GOLDMAN SACHS GROUP INC
Form FWP
December 19, 2018

December 2018

Free Writing Prospectus pursuant to Rule 433 dated December 19, 2018/Registration Statement No. 333-219206

STRUCTURED INVESTMENTS

Opportunities in International Equities

GS Finance Corp.

Enhanced Trigger Jump Securities Based on the Value of the EURO STOXX 50® Index due July 2, 2020

Principal at Risk Securities

The Enhanced Trigger Jump Securities do not bear interest and are unsecured notes issued by GS Finance Corp. and guaranteed by The Goldman Sachs Group, Inc. The amount that you will be paid on your securities on the stated maturity date (expected to be July 2, 2020) is based on the performance of the EURO STOXX 50® Index as measured from the pricing date (expected to be December 28, 2018) to and including the valuation date (expected to be June 29, 2020).

If the final index value (the index closing value on the valuation date) is *greater than* or *equal to* the downside threshold level of 90.00% of the initial index value, the return on your notes will be positive and equal to 20.60%. **However, if the final index value is less than the downside threshold level, you will lose a significant portion or all of your investment.**

The securities are for investors who seek the potential to earn a fixed return of 20.60% if the final index value is greater than or equal to the downside threshold level, are willing to forgo interest payments and are willing to risk losing their entire investment if the final index value is less than the downside threshold level.

On the stated maturity date, for each $10 principal amount of your securities, you will receive an amount in cash equal to:

- if the final index value is *greater than* or *equal to* the downside threshold level, the *sum* of $10 *plus* the upside payment of $2.06; or

- if the final index value is *less than* the downside threshold level, the *product* of (i) $10 *times* (ii) the *quotient* of (a) the final index value *divided* by (b) the initial index value.

SUMMARY TERMS (continued on page PS-2)	
Issuer/Guarantor:	GS Finance Corp. / The Goldman Sachs Group, Inc.
Underlying index:	EURO STOXX 50® Index (Bloomberg Symbol SX5E Index)
Pricing date:	December , 2018 (expected to price on or about December 28, 2018)
Original issue date:	January , 2019 (expected to be January 3, 2019)
Valuation date:	expected to be June 29, 2020, subject to postponement for non-index business days and market disruption events
Stated maturity date:	expected to be July 2, 2020
Stated principal amount/Original issue price:	$10 per security / 100% of the principal amount
Estimated value range:	$9.40 and $9.70. See the following page for more information.

Your investment in the securities involves certain risks, including the credit risk of GS Finance Corp. and The Goldman Sachs Group, Inc. See page PS-11. You should read the disclosure herein to better understand the terms and risks of your investment.

Original issue date:	January , 2019	**Original issue price:**	100.00% of the principal amount
Underwriting discount:	2.35% ($ in total)*	**Net proceeds to the issuer:**	97.65% ($ in total)

*Morgan Stanley Wealth Management, acting as dealer for the offering, will receive a selling concession of $0.225 for each security it sells. It has informed us that it intends to internally allocate $0.05 of the selling concession for each security as a structuring fee. Goldman Sachs & Co. LLC will receive an underwriting discount of $0.01 for each security.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this document, the accompanying general terms supplement, the accompanying prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense. The securities are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

Goldman Sachs & Co. LLC

The issue price, underwriting discount and net proceeds listed on the cover page relate to the securities we sell initially. We may decide to sell additional securities after the date of this document, at issue prices and with underwriting discounts and net proceeds that differ from the amounts set forth above. The return (whether positive or negative) on your investment in the securities will depend in part on the issue price you pay for such securities.

