
The Ayco Company, L.P. - Private Access Account Strategies

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This wrap fee program brochure provides information about the qualifications and business practices relating to the Private Access Account Strategies program sponsored by The Ayco Company, L.P. If you have any questions about the contents of this brochure, please contact your Ayco team or contact us at (518) 886-4000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

Additional information about The Ayco Company, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

May 5, 2017

This wrap fee program brochure (also referred to as Appendix 1) describes the Private Access Account Strategies program sponsored by The Ayco Company, L.P.

Item 2 - MATERIAL CHANGES

This wrap fee program brochure ("Brochure") is dated May 5, 2017. There have been no material changes to the Brochure from the last annual update dated March 31, 2017.

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Item 4 - SERVICES, FEES AND COMPENSATION

Introduction

This Brochure relates to the Private Access Account Strategies program ("Program") sponsored by The Ayco Company, L.P. ("Ayco"). Ayco provides advisory services to clients and has been helping clients build and preserve their financial wealth since 1971. Ayco has been a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC") since 1994. Ayco is headquartered in Saratoga Springs, NY and operates through offices located in Albany, NY, Atlanta, GA, Canonsburg, PA, Cincinnati, OH, Dallas, TX, Deerfield, IL, Irvine, CA, Latham, NY, Vienna, VA, Minneapolis, MN, Parsippany, NJ and Troy, MI. Ayco offers certain advisory services through offices of its affiliate Goldman Sachs & Co. LLC ("GS&Co.") located in Atlanta, GA, Boston, MA, Chicago, IL, Houston, TX, Los Angeles, CA, Miami, FL, New York, NY, Philadelphia, PA, San Francisco, CA, and West Palm Beach, FL. Unless otherwise specified, references in this Brochure to "clients" mean Program clients and references to the services provided by Ayco mean the services provided by Ayco as sponsor of the Program.

Ayco's principal owner is The Goldman Sachs Group, Inc., a publicly traded bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended, and a worldwide, full-service financial services organization. The Goldman Sachs Group, Inc., Ayco and their respective affiliates, directors, partners, trustees, managers, members, officers and employees are referred to collectively as "Goldman Sachs."

Ayco has an arrangement with Fidelity Brokerage Services LLC and National Financial Services LLC (collectively, "Fidelity") through which brokerage, custodial, administrative support, record keeping and related services are provided to Ayco clients. Ayco is not affiliated with Fidelity but has a Custodial Support Services Agreement with Fidelity whereby Ayco receives a fee from Fidelity for certain Ayco client accounts custodied at Fidelity. The Custodial Support Services Agreement between Ayco and Fidelity is described further in Ayco's Form ADV Part 2A.

Overview of the Services Provided under the Program

Clients investing in the Program pay a "wrap" fee for discretionary investment management services by managers that are affiliated with Goldman Sachs ("Affiliated Managers") or managers that are unaffiliated with Goldman Sachs ("Unaffiliated Managers," and together with Affiliated Managers, "Managers") participating in the Program. This fee covers the compensation of Ayco, as sponsor of the Program, compensation to certain Ayco personnel responsible for determining investments or giving investment advice to Ayco clients, including Account Managers, Investment Professionals ("IPs") and Wealth Advisors (together, "Advisory Personnel"), compensation to the Manager, and also generally covers the

cost of brokerage execution through Fidelity, custody at Fidelity, reporting and other administrative services.

Manager Selection

Based upon information provided by the client, Ayco will recommend that a client select one or more Managers in the Program to manage the client's assets in an account established for this purpose ("Program Account").

The Manager has full decision making authority over investments and transactions, subject to any reasonable restrictions imposed by a client, the investment style that the client has selected, and any guidelines negotiated between the Manager and the Alternative Investments & Manager Selection Long Only Group ("AIMS Long Only Group"), which is part of the Alternative Investments & Manager Selection group within Goldman Sachs Asset Management, L.P. ("GSAM"). The Manager may accept, or withdraw from the management of, a client's account based on the nature of the proposed restrictions or for any other reason. Restrictions regarding industry groups are determined by reference to an independent source, such as industry classifications in a well-recognized index, or by the Manager. Clients should be aware that the performance of Program Accounts with restrictions will differ from, and may be lower than, the performance of Program Accounts without restrictions. The Manager may, in its discretion, hold the amount that would have been invested in the restricted security in cash, invest in substitute securities or invest it across the other securities in the strategy that are not restricted.

GS&Co., as sponsor of the Managed Account Strategies program (the "Goldman Program"), a separate discretionary investment management services wrap fee program from the Program, has entered into an investment management agreement with each manager available under the Goldman Program. To make the same manager available under the Program, GS&Co. will, among other things, negotiate an amendment to such investment management agreement for the benefit of Ayco or Ayco will be named as a third-party beneficiary thereof.

