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DRW Investments, LLC

Financial Report
December 31, 2012 and 2011

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Independent Auditor's Report

To the Member
DRW Investments, LLC
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of DRW Investments, LLC which comprise the statements of financial condition as of December 31, 2012 and 2011, and the related statements of operations, changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DRW Investments, LLC as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Chicago, Illinois
March 27, 2013

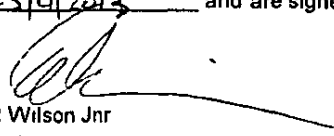
DRW Investments, LLC

**Statements of Financial Condition
December 31, 2012 and 2011**

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	2012	2011
Assets		
Cash in bank	\$ 940,400	\$ 1,016,109
Securities purchased under agreements to resell	4,843,748,459	6,896,077,015
Securities owned, at fair value	12,986,984,904	9,517,275,679
Derivative financial instruments owned, at fair value	1,356,128,325	1,691,423,239
Receivable from clearing brokers, net	845,264,052	6,790,824
Stock and memberships in exchanges, at cost		
(fair value \$7,143,290 and \$8,648,105, respectively)	5,717,185	5,008,285
Subordinated loan receivable - affiliate	-	4,529,350
Promissory notes receivable - affiliate	69,641,715	26,000,000
Receivables from affiliates	2,118,934	2,651,042
Other assets	2,962,205	3,204,446
Total assets	\$ 20,113,506,179	\$ 17,953,975,989
Liabilities and Member's Equity		
Liabilities		
Securities sold under agreements to repurchase	\$ 12,609,167,336	\$ 8,852,298,704
Securities sold, not yet purchased, at fair value	6,074,556,250	6,797,797,813
Derivative financial instruments sold, at fair value	896,408,023	1,254,134,111
Payable to clearing brokers, net	185,550,864	650,578,595
Borrowings	35,552,724	-
Promissory notes payable - affiliate	15,000,000	50,000,000
Payable to affiliates	57,151,583	34,020,275
Accrued expenses	27,016,357	21,030,460
Total liabilities	19,900,403,137	17,659,859,958
Member's Equity	213,103,042	294,116,031
Total liabilities and member's equity	\$ 20,113,506,179	\$ 17,953,975,989

These financial statements were approved by the directors and authorized for issued on
25/4/2013 and are signed on their behalf by


D R Wilson Jnr
Director

The accompanying notes are an integral part of these financial statements

DRW Investments, LLC

Statements of Operations

Years Ended December 31, 2012 and 2011

	2012	2011
Revenue		
Proprietary trading, net	\$ 303,403,761	\$ 292,399,428
Interest and dividends	3,937,408	3,242,368
Other	7,168,126	3,119,493
Total revenue	314,509,295	298,761,289
Expenses		
Trading expenses		
Commissions, trade execution and related fees	40,852,893	53,706,856
Interest and dividends	5,095,746	3,839,309
Other trading expenses	1,938,025	1,620,600
Total trading expenses	47,886,664	59,166,765
Operating expenses		
Employee compensation and benefits	38,912,472	40,504,011
Other operating expenses	70,315,648	58,636,661
Total operating expenses	109,228,120	99,140,672
Total expenses	157,114,784	158,307,437
Net income	\$ 157,394,511	\$ 140,453,852

The accompanying notes are an integral part of these financial statements

DRW Investments, LLC

**Statements of Changes in Member's Equity
Years Ended December 31, 2012 and 2011**

Balance, December 31, 2010	\$ 258,408,112
Capital contributions	395,023,701
Capital withdrawals	(499,769,634)
Net income	<u>140,453,852</u>
Balance, December 31, 2011	294,116,031
Capital contributions	573,484,927
Capital withdrawals	(811,892,427)
Net income	<u>157,394,511</u>
Balance, December 31, 2012	<u><u>\$ 213,103,042</u></u>

