Structured Product Details

Name	Buffered Index-Linked Notes linked to S&P 500 Index
Issue Size	$312,000
Issue Price	$1,000
Term	42 Months
Annualized Coupon	0.00%
Pricing Date	May 25, 2011
Issue Date	May 31, 2011
Valuation Date	November 25, 2014
Maturity Date	December 1, 2014
Issuer	Goldman Sachs
CDS Rate	114.18 bps
Swap Rate	1.37%
Reference Asset	the S&P 500 Index
Initial Level	1,320.47
Dividend Rate	1.87%
Implied Volatility	20.77%
Delta[1]	0.71
Fair Price at Issue	$982.28
CUSIP	38143UUK5
SEC Link	www.sec.gov/Archives/edgar/data/886982/000095012311055033/c18137e424b2.htm

Related Research

Research Papers:

www.slcg.com/research.php

- *"Are Structured Products Suitable for Retail Investors?"* December 2006.
- *"Structured Products in the Aftermath of Lehman Brothers,"* November 2009.
- *"What TiVo and JP Morgan Teach Us about Reverse Convertibles,"* June 2010.

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Buffered Index-Linked Notes linked to S&P 500 Index

Description

Goldman Sachs issued $312,000 of Buffered Index-Linked Notes linked to S&P 500 Index on May 31, 2011 at $1,000 per note.

These notes are Goldman Sachs-branded Buffered PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on the final level of the S&P 500 Index.

If on November 25, 2014 the S&P 500 Index level is higher than 1,320.47, the notes pay a return equal to the percentage increase in the S&P 500 Index. If on November 25, 2014 the refe is below 1,320.47 but not below 1056.38, investors receive $1,000 face value per note. If the S&P 500 Index level on November 25, 2014 is lower than 1056.38, investors receive face value per note reduced by the amount the reference asset is below 1056.38 as a percent of the initial level, 1,320.47.

Valuation

This product can be valued as a combination of a note from Goldman Sachs, one short out-of-the-money put option, and one long at-the-money call option. For reasonable valuation inputs this note was worth $982.28 when it was issued on May 31, 2011 because the value of the options investors gave Goldman Sachs plus the interest investors would have received on Goldman Sachs's straight debt was worth $17.72 more than the options investors received from Goldman Sachs.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

**Payoff Curve at Maturity**
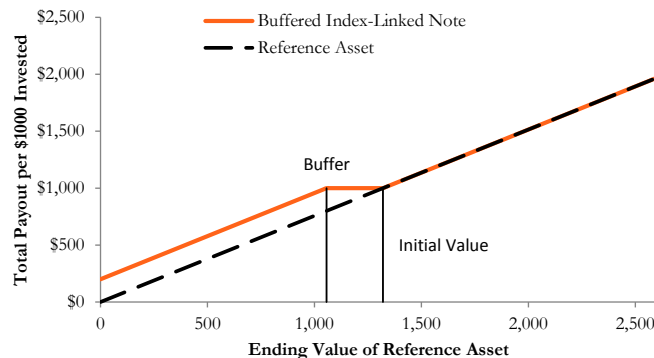
The payoff diagram shows the final payoff of this note given the S&P 500 Index level (horizontal axis). For comparison, the dashed line shows the payoff if you invested in the S&P 500 Index directly.

Principal Payback Table

| The S&P 500 Index	Note Payoff
0.00	$200.00
132.05	$300.00
264.09	$400.00
396.14	$500.00
528.19	$600.00
660.24	$700.00
792.28	$800.00
924.33	$900.00
1,056.38	$1,000.00
1,188.42	$1,000.00
1,320.47	**$1,000.00**
1,452.52	$1,100.00
1,584.56	$1,200.00
1,716.61	$1,300.00
1,848.66	$1,400.00
1,980.71	$1,500.00