The Manager also has exclusive responsibility to determine trades, select brokers and dealers and the markets on or in which trades will be executed. Please refer to each Manager's Form ADV brochure for information about its advisory business.

Manager Selection – Retirement Plan Accounts

Pension plans (including 401(k) plans) and other employee pension benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), tax-qualified retirement plans (including Keogh plans) under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "IRC") and not covered by ERISA, and individual retirement accounts under Section 408 or 408A of the IRC (each such client, a "Retirement Plan account") have two different options for selecting Managers. Retirement Plan accounts may choose participating Managers either comprised exclusively of Affiliated Managers ("Affiliated Manager Option") or Unaffiliated Managers ("Unaffiliated Manager Option"). Ayco does not provide advice, make recommendations or otherwise assist Retirement Plan accounts in deciding whether to select the Affiliated Manager Option or the Unaffiliated Manager Option. That selection will be the sole responsibility of the Retirement Plan account and no information provided by Ayco may form a primary basis for, or otherwise be considered in making, this selection. Ayco does not act as a "*fiduciary*" within the meaning of ERISA or have any responsibility or liability for the Retirement Plan account's selection of either the Affiliated Manager Option or the Unaffiliated Manager Option. However, once a Retirement Plan account chooses an option, Ayco may assist the Retirement Plan account in identifying, evaluating, and selecting one or more potential Managers within the option selected.

If a client maintains both Retirement Plan accounts and Program Accounts that are not Retirement Plan accounts with Ayco or its affiliates, any advice or recommendations made by Ayco for a Program Account that is not a Retirement Plan account cannot be relied on as a primary basis for any decision for a Retirement Plan account, which may present different considerations.

Execution Services

Each Manager has the sole discretion to select broker-dealers, including Fidelity, to execute trades for Program Accounts. The Manager is responsible for executing client trades in a manner consistent with its obligation to obtain best execution, and clients are encouraged to review the selected Manager's Form ADV brochure concerning its brokerage practices.

Generally, the Manager selects Fidelity to execute most equity trades. This is because of the fee paid by each client, as described under "Fees for the Program" below, includes commissions on all trades executed through Fidelity. When executing trades for Program Accounts, Fidelity is not acting as investment adviser, but is acting exclusively as a broker-dealer in connection with such trades, and only executes trades for Program Accounts upon a Manager's instruction. Transactions in Program Accounts will generally produce increased trading flow for Fidelity.

If a Manager selects a broker-dealer other than Fidelity to execute trades for a Program Account, the client will pay the execution charges for trades executed by that third-party broker-dealer, and such execution charges will be in addition to the Program fee. For more information about the Program fee, please refer to Item 4, Fees for the Program.

Custody and Administrative Services

Fidelity handles some or all of the custody, clearance and settlement services, as well as certain other administrative services provided under the Program at no additional fee. If a client elects a third party custodian, the client will bear the fees, costs, expenses or commissions charged by the custodian, including any custody and administrative fees.

Unless instructed otherwise, each Manager will be responsible for voting proxies associated with securities held in the Program Accounts in accordance with the Manager's proxy voting policy. Where Fidelity acts as custodian, it will forward to the Manager copies of all related proxies and shareholder communications. Clients who elect not to custody assets with Fidelity are encouraged to contact their third party custodians to ensure that they, or their selected Manager, receive such materials directly from their custodians.

Neither Ayco nor the Manager will render any advice or take any action with respect to securities or other property held in the Program Account or the issuers thereof that become the subject of any legal proceedings, including bankruptcies and class actions.

Cash Sweep

Generally, free credit balances in a Program Account may be automatically invested or "swept" daily, or at such other interval as determined by Ayco, into one or more money market mutual funds or bank deposit accounts. Clients whose cash is swept to money market funds receive the prospectus for the applicable fund. Clients who elect not to sweep cash may earn less than clients who elect to sweep or may earn nothing on their free credit balances. Clients should check their account statements for the applicable interest rate.

Fees for the Program

Clients pay Ayco an annual fee based on a percentage of the market value of the Program Account, as set forth on the fee schedule signed by the client at account opening. Actual fees paid may be negotiated and may vary from those in the fee schedule below. A client may pay more or less than the fees for similar clients depending on the particular circumstances of the client, including the size of the relationship and required service levels.

Fee Schedule

The fees set forth below represent the maximum fee that may currently be charged for Program Accounts invested in the indicated asset class, absent special circumstances.

<u>Asset Class</u>	<u>Annual Fee</u>
International Equity	1.40%
U.S. Large Cap and Real Estate	1.35%
U.S. Small Cap	1.65%
U.S. Mid Cap	1.60%
All Cap	1.60%

Goldman Sachs pays a portion of the Program fee to the selected Manager. The Manager fee is currently between 0.20% and 0.85% for equity accounts based on the value of the Program Accounts managed by the Manager.