The accompanying notes are an integral part of these financial statements

DRW Investments, LLC

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Net income	\$ 157,394,511	\$ 140,453,852
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of membership in exchange	(215,000)	-
Changes in operating assets and liabilities		
Securities purchased under agreements to resell	1,852,328,556	(1,500,131,778)
Securities owned	(3,469,709,225)	(1,621,310,806)
Derivative financial instruments owned	335,294,914	594,717,492
Receivable from clearing brokers, net	(838,473,228)	9,729,219
Subordinated loans receivable - affiliates	4,529,350	3,151,375
Promissory notes receivable - affiliates	(43,641,715)	-
Receivables from affiliates	532,108	8,259,780
Other assets	242,241	444,592
Securities sold under agreements to repurchase	3,756,868,632	933,138,360
Securities sold, not yet purchased	(723,241,563)	1,681,708,129
Derivative financial instruments sold	(357,726,088)	(594,162,106)
Payable to clearing brokers, net	(465,027,731)	417,599,683
Payable to affiliates	65,189,055	41,844,828
Accrued expenses	5,985,897	(4,578,953)
Net cash provided by operating activities	280,330,714	110,863,667
Cash Flows from Investing Activities		
Proceeds from sale of stock in an exchange	655,000	-
Purchases of stock and membership in exchanges	(1,148,900)	-
Net cash provided by (used in) investing activities	(493,900)	-
Cash Flows from Financing Activities		
Proceeds received from borrowings	1,925,200,133	1,140,349,592
Repayment of borrowings	(1,889,647,409)	(1,140,349,592)
Proceeds from payments on promissory notes receivable - affiliate	15,000,000	15,000,000
Proceeds from advances on promissory notes receivable - affiliate	(50,000,000)	50,000,000
Capital contributions	523,949,500	306,454,362
Capital withdrawals	(804,414,747)	(482,455,586)
Net cash used in financing activities	(279,912,523)	(111,001,224)
Effect of exchange rate translation on cash	-	-
Net increase (decrease) in cash	(75,709)	(137,557)
Cash		
Beginning of year	1,016,109	1,153,666
End of year	\$ 940,400	\$ 1,016,109

(Continued)

DRW Investments, LLC

Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

	2012	2011
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	<u>\$ 4,229,249</u>	<u>\$ 3,839,309</u>
Supplemental Schedule of Noncash Financing Activity		
During the year, the Company's parent contributed capital, and the Company subsequently issued a promissory note to an affiliate in the same amount	<u>\$ -</u>	<u>\$ 16,000,000</u>
During the year, the Company's parent forgave certain amounts due for expenses paid on the Company's behalf and such amounts were treated as capital contributions of the parent by the Company	<u>\$ 42,057,747</u>	<u>\$ 55,255,291</u>

The accompanying notes are an integral part of these financial statements

DRW Investments, LLC

Notes to Financial Statements

Note 1 Nature of Business and Significant Accounting Policies

DRW Investments, LLC (the Company) is an Illinois limited liability company and wholly-owned subsidiary of DRW Holdings, LLC (DRWH). The Company trades financial instruments for its own account. The Company is a member of several exchanges, including the Chicago Board of Trade, Chicago Mercantile Exchange, NYSE Liffe US and Eurex.

On August 31, 2006, the Company established DRW Investments, LLC (UK Branch) (the Branch), a branch of the Company registered in England and Wales. The Branch is regulated by the Financial Services Authority of the United Kingdom (FSA). The activities of the Branch are included with the Company for financial presentation. As of December 31, 2012 and 2011, approximately \$85,600,000 and \$59,000,000, respectively, of assets and approximately \$44,000,000 and \$21,000,000, respectively, of liabilities were attributable to the Branch of the Company.

The following is a summary of the Company's significant accounting policies.

The Company follows Generally Accepted Accounting Principles (GAAP), as established by the Financial Accounting Standards Board (the FASB), to ensure consistent reporting of financial condition, results of operations, and cash flows.

Use of estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Foreign currency transactions The Company's functional currency is the U.S. dollar; however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the date of the statement of financial condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation of transactions denominated in foreign currencies to U.S. dollars are reported in income currently.

Securities and derivatives transactions Securities and derivatives transactions and related revenues and expenses are recorded at fair value on the trade-date basis as if they had settled. Realized gains and losses and change in unrealized gains and losses are reflected in proprietary trading, net in the accompanying statement of operations. Related trading expenses are also recorded on a trade-date basis as transactions occur. Futures transactions are recorded in receivable from/payable to clearing brokers in the statement of financial condition, netted by clearing broker. The remaining derivatives are classified as derivative financial instruments in the statement of financial condition.