GS Finance Corp. may use this document in the initial sale of the securities. In addition, Goldman Sachs & Co. LLC, or any other affiliate of GS Finance Corp., may use this document in a market-making transaction in a security after its initial sale. ***Unless GS Finance Corp. or its agent informs the purchaser otherwise in the confirmation of sale, this document is being used in a market-making transaction.***

ADDITIONAL SUMMARY TERMS	
Payment at maturity:	if the final index value is greater than or equal to the downside threshold level, $10 + the upside payment *In no event will the payment at maturity exceed $10 plus the upside payment.* if the final index value is less than the downside threshold level, $10 × the index performance factor *This amount will be less than the stated principal amount of $10, will represent a loss of more than* 10.00% *and could be zero.*
Upside payment:	$2.06 per security (20.60% of the stated principal amount)
Initial index value:	, which is the index closing value on the pricing date
Final index value:	the index closing value on the valuation date
Downside threshold level:	, which is 90.00% of the initial index value
Index performance factor:	final index value / initial index value
CUSIP / ISIN:	36256M825 / US36256M8257
Listing:	the securities will not be listed on any securities exchange
Underwriter:	Goldman Sachs & Co. LLC

Estimated Value of Your Securities

The estimated value of your securities at the time the terms of your securities are set on the pricing date (as determined by reference to pricing models used by Goldman, Sachs & Co. (GS&Co.) and taking into account our credit spreads) is expected to be in the range (the estimated value range) specified on the cover of this document (per $10 principal amount), which is less than the original issue price. The value of your securities at any time will reflect many factors and cannot be predicted; however, the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would initially buy or sell securities (if it makes a market, which it is not obligated to do) and the value that GS&Co. will initially use for account statements and otherwise is equal to approximately the estimated value of your securities at the time of pricing, plus an additional amount (initially equal to $ per $10 principal amount).

Prior to , the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your securities (if it makes a market, which it is not obligated to do) will equal

approximately the sum of (a) the then-current estimated value of your securities (as determined by reference to GS&Co. s pricing models) plus (b) any remaining additional amount (the additional amount will decline to zero on a straight-line basis from the time of pricing through). On and after , the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your securities (if it makes a market) will equal approximately the then-current estimated value of your securities determined by reference to such pricing models.

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About Your Securities

GS Finance Corp. and The Goldman Sachs Group, Inc. have filed a registration statement (including a prospectus, as supplemented by the prospectus supplement and general terms supplement no. 1,735 listed below) with the Securities and Exchange Commission (SEC) for the offering to which this communication relates. Before you invest, you should read the prospectus, prospectus supplement and general terms supplement no. 1,735 and any other documents relating to this offering that GS Finance Corp. and The Goldman Sachs Group, Inc. have filed with the SEC for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at sec.gov. Alternatively, we will arrange to send you the prospectus, prospectus supplement and general terms supplement no. 1,735 if you so request by calling (212) 357-4612.

The securities are notes that are part of the Medium-Term Notes, Series E program of GS Finance Corp. and are fully and unconditionally guaranteed by The Goldman Sachs Group, Inc. This document should be read in conjunction with the following:

- General terms supplement no. 1,735 dated July 10, 2017
- Prospectus supplement dated July 10, 2017
- Prospectus dated July 10, 2017

The information in this document supersedes any conflicting information in the documents listed above. In addition, some of the terms or features described in the listed documents may not apply to your securities.

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We refer to the securities we are offering by this document as the offered securities or the securities. Each of the securities has the terms described under Summary Terms and Additional Provisions in this document. Please note that in this document, references to GS Finance Corp., we, our and us mean only GS Finance Corp. and do not include its subsidiaries or affiliates, references to The Goldman Sachs Group, Inc., our parent company, mean only The Goldman Sachs Group, Inc. and do not include its subsidiaries or affiliates and references to Goldman Sachs mean The Goldman Sachs Group, Inc. together with its consolidated subsidiaries and affiliates, including us. Also, references to the accompanying prospectus mean the accompanying prospectus, dated July 10, 2017, references to the accompanying prospectus supplement mean the accompanying prospectus supplement, dated July 10, 2017, for Medium-Term Notes, Series E, and references to the accompanying general terms supplement no. 1,735 mean the accompanying general terms supplement no. 1,735, dated July 10, 2017, in each case of GS Finance Corp. and The Goldman Sachs Group, Inc. The securities will be issued under the senior debt indenture, dated as of October 10, 2008, as supplemented by the First Supplemental Indenture, dated as of February 20, 2015, each among us, as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee. This indenture, as so supplemented and as further supplemented thereafter, is referred to as the GSFC 2008 indenture in the accompanying prospectus supplement.

