GOLDMAN SACHS GROUP INC
Form 424B2
September 25, 2018
Table of Contents

Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-219206

GS Finance Corp.

$1,200,000

Autocallable Contingent Coupon ETF-Linked Notes due 2023

guaranteed by

The Goldman Sachs Group, Inc.

If the closing price of the iShares® MSCI Emerging Markets ETF (ETF) on any determination date is *less than* 75% of the initial price, you will not receive a coupon on the applicable payment date. The amount that you will be paid on your notes is based on the performance of the ETF. The notes will mature on the stated maturity date (September 26, 2023), unless automatically called on any determination date commencing in September 2019 to and including June 2023. Your notes will be automatically called if the closing price of the ETF on any such determination date is *greater than* or *equal to* the initial price of $43.23. If your notes are automatically called, you will receive a payment on the next payment date (the third business day after the relevant determination date) equal to the face amount of your notes *plus* a coupon (as described below).

The return on your notes is linked to the performance of the ETF, and not to that of the MSCI Emerging Markets Index (index) on which the ETF is based. The ETF follows a strategy of representative sampling , which means the ETF s holdings are not the same as those of the index. The performance of the ETF may significantly diverge from that of the index.

Determination dates are the 21st day of each March, June, September and December commencing in December 2018 and ending in September 2023. If on any determination date the closing price of the ETF is *greater than or equal to* 75% of the initial price, you will receive on the applicable payment date a coupon for each $1,000 face amount of your notes equal to $24.125.

The amount that you will be paid on your notes at maturity, if the notes have not been automatically called, in addition to the final coupon, if any, is based on the performance of the ETF. The ETF return is the percentage increase or decrease in the final price of the ETF on the final determination date from the initial price.

At maturity, for each $1,000 face amount of your notes, you will receive an amount in cash equal to:

- if the ETF return is *greater than* or *equal to* -25% (the final price is *greater than or equal to* 75% of the initial price), $1,000 plus a coupon calculated as described above;

- if the ETF return is *less than* -25% (the final price is *less than* 75% of the initial price), the *sum* of (i) $1,000 *plus* (ii) the *product* of (a) the ETF return *times* (b) $1,000. **You will receive less than 75% of the face amount of your notes and no coupon.**

You should read the disclosure herein to better understand the terms and risks of your investment, including the credit risk of GS Finance Corp. and The Goldman Sachs Group, Inc. See page S-10. *The estimated value of your notes at the time the terms of your notes are set on the trade date is equal to approximately $997 per $1,000 face amount. For a discussion of the estimated value and the price at which Goldman Sachs & Co. LLC would initially buy or sell your notes, if it makes a market in the notes, see the following page.*

Original issue date:	September 26, 2018	**Original issue price:**	100% of the face amount
Underwriting discount:	0.35% of the face amount	**Net proceeds to the issuer:**	99.65% of the face amount

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 prospectus. Any representation to the contrary is a criminal offense. The notes 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

Prospectus Supplement No. 4,279 dated September 21, 2018.

Table of Contents

The issue price, underwriting discount and net proceeds listed above relate to the notes we sell initially. We may decide to sell additional notes after the date of this prospectus supplement, 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 notes will depend in part on the issue price you pay for such notes.

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

Estimated Value of Your Notes

The estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by Goldman Sachs & Co. LLC (GS&Co.) and taking into account our credit spreads) is equal to approximately $997 per $1,000 face amount, which is less than the original issue price. The value of your notes 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 notes (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 notes at the time of pricing, plus an additional amount (initially equal to $3 per $1,000 face amount).

Prior to September 22, 2019, the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (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 notes (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 September 21, 2019). On and after September 22, 2019, the price (not including GS&Co. s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (if it makes a market) will equal approximately the then-current estimated value of your notes determined by reference to such pricing models.

About Your Prospectus

The notes 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 prospectus includes this prospectus supplement and the accompanying documents listed below. This prospectus supplement constitutes a supplement to the documents listed below and should be read in conjunction with such documents:

- Prospectus supplement dated July 10, 2017
- Prospectus dated July 10, 2017

The information in this prospectus supplement 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 notes.

Table of Contents

SUMMARY INFORMATION

We refer to the notes we are offering by this prospectus supplement as the offered notes or the notes . Each of the offered notes has the terms described below and under Specific Terms of Your Notes on page S-22. Please note that in this prospectus supplement, 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, and references to the accompanying prospectus supplement mean the accompanying prospectus supplement, dated July 10, 2017, for Medium-Term Notes, Series E, in each case of GS Finance Corp. and The Goldman Sachs Group, Inc. References to the indenture in this prospectus supplement mean 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.