The Company recognizes interest on securities transactions on the accrual basis, and dividend income on securities transactions is recognized on the ex-dividend date. The Company accounts for its secured financing activities on an accrual basis with related interest income and expense recorded in proprietary revenue, net in the consolidated statement of operations.

Proprietary trading, net includes interest and dividend income and interest and dividend expense related to the Company's trading activities of approximately \$290,099,000 and \$160,850,000, respectively, for the year ended December 31, 2012 and approximately \$161,100,000 and \$135,700,000, respectively, for the year ended December 31, 2011.

DRW Investments, LLC

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Receivables from and payables to clearing brokers Receivables and payables relating to trades pending settlement are netted in receivables from and payables to clearing brokers in the statement of financial condition, netted by clearing broker. The Company may obtain short-term financing against its positions, subject to collateral maintenance requirements.

Additionally, the Company offsets certain amounts recognized for cash collateral receivables or payables against fair value amounts recognized for net derivative positions executed with the same counterparty.

Resale and repurchase agreements Transactions involving purchases of securities under agreements to resell or securities sold under agreements to repurchase, comprised primarily of U.S. Government obligations, are accounted for as collateralized financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price.

Stock and memberships in exchanges The Company's stock and memberships in exchanges owned, which represent ownership interest in exchanges and provide the right to conduct business on such exchanges, are recorded at cost, or if any other-than-temporary impairment in value has occurred, at a value that reflects management's estimate of the impairment. Management believes no such impairment in value occurred in 2012.

Gains and losses on stock and memberships in exchanges are computed based on specific identification and included in other revenue in the statement of operations.

Income taxes The Company is a single member limited liability company and is treated as a disregarded entity for federal tax purposes. Accordingly, it does not file any tax returns, but its taxable income is reported as part of DRWH's tax returns. DRWH is a limited liability company whose income or loss is includable in the tax returns of its members. Additionally, the Branch is subject to taxation in its respective jurisdiction and, accordingly, files a separate return.

For the years ended December 31, 2012 and 2011, the Branch recorded a tax provision of approximately \$9,320,000 and \$3,580,000, respectively, which is included in other operating expenses on the statement of operations. As of December 31, 2012, the Branch has recorded a payable of approximately \$3,680,000, which is included in accrued expenses in the statement of financial condition, and will be used to offset the remaining liability after considering estimated payments made during the year ended December 31, 2012. As of December 31, 2011, the Branch has recorded a receivable of approximately \$262,000, which is included in other assets in the statement of financial condition, and was used to offset the remaining liability after considering estimated payments made during the year ended December 31, 2011.

FASB guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing DRWH's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the years ended December 31, 2012 and 2011, management has determined that there are no material uncertain tax positions. DRWH files income tax returns in U.S. federal jurisdiction, and various states. DRWH is generally not subject to examination by United States federal or state taxing authorities for tax years before 2009. The Branch is not subject to examination by HM Revenue and Customs (HMRC) for tax years before 2010.

DRW Investments, LLC

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Subsequent events The Company has evaluated subsequent events for potential recognition and/or disclosure through March 27, 2013, the date these financial statements were issued, noting none

Recently adopted accounting pronouncement In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are effective for annual periods beginning after December 15, 2011, and was adopted by the Company. The adoption did not have a material impact on the financial statements.

Recently issued accounting pronouncement In December 2011, the FASB issued new guidance that requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This guidance is effective for annual and interim periods beginning on or after January 1, 2013. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Since this pronouncement is disclosure related, the adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

Note 2. Receivable from and Payable to Clearing Brokers

Amounts receivable from and payable to clearing brokers at December 31, 2012 and 2011 consist of the following:

	2012	
	Receivable	Payable
Clearing brokers	\$ 49,172,555	\$ 184,931,436
Unsettled transactions	842,397,741	-
Interest receivable / payable	17,182,899	13,678
Futures contracts - open trade equity	(63,489,143)	605,750
	<u>\$ 845,264,052</u>	<u>\$ 185,550,864</u>
	2011	
	Receivable	Payable
Clearing brokers	\$ 6,765,325	\$ 798,244,525
Interest receivable	25,499	(26,834,448)
Exchange-traded futures - open trade equity	-	(120,831,482)
	<u>\$ 6,790,824</u>	<u>\$ 650,578,595</u>

Payable to clearing broker relates to the proprietary transactions cleared through such clearing brokers, which amounts are collateralized by securities and derivative financial instruments held by the Company.

