SECURITIES LITIGATION & CONSULTING GROUP

Structured Products Research Report

Report Prepared On: 02/01/13

Structured Product Details

Name	Leveraged Equity-Linked Notes linked to IBM Corporation
Issue Size	$3.20 million
Issue Price	$1,000
Term	24 Months
Annualized Coupon	0.00%
Pricing Date	June 20, 2011
Issue Date	June 23, 2011
Valuation Date	June 20, 2013
Maturity Date	June 25, 2013
Issuer	Goldman Sachs
CDS Rate	78.89 bps
Swap Rate	0.64%
Reference Asset	IBM's stock
Initial Level	$162.33
Dividend Rate	1.62%
Implied Volatility	22.62%
Delta[1]	0.79
Fair Price at Issue	$943.20
CUSIP	38143UWB3
SEC Link	www.sec.gov/Archives/edgar/data/886982/000119312511170604/d424b2.htm

Leveraged Equity-Linked Notes linked to IBM Corporation

Description

Goldman Sachs issued $3.20 million of Leveraged Equity-Linked Notes linked to IBM Corporation on June 23, 2011 at $1,000 per note.

These notes are Goldman Sachs-branded PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on IBM's stock price at maturity.

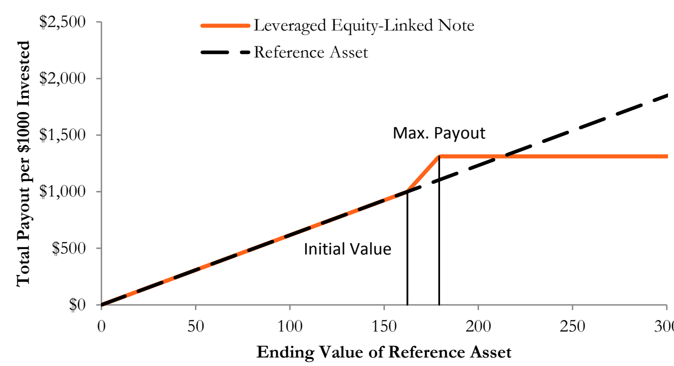
If IBM's stock price on June 20, 2013 is higher than $162.33, but lower than $179.21, the notes pay a return equal to the percentage increase in IBM's stock multiplied by 3.0. If on June 20, 2013 IBM's stock price is above the $179.21, the notes pay the maximum payout of $1,312.00. If on June 20, 2013 IBM's stock price is below $162.33, investors receive the face value per note reduced by the percentage decline in the reference asset. The notes will pay nothing at maturity if the reference asset declines to zero.

Valuation

This note can be valued as a combination of a note from Goldman Sachs, a short at-the-money put option, three long at-the-money call options, and three short out-of-the-money call options. The short at-the-money put option exposes investors to any decline in IBM's stock. The three short out-of-the-money call options has the strike price of $179.21, and limits the maximum return of the notes beyond the cap level. For reasonable valuation inputs this note was worth $943.20 when it was issued on June 23, 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 $56.80 more than the call 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 IBM's stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in IBM's stock directly.

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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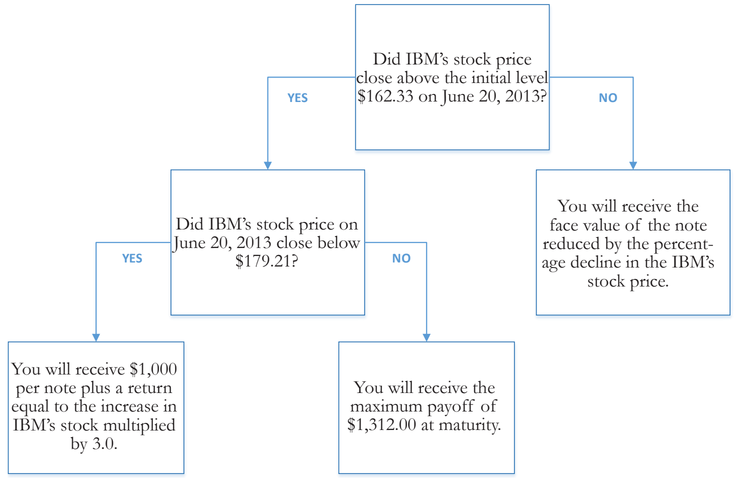
Principal Payback Table

IBM's Stock	Note Payoff
$0.00	$0.00
$16.23	$100.00
$32.47	$200.00
$48.70	$300.00
$64.93	$400.00
$81.17	$500.00
$97.40	$600.00
$113.63	$700.00
$129.86	$800.00
$146.10	$900.00
$162.33	**$1,000.00**
$178.56	$1,300.00
$194.80	$1,312.00
$211.03	$1,312.00
$227.26	$1,312.00
$243.50	$1,312.00

Maturity Payoff Diagram

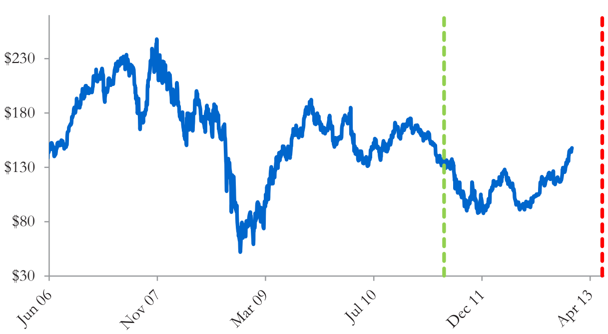


The contingent payoffs of this Leveraged Equity-Linked Note.