Key Terms

Issuer: GS Finance Corp.

Guarantor: The Goldman Sachs Group, Inc.

ETF: the iShares® MSCI Emerging Markets ETF (Bloomberg symbol, EEM UP Equity), see The ETF on page S-31

Underlying index: the MSCI Emerging Markets Index, as published by MSCI, Inc. (MSCI)

Specified currency: U.S. dollars ($)

Face amount: each note will have a face amount equal to $1,000; $1,200,000 in the aggregate for all the offered notes; the aggregate face amount of the offered notes may be increased if the issuer, at its sole option, decides to sell an additional amount of the offered notes on a date subsequent to the date of this prospectus supplement

Denominations: $1,000 and integral multiples of $1,000 in excess thereof

Purchase at amount other than face amount: the amount we will pay you for your notes on a call payment date or the stated maturity date, as the case may be, will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or discount) to face amount and hold them to a call payment date or the stated maturity date, it could affect your investment in a number of ways. The return on your investment in such notes will be lower (or higher) than it would have been had you purchased the notes at face amount. See Additional Risk Factors Specific to Your Notes If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will Be Negatively Affected on page S-12 of this prospectus supplement

Supplemental discussion of U.S. federal income tax consequences: you will be obligated pursuant to the terms of the notes in the absence of a change in law, an administrative determination or a judicial ruling to the contrary to characterize each note for all tax purposes as an income-bearing pre-paid derivative contract in respect of the ETF, as described under Supplemental Discussion of Federal Income Tax Consequences herein. Pursuant to this approach, it is the opinion of Sidley Austin LLP that it is likely that any coupon payment will be taxed as ordinary income in accordance with your regular method of accounting for U.S. federal income tax purposes. If you are a United States alien holder of the notes, we intend to withhold on coupon payments made to you at a 30% rate or at a lower rate specified by an applicable income tax treaty. In addition, upon the sale, exchange, redemption or maturity of your notes, it would be reasonable for you to recognize capital gain or loss equal to the difference, if any, between the

Table of Contents

amount of cash you receive at such time (excluding amounts attributable to any coupon payment) and your tax basis in your notes

Cash settlement amount (on any call payment date): if your notes are automatically called on a call observation date because the closing price of the ETF is *greater than* or *equal to* the initial ETF price, for each $1,000 face amount of your notes, on the related call payment date, we will pay you an amount in cash equal to the *sum* of (i) $1,000 *plus* (ii) the coupon then due

Cash settlement amount (on the stated maturity date): if your notes are not automatically called, for each $1,000 face amount of your notes, we will pay you on the stated maturity date an amount in cash equal to:

- if the ETF return is *greater than* or *equal to* -25% (the final ETF price is *greater than or equal to* 75% of the initial ETF price), $1,000 *plus* the related coupon;

- if the ETF return is *less than* -25% (the final ETF price is *less than* 75% of the initial ETF price), the *sum* of (i) $1,000 *plus* (ii) the *product* of (a) the ETF return *times* (b) $1,000. **You will receive less than 75% of the face amount of your notes and no coupon**

Automatic call feature: if, as measured on any call observation date, the closing price of the ETF is *greater than* or *equal to* the initial ETF price, your notes will be automatically called; if your notes are automatically called on any call observation date, on the corresponding call payment date, in addition to the coupon then due, you will receive an amount in cash equal to $1,000 for each $1,000 face amount of your notes

Coupon: subject to the automatic call feature, on each coupon payment date, for each $1,000 face amount of your notes, we will pay you an amount in cash equal to:

- if the closing price on the related coupon determination date is *greater than or equal to* the coupon trigger price, $24.125; or

- if the closing price on the related coupon determination date is *less than* the coupon trigger price, $0.00

Initial ETF price: $43.23

Final ETF price: the closing price of the ETF on the determination date, subject to anti-dilution adjustments as described under Specific Terms of Your Notes Anti-dilution Adjustments on page S-25, and except in the limited circumstances described under Specific Terms of Your Notes Consequences of a Market Disruption Event or a Non-Trading Day on page S-25 and subject to adjustment as provided under Specific Terms of Your Notes Discontinuance or Modification of the ETF on page S-25

Coupon trigger price: $32.4225, which is 75% of the initial ETF price

Closing price: the closing price of the ETF on any trading day, as further described under Specific Terms of Your Notes Special Calculation Provisions Closing Price on page S-27, subject to anti-dilution adjustments as described under Specific Terms of Your Notes Anti-dilution Adjustments on page S-25

ETF return: the quotient of (i) the final ETF price minus the initial ETF price divided by (ii) the initial ETF price, expressed as a positive or negative percentage

