash Collateral and Requirements
Letters of credit related to office leases have been issued by the Partnership's financial institution, and the issuer of the letters of credit requires that cash collateral equal to the face value of the combined letters of credit remain on deposit with the financial institution for the term of the letters of credit. The letters of credit may be renewed annually upon mutual agreement of terms by the financial institution and the Partnership. The Partnership has the obligation of providing acceptable letters of credit to the lessors in order to comply with the terms of the lease for the portion of the lease term for which the letters of credit must be in place. As of June 30, 2011, approximately $395,000 was pledged as collateral for the letters of credit outstanding.

The Partnership holds a credit card used exclusively for routine company purchases that requires cash collateralization to support the credit advance balance authorized by the issuer, Comerica Bank. As of June 30, 2011, approximately $250,000 was pledged as collateral for the credit line outstanding.

Lease Commitments
The Partnership leases office facilities under non-cancellable operating lease agreements which expire at various times through October 2021. Certain of these lease agreements include scheduled rent increases or provide for incentive payments to be made to the Partnership as part of the terms of the lease. Scheduled rent increases, along with any lease incentives, are included in rent expense on a straight-line basis over the lease term. When a lease provides for fixed escalations of the minimum rental pay-

ments, the difference between the straight-line rent charged to expense and the amount payable under the lease is recognized as deferred rent. Reimbursements received for lease incentives are recorded as a deferred lease incentive and will reduce rent expense over the remaining lease term. Deferred rent and lease incentives of approximately $1.5 million are included in other accrued liabilities. The Partnership also leases various types of equipment under operating lease agreements expiring at various times through June 2015.

At June 30, 2011, the future minimum rental payments required under the various lease agreements are as follows (in '000s):

2011	$	3,624
2012		3,998
2013		1,943
2014		1,220
2015		932
Thereafter		4,937
Total	$	16,654

Note 10 - Related Party Transactions

The Partnership serves as the primary operating entity within the group that includes subsidiaries of Holdings. As such, the Partnership makes disbursements and pays employment costs on behalf of these related entities. All disbursements and employee costs are allocated to the other entities based upon either specific identification or upon relative use of the costs incurred. At June 30, 2011, total net amounts due from entities consolidated under Holdings were (in '000):

Due from Amherst Derivatives Trading, LLC	$	66
Due from Amherst Advisory & Management, LLC		116
Due from Amherst Funding Group, LP		2
Due from RMBS GP, LP		1
Due from Amherst International Ltd		1
Total receivable from affiliates	$	186
Due to Amherst Holdings, LLC	$	3,643
Total payable to affiliate	$	3,643

Note 11 - Off-Balance-Sheet Risk and Concentration of Credit Risk

As discussed in Note 2, the Partnership's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers of the Partnership and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Partnership. The Partnership seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and ensure that customer transactions are executed properly by the broker-dealer.

The Partnership had approximately $1,885 million, or 99%, of its total assets in cash and cash equivalents, securities owned and security clearing receivable. The Partnership also had approximately $1,599 million, or 84%, of its total liabilities in securities sold, principal and interest payable on securities sold and payable to its clearing organizations.

The Partnership has sold securities, not yet purchased. The Partnership has recorded these obligations in the financial statements at June 30, 2011 at the fair values of the securities sold short and will incur a loss if the fair value of the securities increases subsequent to June 30, 2011.

As discussed in Note 12, the Partnership also invests in certain derivative instruments which present off-balance-sheet risk.

Note 12 - Derivative Contracts
Investments in derivative contracts are subject to additional risks that can result in a loss of the investment. The Partnership's activities and exposure are classified by the following underlying risks: interest rate and credit risks. In addition, the Partnership is also subject to counterparty risk should its counterparties fail to meet the terms of their contracts. The Partnership manages its exposure to these risks through a variety of control procedures, including daily review of trading positions.

The Partnership records its derivative activities at fair value. The Partnership records the change in fair value of these instruments as either an asset or a liability in the statement of financial position and recognizes a gain or loss in trading profit in the statement of operations.