Analysis

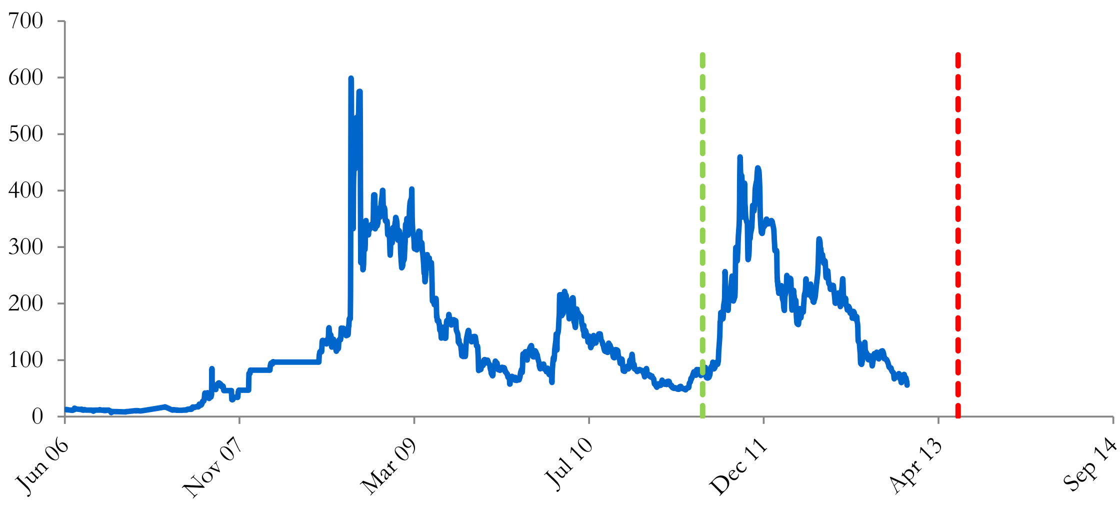
This Leveraged Equity-Linked Note pays investors the increase in IBM's stock multiplied by 3.0 capped at 31.20%, but if IBM's stock declines over the term of the note, investors will suffer losses equal to the percentage decline in IBM's stock. In addition, investors bear the credit risk of Goldman Sachs. Investors purchasing this Leveraged Equity-Linked Note effectively sell at-the-money put and out-of-the-money call options to Goldman Sachs, buy at-the-money call options, and a zero-coupon note from Goldman Sachs. This Leveraged Equity-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



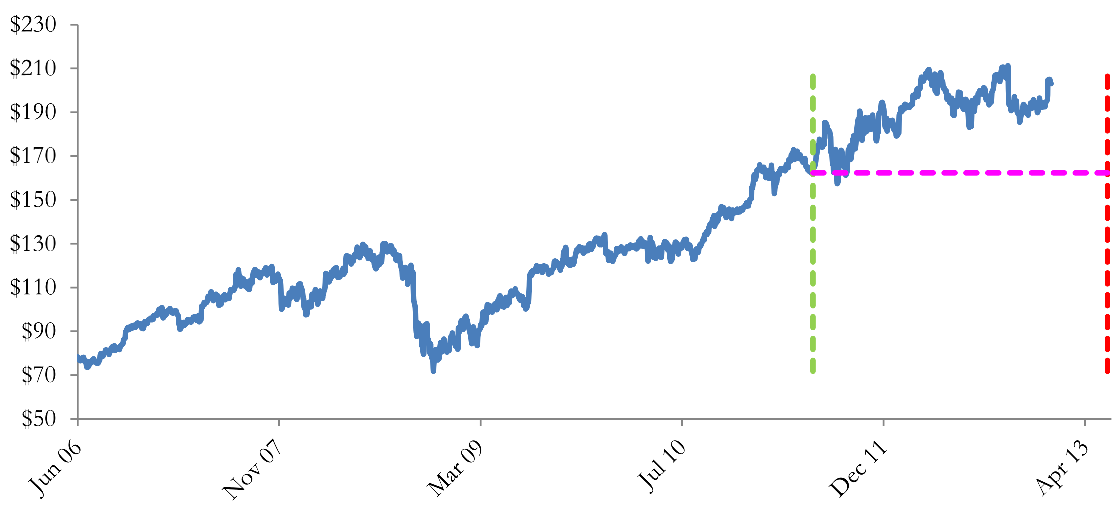
The graph above shows the adjusted closing price of the issuer Goldman Sachs for the past several years. The stock price of the issuer is an indication of the financial strength of Goldman Sachs. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

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 Leveraged Equity-Linked Note. Fluctuations in Goldman Sachs's CDS rate impact the market value of the notes in the secondary market.

