GOLDMAN SACHS MOMENTUM BUILDER INDICES

METHODOLOGY

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Table of Contents

Page

GS MOMENTUM BUILDER INDICES

Overview

The following overview of the GS Momentum Builder Indices is a summary and, as such, is necessarily incomplete. This overview should be read in conjunction with, and is qualified in its entirety by, the more detailed description of the GS Momentum Builder Indices and their operation that follows in this document.

The GS Momentum Builder Indices (each, an "**Index**" and collectively, the "**Indices**") are comprised of shares of ETFs (the "**Underlying ETFs**") whose underlying indices track a range of equity, commodity and real estate markets and fixed income assets. Using a methodology (the "**Methodology**") developed by Goldman, Sachs & Co. (the "**Index Sponsor**"), the Indices seek to provide exposure to price momentum of these markets and fixed income assets by seeking to reflect the combination of Underlying ETF weightings that would have provided the highest six-month historical return (determined as described below) on each rebalancing date, subject to constraints on maximum and minimum weights and volatility controls further described below. The Indices are rebalanced monthly and may be rebalanced as frequently as daily if the daily volatility control is triggered.

The Indices are calculated on a total return basis, with gross dividends reinvested. The Indices are calculated in U.S. dollars. The Index Sponsor has retained Structured Solutions AG to serve as Calculation Agent for the Indices. In the event the Index Sponsor appoints a replacement Calculation Agent a public announcement will be made via press release.

An "**Index Business Day**" means any day on which the New York Stock Exchange is open for trading.

Unless otherwise indicated, any public announcement contemplated by this Methodology shall be made on the website of the Calculation Agent.

The Methodology

Overview

At any given time, the Indices track the weighted return of their respective Underlying ETFs. The respective weights of the Underlying ETFs, which can be as low as zero, are rebalanced monthly within a set of pre-determined investment and volatility constraints by applying the Methodology algorithm. Such rebalancing of the Indices is referred to herein from time to time as a "**monthly rebalancing**". On any given Index Business Day, the respective weights of the Underlying ETFs may also be ratably rebalanced into short-term fixed income ETFs as a result of the daily volatility control feature of the Methodology. Such rebalancing of the Indices is referred to herein from time to time as a "**daily rebalancing**". Under certain limited circumstances described under "Delayed Rebalancing", the Calculation Agent may delay any monthly rebalancing or daily rebalancing in its sole discretion. In addition, the Index Committee intends to review the Methodology at least once a year, and may make changes to the Methodology from time to time (including after any such annual review) if it determines, in its sole discretion, that such changes are necessary or desirable in light of the goals of the Indices.

Any such changes to the Methodology will be publicly announced at least 60 Index Business Days prior to their effective date.

Monthly Rebalancing

On each monthly rebalancing date, the Calculation Agent, pursuant to the Methodology and subject to the applicable constraints, utilizes an optimization technique[1] to seek to select the combination of permitted Underlying ETF weights with the highest six-month historical total return (i.e., the Underlying ETF weights that, within the relevant constraints, would have produced the highest total return in the six-month period prior to such rebalancing had such weights been in effect at the beginning of the six-month period).

Daily Volatility Control

The Methodology has a daily volatility control. This has the effect of reducing the exposure of the Indices to the performance of the Underlying ETFs by rebalancing a portion of the Indices into short-term fixed income ETFs if the annualized historic three-month realized volatility of the Underlying ETFs for an Index would otherwise exceed the daily volatility control level for the Index on any Index Business Day.

Index Family

Four separate but related indices have been developed by the Index Sponsor based on the Methodology:

- The GS Momentum Builder Growth Markets Index (the "**Growth Markets Index**"). The Growth Markets Index is comprised of shares of ETFs whose underlying indices track the equity markets of the following emerging market countries: Brazil, Russia, India, China, Mexico, South Korea, Indonesia, and Turkey, as well as shares of ETFs whose underlying indices track U.S. fixed income securities. The initial composition of the Growth Markets Index is described in the related table in Annex A.
- The GS Momentum Builder Multi-Asset Index (the "**Multi-Asset Index**"). The Multi-Asset Index is comprised of shares of ETFs whose underlying indices track U.S., international developed and emerging equity markets, commodity markets, real estate markets and fixed income assets (including U.S. treasuries and investment grade, high yield, international and emerging market bonds). The initial composition of the Multi-Asset Index is described in the related table in Annex A.
- The GS Momentum Builder Asia ex-Japan Index (the "**Asia ex-Japan Index**"). The Asia ex-Japan Index is comprised of shares of ETFs whose underlying indices track the equity markets of the following countries in Asia: India, China, Thailand, Taiwan, Hong Kong, Indonesia, Singapore, Malaysia, South Korea and Australia, as well as shares of

[1] The "optimization technique" utilized by the Calculation Agent seeks to efficiently select the combination of Underlying ETF weights that meet the applicable constraints of the relevant Index and best meet the goals of the Index.

ETFs whose underlying indices track U.S. fixed income securities. The initial composition of the Asia ex-Japan Index is described in the related table in Annex A.

Publication of the Indices

Structured Solutions, AG (the "**Calculation Agent**") calculates and publishes the value of each Index every 15 seconds on each Index Business Day and publishes it on the Bloomberg and Reuters pages below.

Table 1. Bloomberg and Reuters Pages.