Investment Summary

The Enhanced Trigger Jump Securities Based on the Value of the EURO STOXX 50® Index due July 2, 2020 (the securities) can be used:

- As an alternative to direct exposure to the underlying index that provides a fixed positive return of 20.60% if the final index value **is greater than or equal to** the downside threshold level

- To potentially outperform the underlying index with respect to moderate increases in the underlying index from the initial index value to the final index value

- To provide limited protection against a loss of principal in the event of a decline of the underlying index from the initial index value to the final index value but only if the final index value **is greater than or equal to** the downside threshold level

However, you will not receive dividends on the stocks comprising the underlying index (the underlying index stocks) or any interest payments on your securities.

If the final index value is less than the downside threshold level, the securities are exposed on a 1:1 basis to the negative performance of the underlying index from the initial index value to the final index value.

Maturity:	Approximately 1.5 years
Payment at maturity:	• If the final index value is greater than or equal to the downside threshold level, $10 + the upside payment. *In no event will the payment at maturity exceed $10 + the upside payment.* • If the final index value is less than the downside threshold level, $10 × the index performance factor. *This amount will be less than the stated principal amount of $10, will represent a loss of more than 10.00% and could be zero.*
Upside payment:	$2.06 per security
Downside threshold level:	, which is 90.00% of the initial index value
Minimum payment at maturity:	None. Investors may lose their entire initial investment in the securities.

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Interest:	None
Redemption:	None. The securities will not be subject to redemption right or price dependent redemption right.

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Key Investment Rationale

The securities offer a fixed positive return if the EURO STOXX 50® Index appreciates, or does not depreciate by more than 10.00%, from the initial index value to the final index value. At maturity, if the underlying index has appreciated in value or has not depreciated in value by more than 10.00%, investors will receive the stated principal amount of their investment plus the upside payment. However, if the underlying index has depreciated in value and the final index value is less than the downside threshold level, investors will lose 1.00% for every 1.00% decline in the index value from the pricing date to the valuation date of the securities. Under these circumstances, the payment at maturity will be less than the stated principal amount, will represent a loss of more than 10.00% and could be zero. **Investors will not receive dividends on the underlying index stocks or any interest payments on the securities and investors may lose their entire initial investment in the securities. Investors will not benefit from any gain in the final index value above the downside threshold level and if the final index value increases by more than 20.60% of the initial index value, the amount payable on the securities may be significantly less than if the investor had invested directly in the underlying index.** All payments on the securities are subject to the credit risk of GS Finance Corp., as issuer, and The Goldman Sachs Group, Inc., as guarantor.

Upside Scenario	The final index value is greater than or equal to the downside threshold level. In this case, for each security the investor will receive a full return of principal plus the upside payment of $2.06. In no event will the payment at maturity exceed $10 plus the upside payment.
Downside Scenario	The underlying index declines in value and the final index value is less than the downside threshold level. In this case, the investor will receive less than the stated principal amount by an amount proportionate to the decline in the value of the underlying index from the pricing date to the valuation date of the securities. For example, if the final index value is 25.00% less than the initial index value, the securities will provide at maturity a loss of 25.00% of principal. In this case, the investor will receive $7.50 per security, or 75% of the stated principal amount. There is no minimum payment at maturity on the securities, and the investor could lose their entire investment.