IBM's Stock Price

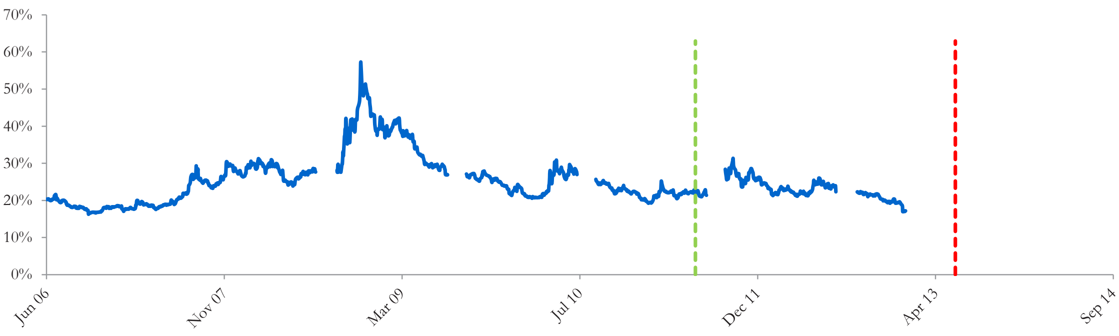


The graph above shows the historical levels of IBM's stock for the past several years. The final payoff of this note is determined by IBM's stock price at maturity. Higher fluctuations in IBM's stock price correspond to a greater uncertainty in the final payout of this Leveraged Equity-Linked Note.

Realized Payoff

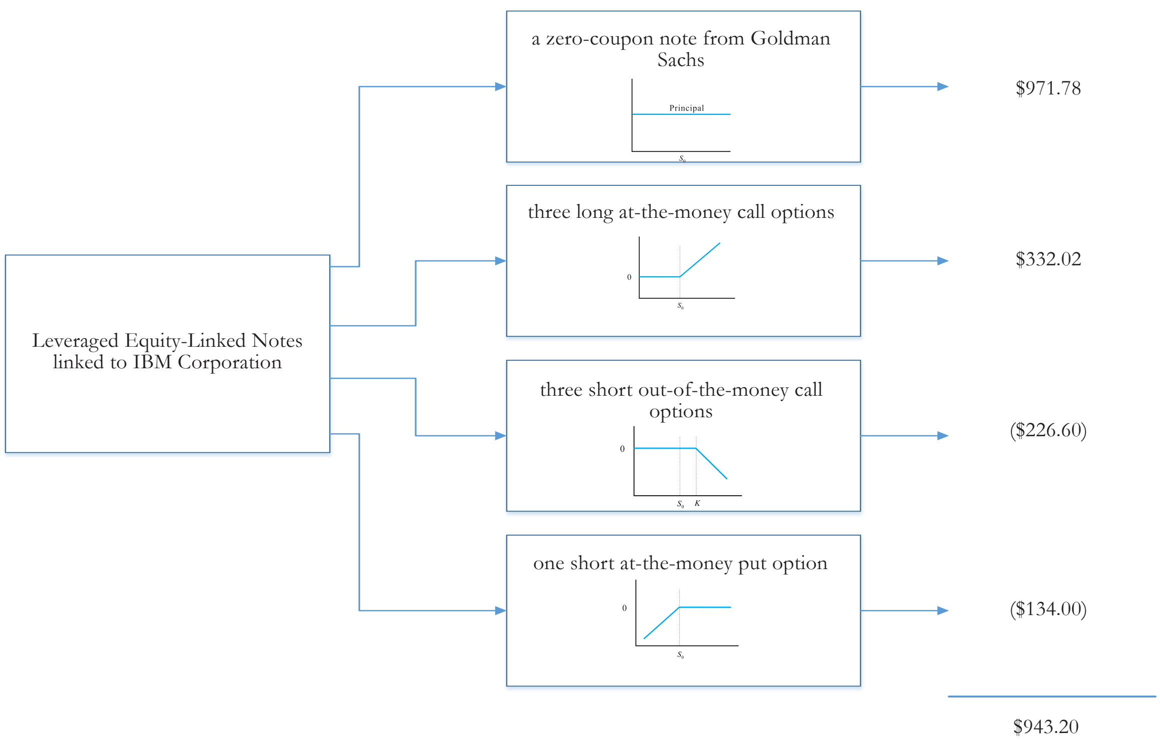
This product will mature on June 25, 2013.

Reference Asset IBM's Stock's Implied Volatility



The annualized implied volatility of IBM's stock on June 20, 2011 was 22.62%, meaning that options contracts on IBM's stock were trading at prices that reflect an expected annual volatility of 22.62%. The higher the implied volatility, the larger the expected fluctuations of IBM's stock price and of the Note's market value during the life of the Notes.

Decomposition of this Leveraged Equity-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 Leveraged Equity-Linked Note.

1. Delta measures the sensitivity of the price of the note to the IBM's stock price on June 20, 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 IBM's stock on June 20, 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.