Index	Bloomberg	Reuters
GS Momentum Builder Growth Markets Index	GSMOBUGM	.GSMOBUGM
GS Momentum Builder Multi-Asset Index	GSMOBUMA	.GSMOBUMA
GS Momentum Builder Asia ex-Japan Index	GSMOBUAX	.GSMOBUAX

Publication of Changes to the Indices and to the Methodology

Changes to the components of any of the Indices made by the Index Committee will be publicly announced as promptly as is reasonably practicable and normally at least five Index Business Days prior to the effective date of the changes. Changes to the Methodology made by the Index Committee will be publicly announced at least 60 Index Business Days prior to their effective date. Adjustments made by the Calculation Agent in response to market adjustment events and potential adjustment events will be publicly announced as promptly as is reasonably practicable.

Index Committee

An Index Committee is responsible for overseeing the Indices and the Methodology, while the Calculation Agent is responsible for the day to day implementation of the Methodology and for the calculation of the Indices, including responding to market disruption events and potential adjustment events. The Index Committee is committed to maintaining each Index as a liquid, tradable index. The Index Committee will initially be comprised of three full-time employees of The Goldman Sachs Group, Inc. or one or more of its affiliates.

The Index Committee may exercise limited discretion with respect to the Indices, as contemplated by the Methodology, including in the situations described under "Changes to the Index Components". Any such changes or actions are publicly announced as promptly as is reasonably practicable and normally at least five Index Business Days prior to their effective date. The Calculation Agent may from time to time consult the Index Committee on matters of interpretation with respect to the Methodology.

Because the Index Committee considers information about changes to the Indices and related matters may be potentially market moving and material, all Index Committee discussions, including those with the Calculation Agent, are confidential. The Index Committee will determine the successor of any of its members.

Initial Composition

The composition of the Indices and the weight of the Underlying ETFs, each as of their respective Base Dates, is described in Annex A. The "**Base Date**" with respect to the Growth Markets Index and the Asia Ex-Japan Index is December 1, 2009. The "**Base Date**" with respect to the Multi-Asset Index is June 1, 2011. The "**Launch Date**" (which is the date the Calculation Agent began calculating such Index) with respect to the Growth Markets Index, the Multi-Asset Index and the Asia Ex-Japan Index is December 1, 2011. Each Underlying ETF is listed and traded on a securities exchange.

Changes to the Index Components

The components of the Indices are not expected to change. However, if, for any reason any of the following events occur:

- an Underlying ETF ceases to exist, is delisted, terminated, wound up, liquidated or files for bankruptcy, is combined with another ETF that has a different investment objective, or changes its currency of denomination,

- an Underlying ETF suspends creations or redemptions for five consecutive Index Business Days or announces a suspension of unlimited duration for such creations or redemptions,

- the net asset value of an Underlying ETF is not calculated or is not announced by either the Underlying ETF or its sponsor for five consecutive Index Business Days, or a market disruption event (as defined under "Market Disruption Events" below) occurs and is continuing for five consecutive Index Business Days,

- the average daily trading volume in the preceding three calendar months of an Underlying ETF is less than $1 million (where average daily trading volume is measured by summing the value of all reported transactions in such Underlying ETF for each trading day during the preceding three full calendar months, and dividing this sum by the total number of such trading days) or the net asset value of such Underlying ETF is below $250 million (where net asset value is measured as the value of an entity's assets less the value of its liabilities as publicly disclosed by the Underlying ETF or its sponsor),

- the sponsor or investment adviser of an Underlying ETF files for bankruptcy and there is no solvent immediate successor,

- limitations on ownership are imposed on an Underlying ETF due to a change in law or regulation, loss of regulatory exemptive relief or otherwise, and the Index Committee, in its sole discretion, determines that such limitations materially adversely affect the ability of holders of such Underlying ETF to hold, acquire or dispose of shares of such Underlying ETF,

- the tax treatment of an Underlying ETF changes in a way that would have an adverse effect on holders of shares of such Underlying ETF,

- the Index Committee, in its sole discretion, determines that an Underlying ETF has changed the index underlying or otherwise referenced by such Underlying ETF (the "**Reference Index**" for such Underlying ETF) to an index that is materially different, or the methodology for the Reference Index is materially modified (other than a modification in the ordinary course of administration of the Reference Index),

- the Reference Index of an Underlying ETF is no longer compiled, or the closing level of such Reference Index is not calculated or published for five consecutive Index Business Days, or

- the Index Sponsor determines in its sole discretion that it is not practicable for an Underlying ETF to continue to be included in the Index for any reason, including due to

    a) a dispute as to whether a license is required to use the Underlying ETF or the related Reference Index, or

    b) to the extent there is an agreement in place governing such use, changes in the terms upon which an Underlying ETF or related Reference Index is made available to the Index Sponsor for inclusion in the Index that the Index Sponsor, in its sole discretion, determines to be materially adverse to it,

then the Index Committee may discontinue representation of the affected Underlying ETF and/or designate a successor ETF. Any such successor ETF shall be the ETF that most closely replicates the affected Underlying ETF without triggering any of the events listed above.

Such deletions and additions may be undertaken during a rebalancing or in between rebalancing dates. Any such changes or actions taken with respect to the Indices by the Index Committee are publicly announced as promptly as is reasonably practicable and normally at least five Index Business Days prior to the effective date of the changes or actions.