DRW Investments, LLC

Notes to Financial Statements

Note 3 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by the Company to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

Exchange-traded funds, equity options, futures contracts, and options on futures contracts are recorded at fair value based on quoted market prices, which are generally the exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

U.S. Government securities are generally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. U.S. Government securities are categorized in Level 1 or Level 2 of the fair value hierarchy depending on the inputs used and market activity levels for specific securities. The Company has determined that U.S. Government securities are classified as Level 1 in the fair value hierarchy based on broker quotes for identical securities with an active market.

DRW Investments, LLC

Notes to Financial Statements

Note 3 Fair Value of Financial Instruments (Continued)

Over-the-counter (OTC) derivative contracts include forwards, swaps, and swaption contracts. Fair value of these OTC derivative products is determined using models that take into account the terms of the transactions and the counterparties' creditworthiness. Generally, the inputs for models to value swaps and swaptions do not have a material amount of subjectivity. Pricing inputs, such as relevant interest rates and yield curves, are observed from actively quoted markets. The OTC derivatives products valued by the Company using pricing models fall into this category and are categorized within Level 2 of the fair value hierarchy.

Investments for which prices are not observable are generally private investments in the equity and debt securities of operating companies. Fair value of private equity investments is based on Level 3 inputs and is determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. In the absence of a principle market (public market), the Company determines the most advantageous market in which the Company would sell their investment. Valuations of the underlying portfolio companies are completed to compute the fair value the Company will receive upon such a sale. Generally these valuations are derived by multiplying a key performance metric of the investee company by the relevant valuation multiple observed for comparable companies or transactions, adjusted by management for differences between the investment and the referenced comparable. Private equity investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value.

If the fair value of private equity investments held cannot be valued by reference to observable valuation measures for comparable companies, then another analytical method that may be used to estimate the fair value of such private equity investments is the discounted cash flow method. A sensitivity analysis is applied to the estimated future cash flows using various factors depending on the investment, including assumed growth rate (in cash flows), capitalization rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values.

The determination of fair value using these methodologies ultimately takes into account consideration of a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of judgment by management of the Company.

DRW Investments, LLC

Notes to Financial Statements

Note 3 Fair Value of Financial Instruments (Continued)

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2012

	2012			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities owned				
Exchange-traded funds	\$ 1,218,833	\$ 1,218,833	\$ -	\$ -
U S Government securities	12,980,834,173	12,980,834,173	-	-
Private placements	4,931,898	-	-	4,931,898
Derivative financial instruments owned				
Equity options	132,389,998	132,389,998	-	-
Options on futures contracts	1,192,214,318	1,192,214,318	-	-
Currency forwards	496,891	-	496,891	-
Swaps	22,576,342	-	22,576,342	-
Swaptions	8,450,776	-	8,450,776	-
Receivable from clearing brokers, net				
Futures contracts	1,148,221	1,148,221	-	-
	<u>\$ 14,344,261,450</u>	<u>\$ 14,307,805,543</u>	<u>\$ 31,524,009</u>	<u>\$ 4,931,898</u>
Liabilities				
Securities sold, not yet purchased				
Exchange-traded funds	\$ 36,406,707	\$ 36,406,707	\$ -	\$ -
U S Government securities	6,038,149,543	6,038,149,543	-	-
Derivative financial instruments sold				
Equity options	13,598,856	13,598,856	-	-
Options on futures contracts	869,138,358	869,138,358	-	-
Currency forwards	1,658,244	-	1,658,244	-
Swaps	11,301,933	-	11,301,933	-
Swaptions	710,632	-	710,632	-
Receivable from clearing brokers, net				
Futures contracts	64,637,364	64,637,364	-	-
Payable to clearing brokers, net				
Futures contracts	605,750	605,750	-	-
	<u>\$ 7,036,207,387</u>	<u>\$ 7,022,536,578</u>	<u>\$ 13,670,809</u>	<u>\$ -</u>

DRW Investments, LLC

Notes to Financial Statements

Note 3. Fair Value of Financial Instruments (Continued)