Defeasance: not applicable

No listing: the offered notes will not be listed or displayed on any securities exchange or interdealer market quotation system

Business day: as described under Specific Terms of Your Notes Special Calculation Provisions Business Day on page S-27

Trading day: as described under Specific Terms of Your Notes Special Calculation Provisions Trading Day on page S-27

Trade date: September 21, 2018

Original issue date (settlement date): September 26, 2018

Stated maturity date: September 26, 2023, subject to adjustment as described under Specific Terms of Your Notes Stated Maturity Date on page S-24

Determination date: September 21, 2023, subject to adjustment as described under Specific Terms of Your Notes Determination Date on page S-24

Table of Contents

Call observation date: each coupon determination date commencing in September 2019 and ending in June 2023, subject to adjustment as described under Specific Terms of Your Notes Call Observation Dates on page S-24

Call payment dates: the third business day after each call observation date subject to adjustment as described under Specific Terms of Your Notes Call Payment Dates on page S-25

Coupon determination dates: the 21st day of each March, June, September and December commencing in December 2018, subject to adjustment as described under Specific Terms of Your Notes Coupon Determination Dates on page S-24

Coupon payment dates: the third business day after each coupon determination date to and including the stated maturity date, subject to adjustment as described under Specific Terms of Your Notes Coupon and Coupon Payment Dates on page S-24

Regular record dates: the scheduled business day immediately preceding the day on which payment is to be made (as such payment date may be adjusted)

Calculation agent: Goldman Sachs & Co. LLC (GS&Co.)

CUSIP no.: 40055QZC9

ISIN no.: US40055QZC94

FDIC: the notes 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

Table of Contents

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 are intended merely to illustrate (i) the impact that various hypothetical closing prices of the ETF on a coupon determination date could have on the coupon payable on the related coupon payment date and (ii) the impact that various hypothetical closing prices of the ETF on the determination date could have on the cash settlement amount at maturity assuming all other variables remain constant.

The examples below are based on a range of ETF prices that are entirely hypothetical; no one can predict what the ETF price will be on any day throughout the life of your notes, what the closing price will be on any coupon determination date or call observation date and what the final ETF price will be on the determination date. The ETF has been highly volatile in the past meaning that the ETF prices have changed substantially in relatively short periods and its performance cannot be predicted for any future period.

The information in the following examples reflects the hypothetical rates of return on the offered notes assuming that they are purchased on the original issue date at the face amount and held to a call payment date or the stated maturity date. If you sell your notes in a secondary market prior to a call payment date or the stated maturity date, as the case may be, your return will depend upon the market value of your notes 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 ETF, the creditworthiness of GS Finance Corp., as issuer, and the creditworthiness of The Goldman Sachs Group, Inc., as guarantor. In addition, the estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by GS&Co.) is less than the original issue price of your notes. For more information on the estimated value of your notes, see Additional Risk Factors Specific to Your Notes The Estimated Value of Your Notes At the Time the Terms of Your Notes Are Set On the Trade Date (as Determined By Reference to Pricing Models Used By GS&Co.) Is Less Than the Original Issue Price Of Your Notes on page S-10 of this prospectus supplement. The information in the examples also reflect the key terms and assumptions in the box below.

Key Terms and Assumptions	
Face amount	$1,000
Initial ETF price	$43.23
Coupon	$24.125
The notes are not automatically called, unless otherwise indicated below	
Neither a market disruption event nor a non-trading day occurs on any originally scheduled coupon determination date or call observation date or the originally scheduled determination date	
No change in or affecting the ETF, any of the ETF stocks or the policies of ETF s investment advisor or the method by which the underlying index sponsor calculates the underlying index	
Notes purchased on original issue date at the face amount and held to a call payment date or the stated maturity date	

For these reasons, the actual performance of the ETF over the life of your notes, the actual ETF prices on any call observation date or coupon determination date, as well as the coupon payable, if any, on each coupon payment date, may bear little relation to the hypothetical examples shown below or to the historical ETF prices shown elsewhere in this prospectus supplement. For information about the ETF prices during recent periods, see The ETF Historical Closing Prices of the ETF on page S-41. Before investing in the notes, you should consult publicly available information to determine the ETF prices between the date of this prospectus supplement and the date of your purchase of the notes.

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 notes, tax liabilities could affect the after-tax rate of return on your notes to a comparatively greater extent than the after-tax return on the ETF stocks.

Table of Contents

Hypothetical Coupon Payments

The examples below show the hypothetical performance of the ETF as well as the hypothetical coupons, if any, that we would pay on each coupon payment date with respect to each $1,000 face amount of the notes if the closing price of the ETF on the applicable coupon determination date were the hypothetical closing prices shown and the coupon trigger price was $32.4225.