Weighting and Rebalancing of the Index Components

Overview

The respective weights of the Underlying ETFs, which can be as low as zero, are rebalanced monthly, on the first Index Business Day of each month, within the investment and volatility constraints described below, by applying the Methodology algorithm. On any given Index Business Day, the respective weights of the Underlying ETFs may also be ratably rebalanced into short-term fixed income ETFs as a result of the daily volatility control of the Methodology. The Calculation Agent is required to delay a monthly rebalancing or daily rebalancing under certain circumstances described below under "Delayed Rebalancing".

Monthly Rebalancing

The weight attributed to each Underlying ETF pursuant to the Methodology on each monthly rebalancing date is intended to optimize the total return performance of the Underlying ETFs based on an analysis of the historical returns of the Underlying ETFs, subject to the constraints included in the Methodology. At each monthly rebalancing date, the algorithm selects, out of all the combinations of permissible Underlying ETF weights within the Methodology constraints, the combination with the highest six-month historical return (calculated as described under "Calculation of the Annualized Six-Month Historical Return").

- <u>Investment Constraints</u>: Investment constraints set a minimum and maximum weight for each Underlying ETF. Negative weights (that is, short positions) are not permitted by the Methodology, but weights can be as low as zero so that the performance of zero-weighted Underlying ETFs would not be reflected in the performance of the Indices for the relevant periods. The sum of the weights of all Underlying ETFs is always equal to 1.0 (with rounding effects treated as described below under "Rounding Convention").

  Where, among other situations described under "Changes to the Index Components", an Underlying ETF ceases to exist, is delisted or is no longer tradable and is not replaced by the Index Committee in the manner described above, it will be deemed to have been assigned a zero weight in the Indices and will be replaced with a hypothetical cash position. At the next monthly rebalancing date, the weights of the remaining Underlying ETFs are ratably adjusted such that the aggregate weight of all Underlying ETFs is equal to 1.0.

  The investment constraints applicable to each of the Indices are set out in Annex B.

- <u>Volatility Constraint</u>: The volatility constraint of the Methodology sets a maximum limit on the aggregate annualized historic six-month realized volatility of any selected combination of Underlying ETF weights. The volatility constraints applicable to each of the Indices are described under the "Volatility Control Level" column in Table 2 below.

Realized volatility is an historical calculation of the degree of movement based on prices or values of an asset observed periodically in the market over a specified period. The realized volatility of an asset is characterized by the frequency of the observations of the asset price used in the calculation and the period over which observations are made. The Methodology utilizes six-month realized volatility, which is calculated by the Calculation Agent from daily closing asset prices of the Underlying ETFs over a six-month period and then annualized.

The six-month observation period relevant for calculating the six-month historical return and historic six-month realized volatility of each combination of Underlying ETFs is the period beginning on (and including) the Index Business Day that is six months before the third Index Business Day immediately preceding the monthly rebalancing date in question to (and including) the third Index Business Day immediately preceding such monthly rebalancing date.

If at a monthly rebalancing date, no combination of Underlying ETFs complies with the set of pre-defined investment and volatility constraints, then the Methodology algorithm will select from all combinations of Underlying ETFs that comply with the investment constraints, the combination with the lowest historic six-month realized volatility, regardless of that combination's six-month performance. The particular combination so selected will therefore exceed the volatility constraint.

Calculation of the Annualized Six-Month Historical Return

The annualized six-month historical return of each permissible combination of Underlying ETFs on Index Business Day *t* ("*Basket 6m Return*$_t$") is calculated according to the following formula:

$$Basket\ 6m\ Return_t = \sum_{i=1}^{J} w_i * 6mRet_{i,t}$$

Where:

"w_i" means the weight of the Underlying ETF *i* in the considered combination of Underlying ETFs;

"t" means the relevant monthly rebalancing date;

"J" means the number of Underlying ETFs; and

"$6mRet_{i,t}$" means the annualized six-month return of the Underlying ETF *i*, and is calculated according to the following formula:

$$6mRet_{i,t} = \frac{252}{N_t} \times \sum_{s} log\left(\frac{AI_{i,s}}{AI_{i,s-1}}\right)$$

Where:

"N_t" means the actual number of Index Business Days within the six-month period described above;

"s" means all the Index Business Days within the six month-period described above;

"$AI_{i,s}$" means the adjusted level of the Underlying ETF *i* on each of the Index Business Days referred to by *s* (as calculated under "Calculation of the Underlying ETF Adjusted Levels");

"$AI_{i,s-1}$" means the adjusted level of the Underlying ETF *i* on each of the Index Business Days immediately preceding each of the Index Business Days referred to by *s* (as calculated under "Calculation of the Underlying ETF Adjusted Levels"); and

"*log*" means the Natural Logarithm.

Calculation of the Aggregate Annualized Historic Six-Month Realized Volatility

The aggregate annualized historic six-month realized volatility ("*Basket 6mRV$_t$*") is calculated according to the following formula:

$$Basket\ 6m\ RV_t = \sqrt{\sum_{i-=1}^{J} w_i * w_j * 6mCoVariance_{i,j,t}}$$

Where:

"w_i" means the weight of the Underlying ETF i in the considered combination of Underlying ETFs;

"w_j" means the weight of the Underlying ETF j in the considered combination of Underlying ETFs;

"J" means the number of Underlying ETFs; and

"$6mCoVariance_{i,j,t}$" means the annualized six-month co-variance between the Underlying ETFs included in the considered combination of Underlying ETFs, calculated according to the following formula:

$$6mCoVariance_{i,j,t} = \frac{252}{N_t} * \sum_s \left[\log\left(\frac{AI_{i,s}}{AI_{i,s-1}}\right) * \log\left(\frac{AI_{j,s}}{AI_{j,s-1}}\right) \right]$$