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011

	2011			
	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets				
Securities owned				
Exchange-traded funds	\$ 776,921	\$ 776,921	\$ -	\$ -
U S Government securities	9 508,498,758	9 508,498,758	-	-
Private placements	8 000,000	-	-	8 000,000
Derivative financial instruments owned				
Equity options	120,369,784	120,369,784	-	-
Options on futures contracts	1 560 753,855	1 560 753,855	-	-
Swaps	6 911,692	-	6 911,692	-
Swaptions	3 387,909	-	3,387 909	-
Payable to clearing brokers, net				
Futures contracts	168 609,751	168 609 751	-	-
	<u>\$ 11 377 308 670</u>	<u>\$ 11 359 009 069</u>	<u>\$ 10 299 601</u>	<u>\$ 8 000,000</u>
Liabilities				
Securities sold not yet purchased				
Exchange-traded funds	\$ 21 938,248	\$ 21 938 248	\$ -	\$ -
U S Government securities	6,775,859,565	6 775,859,565	-	-
Derivative financial instruments sold				
Equity options	8,257,316	8 257,316	-	-
Options on futures contracts	1,229,778,064	1,229 778,064	-	-
Swaps	15,823,201	-	15,823,201	-
Swaptions	275,530	-	275,530	-
Payable to clearing brokers, net				
Futures contracts	47,778,269	47 778 269	-	-
	<u>\$ 8 099 710,193</u>	<u>\$ 8,083 611 462</u>	<u>\$ 16 098,731</u>	<u>\$ -</u>

DRW Investments, LLC**Notes to Financial Statements****Note 3. Fair Value of Financial Instruments (Continued)**

Financial instruments classified as Level 3 in the fair value hierarchy represent the Company's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments

	Private Placements
Balance, December 31, 2010	\$ -
Purchases	8,000,000
Balance, December 31, 2011	8,000,000
Purchases	2,009,499
Unrealized losses on investments held at December 31, 2012*	(5,077,601)
Balance, December 31, 2012	<u>\$ 4,931,898</u>

* Included in proprietary trading, net on the statement of operations

The Company assesses the levels of its investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that cause the transfer in accordance with the Company's accounting policy. There were no transfers among Levels 1, 2 and 3 during the year.

Note 4. Borrowings

The Company entered into an agreement for a demand loan facility in the amount of \$30,000,000 with a clearing broker which matured on February 29, 2012 and accrued interest at a market rate based on the overnight London Interbank Offered rate, as defined. The borrowing was secured by the assets of the Company that were on deposit with the clearing broker. As of December 31, 2011, the Company had not drawn on this demand loan facility. Subsequent to December 31, 2011, this loan facility was terminated.

Additionally, as of December 31, 2012 and 2011, the Company has a risk-based margin finance demand loan facility in the amount of \$130,000,000 and \$100,000,000, respectively, with an affiliate of one of its clearing brokers which matured on January 31, 2013. The loan accrues interest at a market rate based on the overnight London Interbank Offered rate, as defined. The borrowing is secured by the assets of the Company that are on deposit with the related clearing broker. As of December 31, 2012 and 2011, the Company had drawn \$35,552,724 and \$0, respectively, on this demand loan facility. This arrangement requires the Company to satisfy certain financial reporting and other covenants, as defined. Subsequent to year-end, the term of the agreement was extended through February 28, 2014.

As of December 31, 2012 and 2011, the Company and an affiliate share a term margin loan facility in the amount of \$150,000,000 with an affiliate of another clearing broker that accrues interest at a market rate based on the one-month London Interbank Offered rate, as defined. The borrowing is secured by the assets of the Company and the affiliate that are on deposit with the related clearing broker. As of December 31, 2012 and 2011, the Company had not drawn on this demand loan facility. This arrangement requires the Company to satisfy certain financial reporting and other covenants, as defined.

DRW Investments, LLC

Notes to Financial Statements

Note 5 Related Party Transactions

The Company pays all direct expenses associated with its trading activities. The Company has an agreement with DRWH whereby all operating expenses, \$109,228,120 and \$99,140,672, respectively, for the years ended December 31, 2012 and 2011, are paid by DRWH and charged to the Company based on a series of usage factors. At December 31, 2012 and 2011, payable to affiliates includes \$56,887,678 and \$33,983,801, respectively, related to these activities.