How the Securities Work

Payoff Diagram

The payoff diagram below illustrates the payment at maturity on the securities based on the following terms:

Stated principal amount:	$10 per security
Upside payment:	$2.06 per security
Downside threshold level:	90.00% of the initial index value
Minimum payment at maturity:	None

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Principal at Risk Securities

Security Payoff Diagram

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How it works

§ **Upside Scenario.** If the final index value is greater than or equal to the downside threshold level, the investor would receive the $10 stated principal amount plus the upside payment of $2.06.

§ An investor would receive a payment at maturity of $12.06 per security if the final index value has decreased by no more than 10.00% from the initial index value. In no event would the payment at maturity exceed $10 plus the upside payment.

§ **Downside Scenario.** If the final index value is less than the downside threshold level, the investor would receive an amount that is less than the $10 stated principal amount, based on a 1.00% loss of principal for each 1.00% decline in the underlying index. Under these circumstances, the payment at maturity will be significantly less than the stated principal amount per security. There is no minimum payment at maturity on the securities.

§ If the underlying index depreciates 25.00%, the investor would lose 25.00% of the investor s principal and receive only $7.50 per security at maturity, or 75.00% of the stated principal amount.

Additional Hypothetical Examples

The following examples are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and merely are intended to illustrate the impact that the various hypothetical index closing values on the valuation date could have on the payment at maturity assuming all other variables remain constant.

The examples below are based on a range of final index values that are entirely hypothetical; the index closing value on any day throughout the life of the securities, including the final index value on the valuation date, cannot be predicted. The underlying index has been highly volatile in the past meaning that the index closing value has changed considerably in relatively short periods and its performance cannot be predicted for any future period.

The information in the following examples reflects hypothetical rates of return on the offered securities assuming that they are purchased on the original issue date at the stated principal amount and held to the stated maturity date. If you sell your securities in a secondary market prior to the stated maturity date, your return will depend upon the market value of your securities at the time of sale, which may be affected by a number of factors that are not reflected in the examples below such as interest rates, the volatility of the underlying index and the creditworthiness of GS Finance Corp., as issuer, and the creditworthiness of The Goldman Sachs Group, Inc., as guarantor. The information in the examples also reflects the key terms and assumptions in the box below.

Key Terms and Assumptions	
Stated principal amount	$10
Upside payment	$2.06 per security
Downside threshold level	90.00% of the initial index value
Neither a market disruption event nor a non-index business day occurs on the originally scheduled valuation date	
No change in or affecting any of the underlying index stocks or the method by which the underlying index publisher calculates the underlying index	
Securities purchased on original issue date at the stated principal amount and held to the stated maturity date	

Moreover, we have not yet set the initial index value that will serve as the baseline for determining the amount that we will pay on your securities, if any, at maturity. We will not do so until the pricing date. As a result, the actual initial index value may differ substantially from the index closing value prior to the pricing date.

For these reasons, the actual performance of the underlying index over the life of your securities, as well as the amount payable at maturity, if any, may bear little relation to the hypothetical examples shown below or to the

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historical index closing values shown elsewhere in this document. For information about the historical values of the underlying index during recent periods, see The Underlying Index Historical Index Closing Values below. Before investing in the offered securities, you should consult publicly available information to determine the values of the underlying index between the date of this document and the date of your purchase of the offered securities.

Also, the hypothetical examples shown below do not take into account the effects of applicable taxes. Because of the U.S. tax treatment applicable to your securities, tax liabilities could affect the after-tax rate of return on your securities to a comparatively greater extent than the after-tax return on the underlying index stocks.

The values in the left column of the table below represent hypothetical final index values and are expressed as percentages of the initial index value. The amounts in the right column represent the hypothetical payments at maturity, based on the corresponding hypothetical final index value, and are expressed as percentages of the stated principal amount of a security (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical payment at maturity of 100.000% means that the value of the cash payment that we would deliver for each $10 of the outstanding stated principal amount of the offered securities on the stated maturity date would equal 100.000% of the stated principal amount of a security, based on the corresponding hypothetical final index value and the assumptions noted above.