Where:

"N_t" means the actual number of Index Business Days within the six-month period described above;

"s" means all the Index Business Days within the six month-period described above;

"$AI_{i,s}$" means the adjusted level of the Underlying ETF i on each of the Index Business Days referred to by s (as calculated under "Calculation of the Underlying ETF Adjusted Levels");

"$AI_{i,s-1}$" means the adjusted level of the Underlying ETF i on each of the Index Business Days immediately preceding each of the Index Business Days referred to by s (as calculated under "Calculation of the Underlying ETF Adjusted Levels");

"$AI_{j,s}$" means the adjusted level of the Underlying ETF j on each of the Index Business Days referred to by s (as calculated under "Calculation of the Underlying ETF Adjusted Levels");

"$AI_{j,s-1}$" means the adjusted level of the Underlying ETF j on each of the Index Business Days immediately preceding each of the Index business days referred to by s (as calculated under "Calculation of the Underlying ETF Adjusted Levels"); and "*log*" means the Natural Logarithm.

Calculation of the Underlying ETF Adjusted Levels

The adjusted level of the Underlying ETF *i* on the Index Business Day *t* ("$AI_{i,t}$") is calculated according to the following formula:

$$AI_{i,t} = AI_{i,Rt} \times \frac{TR_{i,t}}{TR_{i,Rt}}$$

Where:

"$AI_{i,Rt}$" means the adjusted level of the Underlying ETF *i* at the date R_t;

"R_t" means the monthly rebalancing date immediately preceding (and including) Index Business Day *t*;

"$TR_{i,t}$" means the reinvested level of the Underlying ETF *i* as of the given Index Business Day *t*, calculated according to the following formula:

$$TR_{i,t} = TR_{i,t-1} \times \left(\frac{I_{i,t} + D_{i,t}}{I_{i,t-1}}\right)$$

Where:

"$TR_{i,t}$" means the reinvested level of the Underlying ETF *i* as of the given Index Business Day *t*-1;

"$I_{i,t}$" means the level of the Underlying ETF *i* as of the given Index Business Day *t*; and

"$D_{i,t}$" means, for each Underlying ETF *i*, the aggregate amount of cash dividends with an ex-dividend date during the period from and including Index Business Day *t* to but excluding *t*-1;

And where:

"$TR_{i,Rt}$" means the reinvested level of the Underlying ETF *i* as of the given Index Business Day *Rt*.

Rounding Convention: The weight of each Underlying ETF computed at each monthly rebalancing date is rounded to the nearest three decimal places with 0.05% (0.0005) being rounded upward. For example, if the optimal weight is 12.36% (0.1236), it would be rounded up to 12.4% (0.124). The effect of rounding is that the sum of the rounded weights may not add up to 100%. For this reason, at each monthly rebalancing date, the sum of the rounded weights is deducted from 1. If the resulting excess weight is positive, it is added to the Underlying ETF with the highest six-month historical return regardless of whether this might cause the weight of that Underlying ETF to exceed any of the constraints specified above. If the resulting excess weight is negative, its absolute value is subtracted from the weight of the Underlying ETF that had the lowest six-month historical return and a weight higher than the absolute value of the excess amount being deducted regardless of whether this might cause the weight of the Underlying ETF to exceed any of the constraints specified above.

Daily Volatility Control

The Methodology has a daily volatility control. This has the effect of reducing the exposure of the Indices to the performance of certain of the Underlying ETFs by rebalancing a portion of the Indices into a Deleverage Position (as defined below) if the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs (observed and calculated by the Calculation Agent on a daily basis) would otherwise exceed a specified volatility level on any Index Business Day. The "**Deleverage Position**" means a hypothetical investment in a total return index comprised of 50% SPDR Barclays Capital 1-3 Month T-Bill ETF (BIL) and 50% iShares Barclays Short Treasury Bond Fund (SHV), rebalanced on each monthly rebalancing date. The "**Current Underlying ETFs**" means the combination of Underlying ETF weightings established on the immediately preceding monthly rebalancing date.

To operate the daily volatility control, the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs (observed daily) is calculated on each Index Business Day. As long as on any given Index Business Day the aggregate calculated volatility of the Current Underlying ETFs is equal to or less than the applicable volatility control level, no change to the then-current weights of the Underlying ETFs is made on that Index Business Day. However, if on any given Index Business Day the aggregate calculated volatility of the Current Underlying ETFs exceeds the applicable volatility control level, the exposure of the Index is partially rebalanced into the Deleverage Position to reduce the aggregate annualized historic three-month realized volatility down to the applicable volatility control level. This partial rebalancing is effected by reducing the effective weights of the Current Underlying ETFs included in the Index ratably until the aggregate annualized historic three-month realized volatility is equal to or less than the volatility control level for that Index.

The applicable target volatility and volatility control levels for each Index are listed in Table 2 below.

Table 2. Volatility Targets and Volatility Control Levels.

Index	Volatility Target	Daily Volatility Control Level
GS Momentum Builder Growth Markets Index	20%	22%
GS Momentum Builder Multi-Asset Index	8%	10%
GS Momentum Builder Asia ex-Japan Index	20%	22%

The three-month observation period relevant for calculating the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs is the period beginning on (and including) the Index Business Day that is three months before the third Index Business Day immediately preceding the monthly rebalancing date in question to (and including) the third Index Business Day immediately preceding such monthly rebalancing date.