Additionally, the Company transacts business with and incurs amounts due from and payable to other affiliates in the ordinary course of business. At December 31, 2012, \$2,069,024 and \$263,905 represent receivables from affiliates and payables to affiliates, respectively, in connection with such transactions. At December 31, 2011, there were no amounts due from or payable to other affiliates in connection with such transactions.

On May 3, 2012, the Company entered into an unsecured demand loan facility (Revolver) with an affiliated entity, which superseded and converted previously issued unsecured promissory notes with the same affiliated entity into indebtedness under the Revolver. The total amount due to the Company at the date of the issuance totaled \$43,100,000. The outstanding amount receivable under the Revolver at December 31, 2012 is \$27,750,000, and is included in promissory notes receivable – affiliates in the statement of financial condition. This Revolver bears no interest and due to the demand nature of the Revolver, carrying value approximates fair value as of December 31, 2012. As of December 31, 2011, the unsecured promissory notes outstanding totaled \$26,000,000, which were paid in full before the inception of the Revolver. Due to the short-term nature of the promissory notes, carrying value approximated fair value as of December 31, 2011.

The Company has an interest bearing unsecured promissory note receivable from an affiliated entity totaling \$41,891,715, which is included in promissory notes receivable – affiliates in the statement of financial condition. The promissory note accrues interest at an annual rate of 93 percent. The promissory note matures on September 17, 2021 and its carrying value approximates fair value as of December 31, 2012. In connection with this unsecured promissory note receivable, the Company also has a promissory note payable to the same affiliate with the same terms. As of December 31, 2012, the Company has no amounts due to this affiliate in connection with this promissory note.

On June 29, 2012, the Company also entered into an unsecured promissory note payable to another affiliate in the amount of \$15,000,000, which bears no interest and is due on demand, or if no demand is made, one year from the date of the promissory note. Due to the demand nature of the promissory note, carrying value approximates fair value as of December 31, 2012.

As of December 31, 2011, the Company had non-interest bearing unsecured promissory notes payable to an affiliate totaling \$5,000,000. The notes were in the amounts of \$30,000,000 and \$20,000,000, and both were repaid by the Company on January 4, 2012. As of December 31, 2011, due to the short-term nature of the promissory notes, carrying value approximated fair value.

Note 6 Risks and Guarantees

In the normal course of business, the Company enters into transactions in financial instruments with varying degrees of market and credit risk. These financial instruments include U.S. Government obligations and derivatives such as futures contracts and options on futures contracts. A substantial portion of the Company's trading of these financial instruments is conducted on securities and futures exchanges throughout the United States and Europe. Settlement of these transactions generally takes place through clearing brokers utilized by the Company. These instruments involve elements of market and credit risk that may exceed the amounts reflected in the statement of financial condition.

DRW Investments, LLC

Notes to Financial Statements

Note 6 Risks and Guarantees (Continued)

Purchased options on futures contracts may provide the Company with the opportunity to deliver or to take delivery of futures contracts at a contracted price. Options written on futures contracts may obligate the Company to deliver or to take delivery of futures contracts at a contracted price in the event the option is exercised by the holder and may result in market risk not reflected in the statement of financial condition to the extent that the Company is obligated to purchase or sell the underlying futures contracts in the open market. To minimize these risks, the Company may hold or sell short the underlying instrument, which can be used to offset such transactions.

Securities sold, not yet purchased represent obligations of the Company to deliver specific securities and thereby create a liability to purchase these instruments in the open market at prevailing prices. These transactions may result in market risk not reflected in the consolidated statement of financial condition as the Company's ultimate obligation to satisfy its obligation for trading liabilities may exceed the amount reflected in the statement of financial condition. To minimize this risk, the Company may hold futures contracts or other financial instruments which can be used to settle these obligations.

Since the Company does not clear its own securities and futures transactions, it has established accounts with clearing brokers for this purpose. This can and often does result in concentrations of credit risk with these firms. Such risk, however, is mitigated by each clearing brokers' obligation to comply with rules and regulations governing brokers in the United States and Europe.

The Company maintains certain cash deposits with a financial institution. These deposits regularly exceed the maximum insurance level provided by the Federal Deposit Insurance Corporation.