Maturity Payoff Diagram
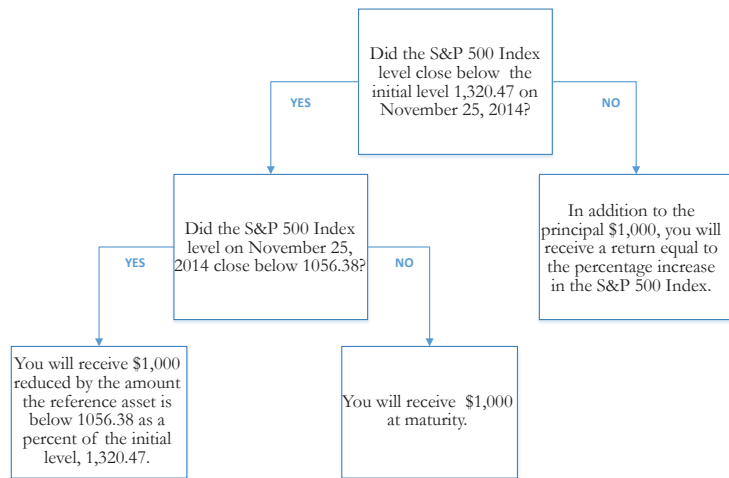
*The contingent payoffs of this Buffered Index-Linked Note.*

Analysis

This Buffered Index-Linked Note pays investors the increase in the S&P 500 Index, but if the S&P 500 Index declines over the term of the note, investors will suffer losses equal to the percentage decline in the S&P 500 Index. In addition, investors bear the credit risk of Goldman Sachs. Investors purchasing this Buffered Index-Linked Note effectively sell at-the-money put options to Goldman Sachs, buy at-the-money call options, and a zero-coupon note from Goldman Sachs. This Buffered Index-Linked Note is fairly priced if and only if the market value of the options investors received from Goldman Sachs equals the market value of the options investors gave Goldman Sachs plus the interest investors would have received on Goldman Sachs's straight debt.

Goldman Sachs's Stock Price
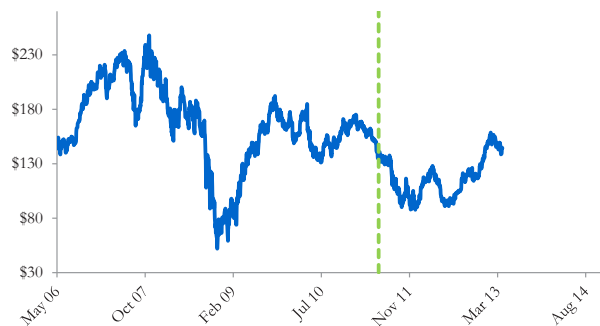
The graph above shows the adjusted closing price of the issuer Goldman Sachs for the past several years. The stock price of the issuer is an indication of the financial strength of Goldman Sachs. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