Calculation of the Aggregate Annualized Historic Three-Month Realized Volatility

The aggregate annualized historic three-month realized volatility of the Current Underlying ETFs on a given Index Business Day ("$3mRV_t$") is calculated according to the following formula:

$$3mRV_t = \sqrt{\frac{252}{N_t} \times \sum_s \left[log\left(\frac{CUE_{t,s}}{CUE_{t,s-1}}\right)\right]^2}$$

Where:

"s" means all Index Business Days within the three-month period described above;

"N_t" means the actual number of Index Business Days within the period referred to by s;

"$CUE_{t,s}$" means the value of the Current Underlying ETFs on Index Business Day s, as calculated on Index Business Day t (as calculated under "Calculation of the Current Underlying ETFs" below); and

"*log*" means the Natural Logarithm.

Calculation of the Current Underlying ETFs

The value of the Current Underlying ETFs on Index Business Day s, as calculated on Index Business Day t ("$CUE_{t,s}$"), is calculated according to the following formula:

$$CUE_{t,s} = \sum_{i=1}^{J} w_{i,Rt} * \frac{AI_{i,s}}{AI_{i,Tt}}$$

Where:

"s" means all Index Business Days within the three-month period described above;

"Rt" means the monthly rebalancing date immediately preceding (and including) Index Business Day t;

"$w_{i,Rt}$" means the monthly weight of Underlying ETF i computed as a result of the monthly rebalancing process on monthly rebalancing date Rt;

"$AI_{i,s}$" means the adjusted level of the Underlying ETF i on Index Business Day s (as calculated under "Calculation of the Underlying ETF Adjusted Levels"); and

"$AI_{i,Tt}$" means the adjusted level of the Underlying ETF i on the Index Business Day that that is three months before the third Index Business Day immediately preceding Index Business Day t.

Delayed Rebalancing

If a monthly rebalancing or a daily rebalancing of the Indices, as applicable, must be effected on an Index Business Day on which a market disruption event (as defined in "Market Disruption Events") occurs or is continuing with respect to any non-zero weighted Underlying ETFs included in an Index, the Calculation Agent shall postpone such monthly rebalancing date or the daily rebalancing, as applicable, to the next Index Business Day on which no market disruption event occurs or is continuing with respect to any Underlying ETFs. The Calculation Agent shall then rebalance the Index using (i) for the level of the Underlying ETF(s) affected by a market disruption event the closing level of such Underlying ETF(s) on the most recent day on which there was no market disruption event occurring or continuing and (ii) for the level of the Underlying ETF(s) unaffected by a market disruption event the closing level of such Underlying ETF(s) that would have been used to rebalance the Index on the original rebalancing date had there been no market disruption event(s).

On the sixth Index Business Day following the occurrence of a market disruption event with respect to any Underlying ETFs included in an Index, if such market disruption event is continuing, the Index Committee may determine in its sole discretion to instruct the Calculation Agent to rebalance the affected Index using a specified price. In the event the Index Committee determines on such sixth Business Day, in its sole discretion, that no such instructions should be given to the Calculation Agent, the Index Committee may revisit such determination on any Index Business Day thereafter on which the market disruption event is continuing.

Calculation of the Indices

The value of each Index is deemed to have been 100 on the Base Date of such Index. On any given Index Business Day, the value of the Index ("SV_t") is calculated according to the following formula:

$$SV_t = SV_{t-1} * \left[\frac{V_t}{V_{t-1}} * dw_{t-1} + \frac{DA_t}{DA_{t-1}} * (1 - dw_{t-1})\right]$$

Where:

"t-1" means the immediately preceding Index Business Day;

"SV_{t-1}" means the value of the Index as of the date t-1;

"V_t" means the value of the Base Index as of the date t (as calculated under "Calculation of the Base Index" below);

"V_{t-1}" means the value of the Base Index as of the date t-1 (as calculated under "Calculation of the Base Index" below);

"DA_t" is the value of the Deleverage Position as of the date t;

"DA_{t-1}" is the value of the Deleverage Position as of the date t-1;

"dw_{t-1}" means the daily weight of the Base Index as of the date t-1. The daily weight of the Base Index as of the date t ("dw_t") is calculated according to the following formulae:

a) If (i) the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs is greater than the volatility control level <u>and</u> (ii) the absolute value of the difference between the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs on the previous Index Business Day on which the daily weight of the Base Index changed and the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs is greater than 1%, then the daily weight of the Base Index as of the date t is equal to:

$$min\left(1, \frac{VC - Thshld}{3mRV_t}\right)$$

Where:

"VC" means the volatility control level;

"$Thshld$" means 1%; and

"$3mRV_t$" means the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs (as calculated under "Calculation of the Aggregate Annualized Historic Three-Month Realized Volatility").

b) If condition (i) of paragraph (a) above is not met and the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs is less than the difference between the volatility control level and 1%, then the daily weight of the Base Index as of the date t is equal to one.

c) If neither condition (i) nor condition (ii) of paragraph (a) above is met, then the daily weight of the Base Index as of the date t is equal to the daily weight of the Base Index as of the date t-1.