In accordance with GAAP, a company is required to disclose information about its obligations under certain guarantee arrangements. Guarantees are defined as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event related to an asset, liability or equity security of a guaranteed party. Guarantees are also defined as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

Beginning in 2012, the Company has provided a letter of support on behalf of an affiliated entity, DRW Strategies, LLC (DRWST), in order to enable the affiliate to qualify as an Eligible Contract Participant, as defined by Section 1a(18)(A)(v)(II) of the Commodity Exchange Act (CEA) and enter into swap transactions with certain counterparties. In accordance with this letter of support, the Company has agreed to make payments directly to the counterparty to any swap transaction if DRWST fails to make such payments.

The Company and DRWST have provided guarantees to clearing firms and certain other related parties of the clearing firms. In these arrangements, the Company and DRWST cross-guarantee each other's indebtedness and monetary obligations as it relates to the specified clearing firms and their related parties.

As of and for the year ended December 31, 2012, the Company has not been obligated to fulfill its letter of support or guarantees. As of and for the year ended December 31, 2011, there were no letters of support or guarantees outstanding.

DRW Investments, LLC

Notes to Financial Statements

Note 7. Derivative Instruments and Hedging Activities

As a result of actively participating in various markets, the Company's activities may result in notional value of open derivative positions that is not representative of the risk in the outstanding derivatives contract. The Company's trading activities may involve the use of hedging strategies to reduce directional and non-directional risks based on models. There is no guarantee that the hedging strategies will achieve their desired result. The Company does not consider any derivative instruments to be hedging instruments, as those terms are generally understood under GAAP.

Derivative contracts are recorded on the statement of financial condition as assets or liabilities measured at fair value or as a component of receivables from or payables to clearing brokers and the related realized and unrealized gains or losses associated with these derivatives are recorded on the statement of operations.

As of December 31, 2012 and 2011, and for the year then ended, the Company's derivative activities had the following impact on the statement of financial condition and the statement of operations:

Contract Type	Gross Asset Derivatives at Fair Value December 31, 2012	Gross Liability Derivatives at Fair Value December 31, 2012	Gains/(Losses) on Derivatives for the Year Ended December 31, 2012
Fixed income contracts			
Futures	\$ 30,224,655 (5)	\$ 95,083,423 (5)	\$ 94,803,372
Equity options	23,519,700 (1)	9,242,662 (2)	(21,971,630)
Swaps	19,900,593 (1)	2,377,319 (2)	23,280,819
Swaptions	11,126,525 (1)	3,386,381 (2)	8,827,732
Options on futures	369,634,210 (1)	463,691,509 (2)	454,428,472
Equity index contracts			
Equity options	108,870,298 (1)	4,356,195 (2)	5,877,655
Futures	343,455 (2)	605,750 (4)	581,026,028
Swaps	-	6,248,865 (2)	113,121,893
Options on futures	401,618,275 (1)	1,530,600 (2)	(912,855,147)
Energy contracts			
Futures	123,490 (4)	13,635 (4)	13,196,521
Options on futures	35,176,200 (1)	258,720 (2)	549,750
Agriculture contracts			
Futures	7,056,566 (4)	3,649,263 (4)	25,257,065
Options on futures	377,835,403 (1)	399,268,939 (2)	9,173,638
Precious metals contracts			
Futures	-	456,115 (4)	(6,051,957)
Options on futures	2,538,905 (1)	414,490 (2)	(441,175)
Currency contracts			
Futures	181,073 (4)	2,215,948 (4)	28,647,765
Currency forwards	496,891 (1)	1,658,244 (2)	(4,072,680)
Options on futures	5,411,324 (1)	3,974,099 (2)	(27,068,551)
	<u>\$ 1,394,057,563</u>	<u>\$ 998,432,157</u>	<u>\$ 385,729,570 (6)</u>

(1) - Included in Derivative financial instruments owned, at fair value on the statement of financial condition

(2) - Included in Derivative financial instruments sold, at fair value on the statement of financial condition

(3) - Included in Receivable from clearing broker, net on the statement of financial condition

(4) - Included in Payable to clearing broker, net on the statement of financial condition

(5) - Included in both Receivable from clearing broker, net and Payable to clearing broker, net on the statement of financial condition

(6) - Included in Proprietary trading, net on the statement of operations

DRW Investments, LLC

Notes to Financial Statements

Note 9. Derivative Instruments and Hedging Activities (Continued)