Credit Default Swaps
CDS contracts involve an arrangement between the Partnership and a counterparty which allow the Partnership to be protected against losses incurred as a result of a default by the security referenced in the CDS agreement.

Due to the Partnership being subjected to credit risk in pursuing its investment objectives, it may enter into CDS to manage its exposure to the market and/or to reduce its risk exposure to defaults of corporate issuers. The Partnership's CDS are scheduled to terminate ftom 2012 through 2051.

When the Partnership buys a CDS, it pays a premium to the counterparty, and the counterparty agrees to make a payment to compensate the Partnership for losses upon the occurrence of a credit event. Alternatively, when the Partnership sells a CDS, it receives premium payments in exchange for assuming the credit risk of the specified security. Credit events are defined and agreed upon by the counterparties to the agreement and may include, but are not limited to bankruptcy, failure to pay, restructuring, obligation acceleration/default, or repudiation. The difference between the market value of the CDS and the notional amount is recorded as trading profit or loss in the statement of operations. The Partnership only sold CDS for positions on which it had identical purchase commitments of an equal or greater value. As a result, the Partnership is not subject to loss on these investments and is only obligated to make premium payments while a party to the CDS agreement.

Interest rate swaps
The Partnership can be exposed to interest rate risk when there are adverse movements in the market interest rates. The Partnership may enter into interest rate swap contracts in order to protect against such adverse movement.

Interest rate swaps are contracts where counterparties exchange different rates of interest. The payment flows are netted against each other, and the difference is paid by one party to the other. The Partnership's interest rate swap contract is settled on a monthly basis.

Mortgage-backed to-be-announced Securities
The Partnership has invested in TBAs to reduce interest rate exposure on marketable securities owned. TBAs are forward mortgage-backed securities trades. The actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are "to be announced" 48 hours prior to the established trade settlement date. TBAs may be held to maturity or paired-off at anytime. Whether the TBA is held to maturity or paired-off, one party must pay the other party the economic difference in the value of the TBA between the date it was entered into and the date it is terminated or the date its maturity date is extended. A

third option is to deliver to the counterparty the mortgage-backed securities that are required to satisfy the forward agreement. The Partnership's TBAs are scheduled to terminate between 30 and 45 days at any given time.

Volume of Derivative Activities
The volume of the Partnership's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, as of June 30, 2011 are as follows (in '000s):

	Long Exposure		Short Exposure	
Primary underlying risk	**Notional Amounts**	**Number of Contracts**	**Notional Amounts**	**Number of Contracts**
Interest rate				
TBAs	$3,970	2	$749,135	25
Interest rate swap	-	-	-	-
Total interest rate	3,970	2	749,135	25
Credit				
Purchase protecton:				
CDS	-	-	160,000	11
Written protection:				
CDS	160,000	10	-	-
Total credit	$160,000	10	$160,000	11

Statement of Financial Condition
The fair value amounts of derivative instruments in the statement of financial condition, categorized by primary underlying risk, as of June 30, 2011 are as follows (in '000s):

Primary underlying risk	**Derivative assets**	**Derivative liabilities**
Interest rate		
TBAs	$ 2,184	$ 179
Interest rate swap	-	-
Total interest rate	2,184	179
Credit		
Purchase protection: CDS	805	-
Written protection: CDS	1,554	-
Total credit	2,359	-
Gross derivative assets and liabilities	**$ 4,543**	**$ 179**

The net derivative assets and liabilities of approximately $4.4 million is included in securities owned, at fair value in the statement of financial condition as of June 30, 2011.

COMPILATION REPORT

To the Partners
Amherst Securities Group, L.P.
Austin, Texas

The accompanying statement of financial condition as of June 30, 2011 has been prepared by management who is responsible for its integrity and objectivity. The statement of financial condition has not been compiled, reviewed or audited by independent accountants.

The partnership maintains an internal control structure designed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed, recorded and summarized to produce reliable records and reports.

To the best of management's knowledge and belief, the statement of financial condition and footnotes have been prepared in conformity with accounting principles generally accepted in the United States of America and are based on recorded transactions and management's best estimate and judgement.

Austin, Texas
August 31, 2011

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