And where:

"$3mRV_t$" means the aggregate annualized historic three-month realized volatility of the Current Underlying ETFs (as calculated under "Calculation of the Aggregate Annualized Historic Three-Month Realized Volatility");

Calculation of the Base Index

The "**Base Index**" refers to the levels associated with the Underlying ETF weightings and returns established on the immediately preceding monthly rebalancing date. On any given Index Business Day, the value of the Base Index ("V_t") is calculated according to the following formula:

$$V_t = V_{Rt} * \sum_{i=1}^{J} w_{i,Rt} * \frac{AI_{i,t}}{AI_{i,Rt}}$$

Where:

"R_t" means the monthly rebalancing date immediately preceding (but not including) Index Business Day t;

"V_{Rt}" means the value of the Base Index as of the date R_t;

"$w_{i,Rt}$" means the monthly weight of Underlying ETF i computed as a result of the monthly rebalancing process at date R_t;

"$AI_{i,t}$" means the adjusted level of Underlying ETF i on Index Business Day t (as calculated under "Calculation of the Underlying ETF Adjusted Levels"); and

"$AI_{i,Rt}$" means the adjusted level of Underlying ETF i on date R_t (as calculated under "Calculation of the Underlying ETF Adjusted Levels").

Historical Data

The levels of the Indices on their respective Base Dates was 100. The "**Launch Date**" for the Indices, which is the date the Calculation Agent began calculating the Indices, is December 1, 2011. Therefore, historical information provided for the period from the applicable Base Date until December 1, 2011, is hypothetical and is provided as an illustration of how the Indices would have performed during the period had the Calculation Agent begun calculating the Indices on the applicable Base Date using the methodology it currently uses. This data does not reflect actual performance, nor was a contemporaneous investment model run of the Indices. Historical information for the period from and after December 1, 2011 is based on the actual performance of the Indices.

Historical levels of the Indices are calculated with reference to the official closing prices of the Underlying ETFs determined based on the latest available data published by NYSE Arca.

Market Disruption Events

A "**market disruption event**" with respect to an Underlying ETF will have occurred in any of the following situations: (i) upon the occurrence or existence of a Trading Disruption or an Exchange Disruption, in either case, for more than two hours of trading, or at any time during the one-hour period that ends at the scheduled closing time of the relevant Exchange, and which the Calculation Agent determines is material, (ii) upon the occurrence or existence of an Early Closure, (iii) the net asset value per share of such Underlying ETF is not calculated or is not announced by the Underlying ETF or the sponsor of such Underlying ETF or (iv) the ETF or the relevant sponsor of any Underlying ETF suspends creations or redemptions of shares of such Underlying ETF.

A "**Trading Disruption**" means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange, and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise, relating to the Underlying ETF shares, related Reference Index or futures or options on the Underlying ETF shares or Reference Index.

An "**Exchange Disruption**" means any event that disrupts or impairs (as determined by the Calculation Agent in its sole discretion) the ability of market participants in general to effect transactions in, or obtain market values for, the shares of the Underlying ETF on the relevant Exchange or futures or options on the Underlying ETF shares or Reference Index, in each case on the relevant Related Exchange.

"**Early Closure**" means the closure of the relevant Exchange or relevant Related Exchange on any business day of that exchange prior to its scheduled closing time unless such earlier closing time is announced by such exchange prior to the close of trading on the first Index Business Day immediately preceding such date.

"**Exchange**" means the primary exchange on which shares of an Underlying ETF are listed.

"**Related Exchange**" means, in respect of an Underlying ETF or Reference Index, as the case may be, the primary exchange (or exchanges) or quotation system (or quotation systems) on which futures or options contracts relating to such Underlying ETF or Reference Index, as the case may be, are traded, if any.

On any Index Business Day on which a market disruption event occurs or is continuing with respect to any non-zero weighted Underlying ETFs included in an Index, the Calculation Agent shall postpone calculation of the affected Index level to the next Index Business Day on which no market disruption event occurs or is continuing with respect to any Underlying ETFs, and an indicative level for the affected Index will be published. Such level will be identified as a "disrupted indicative level". The Calculation Agent shall resume calculating the level of the affected Index on the first Index Business Day on which no market disruption event is occurring or continuing with respect to any Underlying ETF using (i) for the level of the Underlying ETF(s) affected by a market disruption event the closing level of such Underlying ETF(s) on the most recent day on which there was no market disruption event occurring or continuing and (ii) for the level of the Underlying ETF(s) unaffected by a market disruption event the closing level of such Underlying ETF(s) that would have been used to calculate the Index on the original calculation date had there been no market disruption event(s).

On the sixth Index Business Day following the occurrence of a market disruption event with respect to any Underlying ETFs included in an Index, if such market disruption event is continuing and such Underlying ETFs have not been removed from the affected Index, the Index Committee may determine in its sole discretion to instruct the Calculation Agent to calculate the affected Index, using a price for such Underlying ETFs as determined by the Index Committee in its sole discretion. In the event the Index Committee determines on such sixth Business Day, in its sole discretion, that no such instructions should be given to the Calculation Agent, the Index Committee may revisit such determination on any Index Business Day thereafter on which the market disruption event is continuing.

Potential Adjustment Events

In the event that an Underlying ETF is affected by a "**potential adjustment event**", the Calculation Agent may make adjustments to the level of such Underlying ETF and/or the weighting of the Underlying ETF if it determines that the event could have a diluting or concentrative effect on the theoretical value of the Underlying ETF shares and would not otherwise be accounted for in the Indices. Table 3 below describes the potential adjustment events for which adjustments may be made by the Calculation Agent.