Scenario 1

Hypothetical Coupon Determination Date	Hypothetical Closing Price of the ETF	Hypothetical Coupon
First	$30	$0
Second	$40	$24.125
Third	$28	$0
Fourth	$26	$0
Fifth	$27	$0
Sixth	$36	$24.125
Seventh	$20	$0
Eighth	$24	$0
Ninth	$28	$0
Tenth	$25	$0
Eleventh	$26	$0
Twelfth - Twentieth	$30	$0
	Total Hypothetical Coupons	$48.25

In Scenario 1, the hypothetical closing price of the ETF increases and decreases by varying amounts on each hypothetical coupon determination date. Because the hypothetical closing price on the second and sixth hypothetical coupon determination dates is *greater than or equal to* the coupon trigger price, the total of the hypothetical coupons in Scenario 1 is $48.25. Because the hypothetical closing price on all other hypothetical coupon determination dates is less than the coupon trigger price, no further coupons will be paid, including at maturity.

Scenario 2

Hypothetical Coupon Determination Date	Hypothetical Closing Price of the ETF	Hypothetical Coupon
First	$30	$0
Second	$31	$0
Third	$28	$0
Fourth	$26	$0
Fifth	$27	$0
Sixth	$29	$0
Seventh	$20	$0

Eighth	$24	$0
Ninth	$28	$0
Tenth	$25	$0
Eleventh	$26	$0
Twelfth - Twentieth	$30	$0
	Total Hypothetical Coupons	**$0**

In Scenario 2, the hypothetical closing price increases and decreases by varying amounts on each hypothetical coupon determination date. Because in each case the hypothetical closing price is *less than* the coupon trigger price, you will not receive a coupon payment on the applicable hypothetical coupon payment date. Since this occurs on every hypothetical coupon determination date, the overall return you earn on your notes will be less than zero. Therefore, the total of the hypothetical coupons in Scenario 2 is $0.00.

Scenario 3

Hypothetical Coupon Determination Date	Hypothetical Closing Price of the ETF	Hypothetical Coupon
First	$30	$0
Second	$31	$0
Third	$28	$0
Fourth	$48	**$24.125**
	Total Hypothetical Coupons	**$24.125**

In Scenario 3, the hypothetical closing price is *less than* the initial ETF price on the first three hypothetical coupon determination dates, but increases to a price that is *greater than* the initial ETF price on the fourth

Table of Contents

hypothetical coupon determination date. Because the hypothetical closing price is *greater than* or *equal to* the initial ETF price on the fourth hypothetical coupon determination date (which is also the first hypothetical call observation date), your notes will be automatically called. Therefore, on the corresponding hypothetical call payment date, in addition to the hypothetical coupon of $24.125, you will receive an amount in cash equal to $1,000 for each $1,000 face amount of your notes.

Hypothetical Payment at Maturity

If the notes are not automatically called on any call observation date (i.e., on each call observation date the closing price is *less than* the initial ETF price), the cash settlement amount we would deliver for each $1,000 face amount of your notes on the stated maturity date will depend on the performance of the ETF on the determination date, as shown in the table below. The table below assumes that **the notes have not been automatically called on a call observation date,** does not include the final coupon, if any, and reflects hypothetical cash settlement amounts that you could receive on the stated maturity date. If the final ETF price (as a percentage of the initial ETF price) is less than 75.00%, you will not be paid a final coupon at maturity.

The prices in the left column of the table below represent hypothetical final ETF prices and are expressed as percentages of the initial ETF price. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final ETF price (expressed as a percentage of the initial ETF price), and are expressed as percentages of the face amount of a note (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical cash settlement amount of 100.000% means that the value of the cash payment that we would deliver for each $1,000 of the outstanding face amount of the offered notes on the stated maturity date would equal 100.000% of the face amount of a note, based on the corresponding hypothetical final ETF price (expressed as a percentage of the initial ETF price) and the assumptions noted above.