Goldman Sachs's CDS Rate
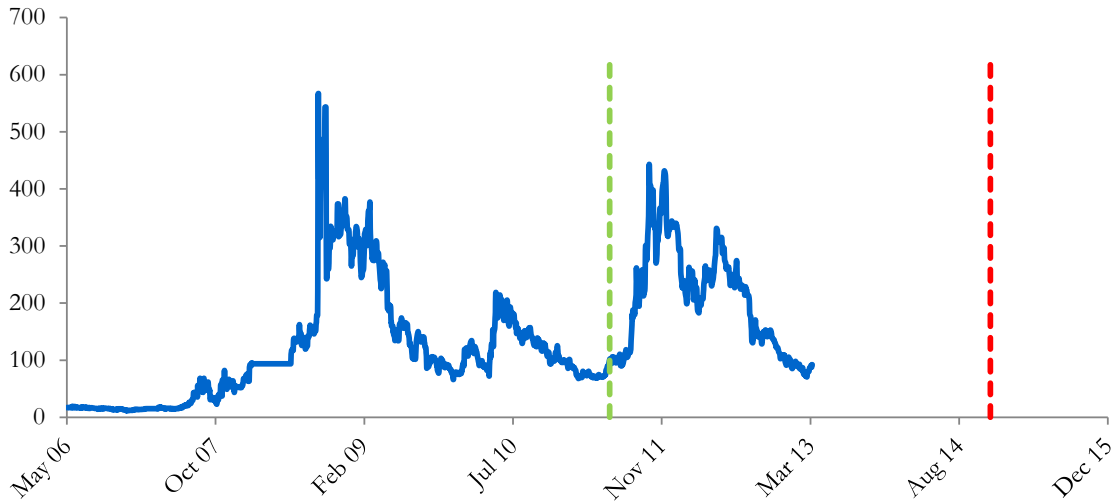
Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as Goldman Sachs. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of Goldman Sachs's debt, including outstanding Buffered Index-Linked Note. Fluctuations in Goldman Sachs's CDS rate impact the market value of the notes in the secondary market.
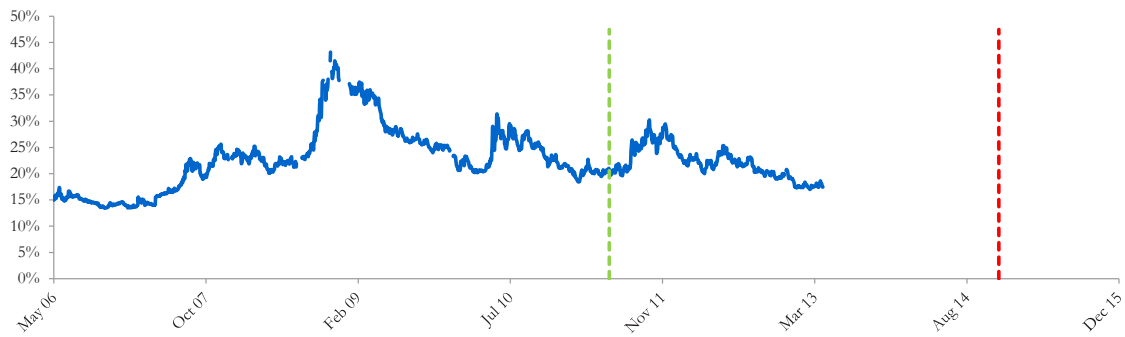
The S&P 500 Index Level
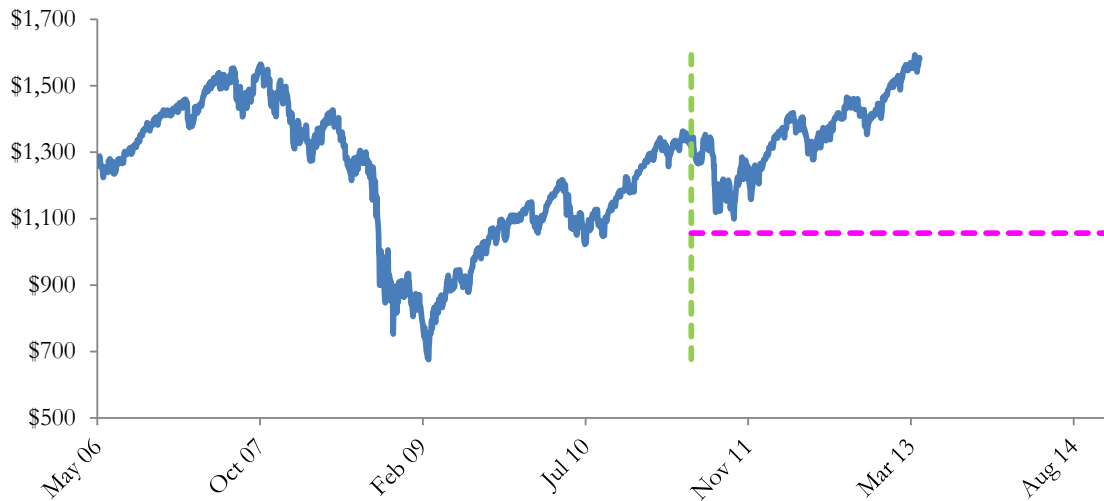
The graph above shows the historical levels of the S&P 500 Index for the past several years. The final payoff of this note is determined by the S&P 500 Index level at maturity. Higher fluctuations in the S&P 500 Index level correspond to a greater uncertainty in the final payout of this Buffered Index-Linked Note.