Table 3. Potential Adjustment Events.

Potential Adjustment Event	Adjustment	Adjustment Description
Cash Dividends	Yes	The Dividend is reinvested in that Underlying ETF.
Special / Extraordinary Dividends	Yes	The Dividend is reinvested in that Underlying ETF.
Return on Capital	Yes	The Dividend is reinvested in that Underlying ETF.
Stock Dividend	Yes	Where shareholders receive "B" new shares for every "A" share held, the number of shares is adjusted by multiplying the original number of shares by the quotient of (a) the sum of A and B divided by (b) A.
Stock Split	Yes	Where shareholders receive "B" new shares for every "A"

		share held, the number of shares is adjusted by multiplying the original number of shares by the quotient of B divided by A.

For potential adjustment events not listed in the table above, the Calculation Agent may make adjustments if it determines that the event could have a diluting or concentrative effect on the theoretical value of the Underlying ETF shares and would not otherwise be accounted for in the Indices. Any such adjustments are publicly announced in advance wherever practicable.

Revision to Index Levels in the Event of Data Error

If the Calculation Agent determines that the price made available for an Underlying ETF by the relevant Exchange reflects a manifest error, the calculation of any Indices where the Underlying ETF has a non-zero weighting shall be delayed until such time as a corrected price is made available. In the event a corrected price is not made available on a timely basis, the Calculation Agent may determine an appropriate price and disclose on its website its determination and the basis therefor. In the event an Exchange corrects prices previously provided, the Calculation Agent shall recalculate Index levels using the corrected information and disclose on its website that it has substituted updated versions of Index levels as a result.

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Contact Information

Equity Strats Group

Geoffroy Samarcq – 917 343 1714 – Geoffroy.Samarcq@gs.com

Juan Medina-Mora – 212 357 2459 – Juan.Medina-Mora@gs.com

Media Relations

Michael Duvally – 212 902 2605 – Michael.Duvally@gs.com

Calculation Agent Website

http://www.structured-solutions.eu/

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ANNEX A

Table A-1. Initial Composition and Weights of the Growth Markets Index.

Underlying ETF and Ticker Symbol	Weight as of the Base Date	Bloomberg Page
iShares Barclays 7-10 Year Treasury Bond Fund	0.0%	IEF UP Equity
iShares Barclays 20+ Year Treasury Bond Fund	34.0%	TLT UP Equity
iShares FTSE China 25 Index Fund	0.0%	FXI UP Equity
WisdomTree India Earnings Fund	0.0%	EPI UP Equity
Market Vectors Russia ETF	0.0%	RSX UP Equity
iShares MSCI Brazil Index Fund	30.0%	EWZ UP Equity
iShares MSCI South Korea Index Fund	0.0%	EWY UP Equity
Market Vectors Indonesia Index ET	22.4%	IDX UP Equity
iShares MSCI Turkey Investable Market Index Fund	0.0%	TUR UP Equity
iShares MSCI Mexico Investable Market Index Fund	13.6%	EWW UP Equity
Deleverage Position*	0.0%	N/A

*The Deleverage Position means a hypothetical investment in a total return index comprised of 50% SPDR Barclays Capital 1-3 Month T-Bill ETF (BIL) and 50% iShares Barclays Short Treasury Bond Fund (SHV), rebalanced on each monthly rebalancing date.

Table A-2. Initial Composition and Weights of the Multi-Asset Index.

Underlying ETF and Ticker Symbol	Weight as of the Base Date	Bloomberg Page
iShares Barclays 7-10 Year Treasury Bond Fund	0.0%	IEF UP Equity
iShares Barclays 20+ Year Treasury Bond Fund	0.0%	TLT UP Equity
iShares Russell 1000 Index Fund	21.4%	IWB UP Equity
iShares Russell 2000 Index Fund	0.0%	IWM UP Equity
iShares MSCI EAFE Index Fund	0.0%	EFA UP Equity
Vanguard MSCI Emerging Markets ETF	0.0%	VWO UP Equity

Underlying ETF and Ticker Symbol	Weight as of the Base Date	Bloomberg Page
iShares S&P GSCI Commodity-Indexed Trust	3.0%	GSG UP Equity
iShares Barclays Aggregate Bond Fund	0.0%	AGG UP Equity
iShares iBoxx $ High Yield Corporate Bond Fund	23.6%	HYG UP Equity
iShares Barclays TIPS Bond Fund	0.0%	TIP UP Equity
SPDR Barclays Capital International Treasury Bond ETF	0.0%	BWX UP Equity
iShares JPMorgan USD Emerging Markets Bond Fund	0.0%	EMB UP Equity
WisdomTree EM Local Debt Fund	0.0%	ELD UP Equity
iShares Dow Jones U.S. Real Estate Index Fund	30.0%	IYR UP Equity
iShares S&P Latin America 40 Index Fund	0.0%	ILF UP Equity
PowerShares DB Gold Fund	22.0%	DGL UP Equity
Deleverage Position*	0.0%	N/A

*The Deleverage Position means a hypothetical investment in a total return index comprised of 50% SPDR Barclays Capital 1-3 Month T-Bill ETF (BIL) and 50% iShares Barclays Short Treasury Bond Fund (SHV), rebalanced on each monthly rebalancing date.

Table A-3. Initial Composition and Weights of the Asia ex-Japan Index.