The Notes Have Not Been Automatically Called

Hypothetical Final ETF Price (as Percentage of Initial ETF Price)	**Hypothetical Cash Settlement Amount at Maturity if the Notes Have Not Been Automatically Called on a Call Observation Date (as Percentage of Face Amount)**
175.000%	100.000%*
150.000%	100.000%*
125.000%	100.000%*
100.000%	**100.000%***
95.000%	100.000%*
90.000%	100.000%*
85.000%	100.000%*
80.000%	100.000%*
78.000%	100.000%*
75.000%	**100.000%***

74.999%	74.999%
50.000%	50.000%
40.000%	40.000%
25.000%	25.000%
20.000%	20.000%
10.000%	10.000%
0.000%	**0.000%**

*Does not include the final coupon

If, for example, the notes have not been automatically called on a call observation date and the final ETF price were determined to be 25.000% of the initial ETF price, the cash settlement amount that we would deliver on your notes at maturity would be 25.000% of the face amount of your notes, as shown in the table above. As a result, if you purchased your notes on the original issue date at the face amount and held them to the stated maturity date, you would lose 75.000% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). In addition, if the final ETF price were determined to be 175.000% of the initial ETF price, the cash settlement amount that we would deliver on your notes at maturity would be limited to 100.000% of each $1,000 face amount of your notes, as shown in the table above. As a result, if you held your notes to the stated maturity date, you would not benefit from any increase in the final ETF price over the initial ETF price.

Table of Contents

The cash settlement amounts shown above are entirely hypothetical; they are based on market prices for the ETF stocks that may not be achieved on the determination date and on assumptions that may prove to be erroneous. The actual market value of your notes on the stated maturity date or at any other time, including any time you may wish to sell your notes, may bear little relation to the hypothetical cash settlement amounts shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered notes. The hypothetical cash settlement amounts on notes held to the stated maturity date in the examples above assume you purchased your notes at their face amount and have not been adjusted to reflect the actual issue price you pay for your notes. The return on your investment (whether positive or negative) in your notes will be affected by the amount you pay for your notes. If you purchase your notes for a price other than the face 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 Additional Risk Factors Specific to Your Notes The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors on page S-12.

Payments on the notes are economically equivalent to the amounts that would be paid on a combination of other instruments. For example, payments on the notes are economically equivalent to a combination of an interest-bearing bond bought by the holder 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 notes or the U.S. federal income tax treatment of the notes, as described elsewhere in this prospectus supplement.

We cannot predict the actual closing price of the ETF on any day, the final ETF price or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the closing price of the ETF and the market value of your notes at any time prior to the stated maturity date. The actual coupon payment, if any, that a holder of the notes will receive on each coupon payment date, the actual amount that you will receive at maturity, if any, and the rate of return on the offered notes will depend on whether or not the notes are automatically called and the actual closing price of the ETF on the coupon determination dates and the actual final ETF price determined by the calculation agent as described above. Moreover, the assumptions on which the hypothetical examples are based may turn out to be inaccurate. Consequently, the coupon to be paid in respect of your notes, if any, and the cash amount to be paid in respect of your notes on the stated maturity date, if any, may be very different from the information reflected in the examples above.

Table of Contents

ADDITIONAL RISK FACTORS SPECIFIC TO YOUR NOTES

An investment in your notes is subject to the risks described below, as well as the risks and considerations described in the accompanying prospectus and in the accompanying prospectus supplement. You should carefully review these risks and considerations as well as the terms of the notes described herein and in the accompanying prospectus and the accompanying prospectus supplement. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the ETF stocks, i.e., with respect to the ETF to which your notes are linked, the stocks comprising such ETF. You should carefully consider whether the offered notes are suited to your particular circumstances.

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

The original issue price for your notes exceeds the estimated value of your notes as of the time the terms of your notes are set on the trade date, as determined by reference to GS&Co. s pricing models and taking into account our credit spreads. Such estimated value on the trade date is set forth above under Estimated Value of Your Notes ; after the trade 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 notes (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 notes 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 Notes) 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 Notes . Thereafter, if GS&Co. buys or sells your notes 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 notes at any time also will reflect its then current bid and ask spread for similar sized trades of structured notes.

In estimating the value of your notes as of the time the terms of your notes are set on the trade date, as disclosed above under Estimated Value of Your Notes , 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 notes. 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 notes in the secondary market, if any, to others may differ, perhaps materially, from the estimated value of your notes 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 Notes May Be Influenced by Many Unpredictable Factors below.

The difference between the estimated value of your notes as of the time the terms of your notes are set on the trade 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 notes, 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 notes. We pay to GS&Co. amounts based on what we would pay to holders of a non-structured note with a similar maturity. In return for such payment, GS&Co. pays to us the amounts we owe under your notes.

In addition to the factors discussed above, the value and quoted price of your notes at any time will reflect many factors and cannot be predicted. If GS&Co. makes a market in the notes, 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 notes, including the price you may receive for your notes in any market making transaction. To the extent that GS&Co. makes a market in the notes, the quoted price will reflect the estimated value determined by

Table of Contents

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 notes (and subject to the declining excess amount described above).

Furthermore, if you sell your notes, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount. This commission or disc