Hypothetical Final Index Value (as Percentage of Initial Index Value)	**Hypothetical Payment at Maturity (as Percentage of Stated Principal Amount)**
200.000%	120.600%
185.000%	120.600%
160.000%	120.600%
120.600%	**120.600%**
117.000%	120.600%
100.000%	**120.600%**
99.999%	120.600%
95.000%	120.600%
90.000%	**120.600%**
89.999%	89.999%
75.000%	75.000%
50.000%	50.000%
25.000%	25.000%
0.000%	**0.000%**

If, for example, the final index value were determined to be 25.000% of the initial index value, the payment at maturity that we would deliver on your securities at maturity would be 25.000% of the stated principal amount of your securities, as shown in the table above. As a result, if you purchased your securities on the original issue date at the stated principal amount and held them to the stated maturity date, you would lose 75.000% of your investment (if you purchased your securities at a premium to stated principal amount you would lose a correspondingly higher percentage of your investment). If the final index value were determined to be zero, you would lose your entire investment in the securities. In addition, if the final index value were determined to be 200.000% of the initial index value, the payment at maturity that we would deliver on your securities at maturity would be limited to $10 plus the upside payment, or 120.600% of each $10 principal amount of your securities, as shown in the table above. As a result, if you held your securities to the stated maturity date, you would not benefit from any increase in the final index value over 90.000% of the initial index value.

The payments at maturity shown above are entirely hypothetical; they are based on market prices for the underlying index stocks that may not be achieved on the valuation date and on assumptions that may prove to be erroneous. The actual market value of your securities on the stated maturity date or at any other time, including any time you may wish to sell your securities, may bear little relation to the hypothetical payments at maturity shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered securities. The hypothetical payments at maturity on securities held to the stated

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maturity date in the examples above assume you purchased your securities at their stated principal amount and have not been adjusted to reflect the actual issue price you pay for your securities. The return on your investment (whether positive or negative) in your securities will be affected by the amount you pay for your securities. If you purchase your securities for a price other than the stated principal amount, the return on your investment will differ from, and may be significantly lower than, the hypothetical returns suggested by the above examples. Please read Risk Factors The Market Value of Your Securities May Be Influenced by Many Unpredictable Factors below.

Payments on the securities are economically equivalent to the amounts that would be paid on a combination of other instruments. For example, payments on the securities are economically equivalent to a combination of an interest-bearing bond bought by the holder (although the securities do not pay interest) and one or more options entered into between the holder and us (with one or more implicit option premiums paid over time). The discussion in this paragraph does not modify or affect the terms of the securities or the U.S. federal income tax treatment of the securities, as described elsewhere in this document.

We cannot predict the actual final index value or what the market value of your securities will be on any particular index business day, nor can we predict the relationship between the index closing value and the market value of your securities at any time prior to the stated maturity date. The actual amount that you will receive, if any, at maturity and the rate of return on the offered securities will depend on the actual initial index value, which we will set on the pricing date, and the actual final index value determined by the calculation agent as described above. Moreover, the assumptions on which the hypothetical returns are based may turn out to be inaccurate. Consequently, the amount of cash to be paid in respect of your securities, if any, on the stated maturity date may be very different from the information reflected in the examples above.

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Risk Factors

An investment in your securities is subject to the risks described below, as well as the risks and considerations described in the accompanying prospectus, in the accompanying prospectus supplement and under Additional Risk Factors Specific to the Notes in the accompanying general terms supplement no. 1,735. You should carefully review these risks and considerations as well as the terms of the securities described herein and in the accompanying prospectus, the accompanying prospectus supplement and the accompanying general terms supplement no. 1,735. Your securities are a riskier investment than ordinary debt securities. Also, your securities are not equivalent to investing directly in the underlying index stocks, i.e., the stocks comprising the underlying index to which your securities are linked. You should carefully consider whether the offered securities are suited to your particular circumstances.