Underlying ETF and Ticker Symbol	Weight as of the Base Date	Bloomberg
iShares Barclays 7-10 Year Treasury Bond Fund	0.0%	IEF UP Equity
iShares Barclays 20+ Year Treasury Bond Fund	19.7%	TLT UP Equity
WisdomTree India Earnings Fund	0.0%	EPI UP Equity
iShares FTSE/Xinhua China 25 Index Fund	0.0%	FXI UP Equity
iShares MSCI Thailand Index Fund	0.0%	THD UP Equity
iShares MSCI Taiwan Index Fund	0.0%	EWT UP Equity
iShares MSCI Hong Kong Index Fund	0.0%	EWH UP Equity

Underlying ETF and Ticker Symbol	Weight as of the Base Date	Bloomberg
Market Vectors Indonesia Index Fund	20.3%	IDX UP Equity
iShares MSCI Singapore Index Fund	0.0%	EWS UP Equity
iShares MSCI Malaysia Index Fund	30.0%	EWM UP Equity
iShares MSCI South Korea Index Fund	0.0%	EWY UP Equity
iShares MSCI Australia Index Fund	30.0%	EWA UP Equity
Deleverage Position*	0.0%	N/A

***** The Deleverage Position means a hypothetical investment in a total return index comprised of 50% SPDR Barclays Capital 1-3 Month T-Bill ETF (BIL) and 50% iShares Barclays Short Treasury Bond Fund (SHV), rebalanced on each monthly rebalancing date.

ANNEX B

Table B-1. Investment Constraints of the Growth Markets Index.

Underlying ETF	Minimum Weight	Maximum Weight
iShares Barclays 7-10 Year Treasury Bond Fund	0%	50%
iShares Barclays 20+ Year Treasury Bond Fund	0%	50%
iShares FTSE China 25 Index Fund	0%	30%
WisdomTree India Earnings Fund	0%	30%
Market Vectors Russia ETF	0%	30%
iShares MSCI Brazil Index Fund	0%	30%
iShares MSCI South Korea Index Fund	0%	30%
Market Vectors Indonesia Index ETF	0%	30%
iShares MSCI Turkey Investable Market Index Fund	0%	30%
iShares MSCI Mexico Investable Market Index Fund	0%	30%
Deleverage Position*	0%	100%

***** The Deleverage Position means a hypothetical investment in a total return index comprised of 50% SPDR Barclays Capital 1-3 Month T-Bill ETF (BIL) and 50% iShares Barclays Short Treasury Bond Fund (SHV), rebalanced on each monthly rebalancing date.

Table B-2. Investment Constraints of the Multi-Asset Index.

Underlying ETF	Minimum Weight	Maximum Weight
iShares Barclays 7-10 Year Treasury Bond Fund	0%	50%
iShares Barclays 20+ Year Treasury Bond Fund	0%	50%
iShares Russell 1000 Index Fund	0%	30%
iShares Russell 2000 Index Fund	0%	30%
iShares MSCI EAFE Index Fund	0%	30%
Vanguard MSCI Emerging Markets ETF	0%	30%

Underlying ETF	Minimum Weight	Maximum Weight
iShares S&P GSCI Commodity-Indexed Trust*	0%	25%
iShares Barclays Aggregate Bond Fund	0%	30%
iShares iBoxx $ High Yield Corporate Bond Fund	0%	30%
iShares Barclays TIPS Bond Fund	0%	30%
SPDR Barclays Capital International Treasury Bond ETF	0%	30%
iShares JPMorgan USD Emerging Markets Bond Fund	0%	30%
WisdomTree EM Local Debt Fund	0%	30%
iShares Dow Jones U.S. Real Estate Index Fund	0%	30%
iShares S&P Latin America 40 Index Fund	0%	30%
PowerShares DB Gold Fund*	0%	25%
Deleverage Position**	0%	100%

*The sum of the weights of the iShares S&P GSCI Commodity-Indexed Trust and the PowerShares DB Gold Fund may not exceed 25%.

**The Deleverage Position means a hypothetical investment in a total return index comprised of 50% SPDR Barclays Capital 1-3 Month T-Bill ETF (BIL) and 50% iShares Barclays Short Treasury Bond Fund (SHV), rebalanced on each monthly rebalancing date.

Table B-3. Investment Constraints of the Asia ex-Japan Index.

Underlying ETF	Minimum Weight	Maximum Weight
iShares Barclays 7-10 Year Treasury Bond Fund	0%	50%
iShares Barclays 20+ Year Treasury Bond Fund	0%	50%
WisdomTree India Earnings Fund	0%	30%
iShares FTSE/Xinhua China 25 Index Fund	0%	30%
iShares MSCI Thailand Index Fund	0%	30%
iShares MSCI Taiwan Index Fund	0%	30%

Underlying ETF	Minimum Weight	Maximum Weight
iShares MSCI Hong Kong Index Fund	0%	30%
Market Vectors Indonesia Index Fund	0%	30%
iShares MSCI Singapore Index Fund	0%	30%
iShares MSCI Malaysia Index Fund	0%	30%
iShares MSCI South Korea Index Fund	0%	30%
iShares MSCI Australia Index Fund	0%	30%
Deleverage Position*	0%	100%

*The Deleverage Position means a hypothetical investment in a total return index comprised of 50% SPDR Barclays Capital 1-3 Month T-Bill ETF (BIL) and 50% iShares Barclays Short Treasury Bond Fund (SHV), rebalanced on each monthly rebalancing date.