Contract Type	Gross Asset Derivatives at Fair Value December 31, 2011	Gross Liability Derivatives at Fair Value December 31, 2011	Gains/(Losses) on Derivatives for the Year Ended December 31, 2011
Fixed income contracts			
Futures	\$ 144,164,429 (2)	\$ 34,520,913 (2)	\$ (495,479,136)
Interest rate forwards	-	-	(17,692,066)
Swaps	6,911,692 (1)	15,823,201 (3)	58,903,653
Swaptions	3,387,909 (1)	275,530 (3)	2,023,105
Options on futures	611,300,405 (1)	726,845,349 (3)	(229,085,139)
Equity index contracts			
Equity options	120,369,784 (1)	8,257,316 (3)	281,425
Futures	578 (2)	15,760 (2)	977,744,107
Options on futures	436,346,585 (1)	203,093,704 (3)	(963,123,457)
Energy contracts			
Futures	612,907 (2)	56,660 (2)	1,071,648
Options on futures	218,940,040 (1)	1,863,010 (3)	2,128,740
Agriculture contracts			
Futures	9,238,962 (2)	8,598,827 (2)	(85,959,835)
Options on futures	258,492,457 (1)	267,957,578 (3)	119,507,630
Precious metals contracts			
Futures	6,275 (2)	857,825	(8,934,310)
Options on futures	6,400 (1)	16,210 (3)	589,150
Currency contracts			
Futures	15,280,611 (2)	4,422,295 (2)	54,093,011
Options on futures	35,667,959 (1)	30,002,213 (3)	(29,737,736)
	<u>\$ 1,860,726,993</u>	<u>\$ 1,302,606,391</u>	<u>\$ (613,669,210) (4)</u>

(1) - Included in Derivative financial instruments owned, at fair value on the statement of financial condition

(2) - Included in Payable to clearing brokers, net on the statement of financial condition

(3) - Included in Derivative financial instruments sold, at fair value on the statement of financial condition

(4) - Included in Proprietary trading, net on the statement of operations

For non-exchange traded derivatives, under standard derivatives agreements, the Company may be required to post collateral if the Company is in a net liability position with the counterparty exceeding certain amounts. Additionally, counterparties may terminate derivatives contracts if the Company fails to maintain sufficient asset coverage for its contracts or its net assets decline by stated percentages.

For the years ended December 31, 2012 and 2011, the average number of exchange traded derivative contracts bought and sold was approximately 12,817,000 and 14,794,000, respectively, contracts per month.

DRW Investments, LLC

Notes to Financial Statements

Note 8 Commitments and Contingencies

The Company holds a lease for office space in connection with its operations. The lease for this office space expires in 2024 and provides for payment of base rent plus adjustments for real estate taxes and operating expenses. At December 31, 2012, future minimum lease payments, exclusive of the adjustments for real estate taxes and operating expenses, under the non-cancelable lease are as follows:

	Total Commitment
December 31	
2013	\$ 3,423,710
2014	3,510,163
2015	3,597,913
2016	3,686,983
2017	3,779,794
Thereafter	29,236,311
	<u>\$ 47,234,874</u>

Rent expense for the years ended December 31, 2012 and 2011, was approximately \$507,500 and \$692,000, respectively. During the same period, the Company allocated rent expense in the amount of approximately \$2,998,000 and \$2,908,348, respectively, to affiliates. The Company recognizes rent on a straight-line basis over the term of the lease agreement. The difference between recognized rent expense and actual cash payments for rent results in a deferred rent obligation recorded in accrued expenses in the statement of financial condition of approximately \$6,887,000 and \$6,860,000 as of December 31, 2012 and 2011, respectively.

Note 9 Collateral

In the normal course of business, the Company obtains securities under resale agreements on terms which permit it to repledge or resell the securities to others. At December 31, 2012 and 2011, the Company obtained approximately \$12,981,000,000 and \$9,509,000,000, respectively, of securities on such terms, all of which have been either pledged or otherwise transferred to others in connection with the Company's financing activities, or to satisfy its commitments under transactions for securities sold, not yet purchased.

Note 10. Indemnifications

In the normal course of its business, the Company indemnifies certain service providers, such as clearing brokers, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

Additionally, the Company enters into contracts and agreements that contain a variety of representations and warranties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of any future obligations under these representation and warranties to be remote.