Your Securities Do Not Bear Interest

You will not receive any interest payments on your securities. As a result, even if the payment at maturity payable for your securities on the stated maturity date exceeds the stated principal amount of your securities, the overall return you earn on your securities may be less than you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate.

You May Lose Your Entire Investment in the Securities

You can lose your entire investment in the securities. The cash payment on your securities, if any, on the stated maturity date will be based on the performance of the EURO STOXX 50® Index as measured from the initial index value set on the pricing date to the index closing value on the valuation date. If the final index value is *less than* the downside threshold level, you will lose 1.00% of the stated principal amount of your securities for every 1.00% decline in the index value over the term of the securities. Thus, you may lose your entire investment in the securities.

Also, the market price of your securities prior to the stated maturity date may be significantly lower than the purchase price you pay for your securities. Consequently, if you sell your securities before the stated maturity date, you may receive far less than the amount of your investment in the securities.

The Securities Are Subject to the Credit Risk of the Issuer and the Guarantor

Although the return on the securities will be based on the performance of the underlying index, the payment of any amount due on the securities is subject to the credit risk of GS Finance Corp., as issuer of the securities, and the credit risk of The Goldman Sachs Group, Inc., as guarantor of the securities. The securities are our unsecured obligations. Investors are dependent on our ability to pay all amounts due on the securities, and therefore investors are subject to our credit risk and to changes in the market s view of our creditworthiness. Similarly, investors are dependent on the ability of The Goldman Sachs Group, Inc., as guarantor of the securities, to pay all amounts due on the securities, and therefore are also subject to its credit risk and to changes in the market s view of its creditworthiness. See Description of the Notes We May Offer Information About Our Medium-Term Notes, Series E Program How the Notes Rank Against Other Debt on page S-4 of the accompanying prospectus supplement and Description of Debt Securities We May Offer Guarantee by The Goldman Sachs Group, Inc. on page 33 of the accompanying prospectus.

The Potential for the Value of Your Securities to Increase Will Be Limited

Your ability to participate in any change in the price of the underlying index over the life of your securities will be limited because the maximum payment at maturity will be equal to $10 plus the upside payment. This will limit the payment at maturity you may receive for each of your securities, no matter how much the price of the underlying index may rise over the life of your securities. Accordingly, the amount payable for each of your securities may be significantly less than it would have been had you invested directly in the underlying index.

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The Return on Your Securities May Change Significantly Despite Only a Small Incremental Change in the Value of the Underlying Index

If the final index value is less than the downside threshold level, you will lose all or a substantial portion of your investment in the securities. This means that while a 10.00% drop between the initial index value and the final index value will not result in a loss of principal on the securities, a decrease in the final index value to less than 90.00% of the initial index value will result in a loss of a significant portion of the stated principal amount of the securities despite only a small incremental change in the value of the underlying index.

The Return on Your Securities Will Not Reflect Any Dividends Paid on the Underlying Index Stocks

The underlying index publisher calculates the level of the underlying index by reference to the prices of its underlying index stocks, without taking account of the value of dividends paid on those underlying index stocks. Therefore, the return on your securities will not reflect the return you would realize if you actually owned the underlying index stocks and received the dividends paid on those underlying index stocks. You will not receive any dividends that may be paid on any of the underlying index stocks by the underlying index stock issuer. See Investing in the Securities is Not Equivalent to Investing in the Underlying Index; You Have No Shareholder Rights or Rights to Receive Any Underlying Index Stock below for additional information.