Realized Payoff

This product will mature on December 1, 2014.

Reference Asset The S&P 500 Index's Implied Volatility

The annualized implied volatility of the S&P 500 Index on May 25, 2011 was 20.77%, meaning that options contracts on the S&P 500 Index were trading at prices that reflect an expected annual volatility of 20.77%. The higher the implied volatility, the larger the expected fluctuations of the S&P 500 Index level and of the Note's market value during the life of the Notes.

Decomposition of this Buffered Index-Linked Note
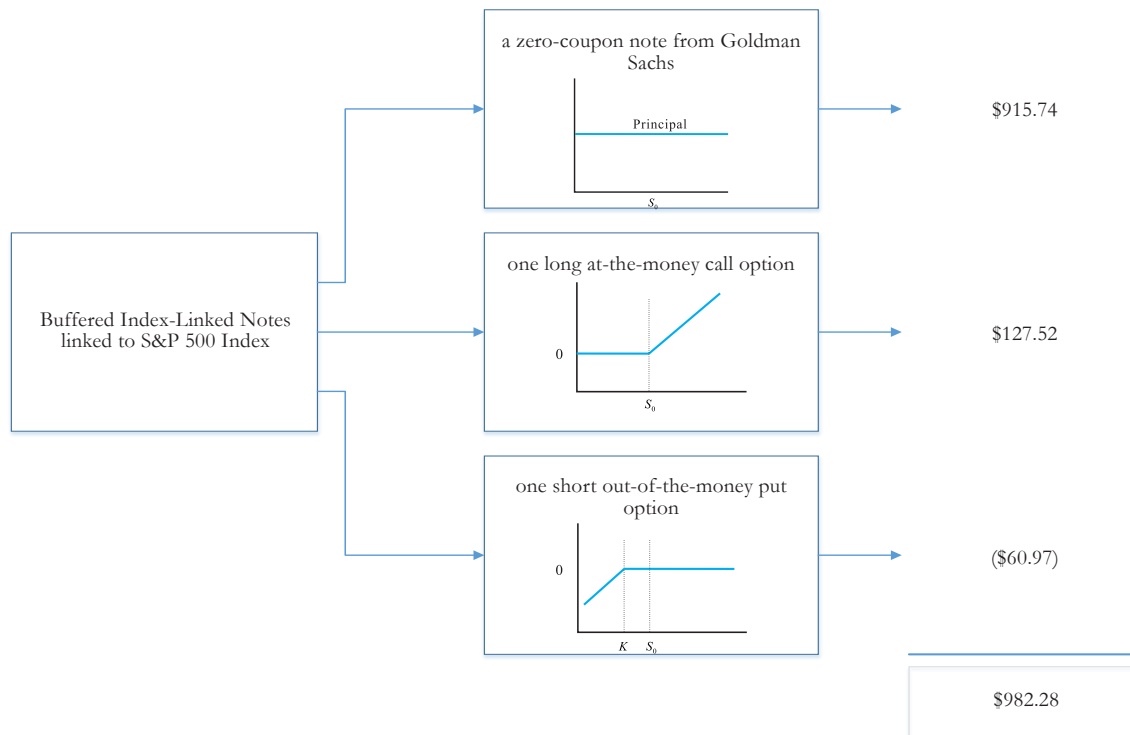
This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Buffered Index-Linked Note.

1. Delta measures the sensitivity of the price of the note to the the S&P 500 Index level on May 25, 2011.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the the S&P 500 Index on May 25, 2011.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.