The Estimated Value of Your Securities At the Time the Terms of Your Securities Are Set On the Pricing Date (as Determined By Reference to Pricing Models Used By GS&Co.) Is Less Than the Original Issue Price Of Your Securities

The original issue price for your securities exceeds the estimated value of your securities as of the time the terms of your securities are set on the pricing date, as determined by reference to GS&Co. s pricing models and taking into account our credit spreads. Such expected estimated value on the pricing date is set forth above under Estimated Value of Your Securities ; after the pricing date, the estimated value as determined by reference to these models will be affected by changes in market conditions, the creditworthiness of GS Finance Corp., as issuer, the creditworthiness of The Goldman Sachs Group Inc., as guarantor, and other relevant factors. The price at which GS&Co. would initially buy or sell your securities (if GS&Co. makes a market, which it is not obligated to do), and the value that GS&Co. will initially use for account statements and otherwise, also exceeds the estimated value of your securities as determined by reference to these models. As agreed by GS&Co. and the distribution participants, this excess (i.e., the additional amount described under Estimated Value of Your Securities) will decline to zero on a straight line basis over the period from the date hereof through the applicable date set forth above under Estimated Value of Your Securities . Thereafter, if GS&Co. buys or sells your securities it will do so at prices that reflect the estimated value determined by reference to such pricing models at that time. The price at which GS&Co. will buy or sell your securities at any time also will reflect its then current bid and ask spread for similar sized trades of structured securities.

In estimating the value of your securities as of the time the terms of your securities are set on the pricing date, as disclosed above under Estimated Value of Your Securities , GS&Co. s pricing models consider certain variables, including principally our credit spreads, interest rates (forecasted, current and historical rates), volatility, price-sensitivity analysis and the time to maturity of the securities. These pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, the actual value you would receive if you sold your securities in the secondary market, if any, to others may differ, perhaps materially, from the estimated value of your securities determined by reference to our models due to, among other things, any differences in pricing models or assumptions used by others. See The Market Value of Your Securities May Be Influenced by Many Unpredictable Factors below.

The difference between the estimated value of your securities as of the time the terms of your securities are set on the pricing date and the original issue price is a result of certain factors, including principally the underwriting discount and commissions, the expenses incurred in creating, documenting and marketing the securities, and an estimate of the difference between the amounts we pay to GS&Co. and the amounts GS&Co. pays to us in connection with your securities. We pay to GS&Co. amounts based on what we would pay to holders of a non-structured security with a similar maturity. In return for such payment, GS&Co. pays to us the amounts we owe under your securities.

In addition to the factors discussed above, the value and quoted price of your securities at any time will reflect many factors and cannot be predicted. If GS&Co. makes a market in the securities, the price quoted by GS&Co. would reflect any changes in market conditions and other relevant factors, including any deterioration in our creditworthiness or perceived creditworthiness or the creditworthiness or perceived creditworthiness of The Goldman Sachs Group, Inc. These changes may adversely affect the value of your securities, including the price you may receive for your securities in any market making transaction. To the extent that GS&Co. makes a market in the securities, the quoted price will reflect the estimated value determined by reference to GS&Co. s pricing models at that time, plus or minus its then current bid and ask spread for similar sized trades of structured securities (and subject to the declining excess amount described above).

Furthermore, if you sell your securities, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount. This commission or discount will further reduce the proceeds you would receive for your securities in a secondary market sale.

There is no assurance that GS&Co. or any other party will be willing to purchase your securities at any price and, in this regard, GS&Co. is not obligated to make a market in the securities. See Your Securities May Not Have an Active Trading Market below.

The Amount Payable on Your Securities Is Not Linked to the Value of the Underlying Index at Any Time Other than the Valuation Date

The final index value will be based on the index closing value on the valuation date (subject to adjustment as described elsewhere in this document). Therefore, if the index closing value dropped precipitously on the valuation date, the payment at maturity for your securities may be significantly less than it would have been had the payment at maturity been linked to the index closing value prior to such drop in the value of the underlying index. Although the actual value of the underlying index on the stated maturity date or at other times during the life of your securities may be higher than the final index value, you will not benefit from the index closing value at any time other than on the valuation date.

The Market Value of Your Securities May Be Influenced by Many Unpredict