As an accommodation, Ayco may permit clients to transfer separately managed accounts managed by an investment manager that does not participate in the Program from their current custodian to Fidelity. In these circumstances, Ayco charges clients an annual fee of up to 0.40% of the value of the client's assets managed by that investment manager. This fee is in addition to the investment management fee and other fees charged by the client's manager. The fee covers all charges (including brokerage commissions on agency transactions and commission equivalents (but not the spreads and certain mark-ups and mark-downs on principal transactions) for transactions executed through Fidelity and Ayco's administrative charges as well as fees for general asset allocation advice. Ayco does not recommend or monitor these managers, and each client is solely responsible for the selection, retention and termination of these managers.

Calculation and Deduction of Advisory Fees

Fees for Program Accounts are calculated and payable quarterly in arrears based on the average month-end market value of the Program Account and will become due on the following business day. Average month-end values for Program Accounts are adjusted for cash flows (contributions and withdrawals) equal to or exceeding \$10,000. Fees will be prorated and due on termination or for partial periods. Where Fidelity acts as custodian, the Program fees are generally deducted from the client's Program Account. In the case of Program Accounts held at a third-party custodian other than Fidelity, clients generally direct their custodian to have their fees and expenses debited from the account for credit to Ayco.

Ability to Obtain Services Separately

Clients may be able to obtain some or all of the services offered through the Program separately from Ayco or from other firms, and the cost of obtaining the services separately may be more or less than the Program fee. Factors that bear on the cost of the Program in relation to the cost of the same services purchased separately include the range of investment strategies and Managers selected, anticipated trading activity and the range of custodial, reporting and other ancillary services that are available. Clients should also understand that the combination of the Program services may not be available separately and certain Managers might not be willing or able to provide their services or particular investment strategies outside of the Program because of minimum account sizes or other factors.

Other Fees and Expenses

The Program fee does not include certain execution costs that may be charged to the client, including broker-dealer spreads, certain broker-dealer mark-ups or mark-downs on principal transactions; fees and other expenses related to transactions in depository receipts, including fees associated with foreign ordinary conversion, creation fees charged by third parties and foreign tax charges; auction fees; fees charged by exchanges on a per transaction basis; debit balances and margin interest; certain odd-lot differentials; transfer taxes; electronic fund and wire transfer fees; fees on NASDAQ trades; certain costs

associated with trading in foreign securities and other property; any other charges mandated by law; and certain fees in connection with trust accounting, or the establishment, administration, or termination of retirement or profit sharing plans.

The Program fees also do not cover execution charges (such as commissions, commission equivalents, mark-ups, mark-downs or spreads) on transactions a Manager places with broker-dealers other than Fidelity. For example, Managers of fixed income strategies will generally execute trades through third party dealers and, therefore, the spread, mark-ups and mark-downs on those trades will be paid by clients to the third party dealer. Any such execution charges will be separately charged to the client's Program Account. Clients will pay the public offering price for any securities purchased from an underwriter or dealer involved in a distribution. In addition, the value of Program assets invested in shares of investment companies (closed-end or mutual fund companies, and unit investment trusts) is included in calculating the Program fee, to the extent permitted by law. These shares are also subject to investment advisory, administration, transfer agency, distribution, shareholder service and other fund-level expenses that are paid by the fund and clients, indirectly, as a fund shareholder. The Program fee will not be reduced by any of these fund-level fees unless required by law.

Compensation for Recommending the Program

Ayco and Advisory Personnel may receive compensation in connection with a client's participation in the Program. The amount of this compensation may differ from the compensation that might have been received by Ayco and Advisory Personnel if the client had instead participated in another advisory program offered by Ayco or paid separately for the investment advice, brokerage and other services available through the Program.

The amount of the compensation received also may vary based on the selection of a Manager, asset class or investment strategy. Ayco and Goldman Sachs will generally benefit from the selection of an Affiliated Manager, as the amount of compensation received from a Program Account advised by an Affiliated Manager may be more or less than the compensation received from a traditional separate account (that is, an account with an advisory fee that does not include execution charges, custodial and other fees) also advised by Ayco or Goldman Sachs. Except in the case of Retirement Plan accounts, Ayco and Advisory Personnel also may recommend or select certain Managers based on the nature of the compensation arrangement with each Manager. These arrangements may include fee break points that Goldman Sachs has negotiated with the Managers on behalf of Ayco that reduce the fee paid to Managers (and correspondingly increase the portion of the fee retained by Ayco and Goldman Sachs) as assets managed by a particular Manager in the Program increase. Any such differentials in compensation may create a financial incentive on the part of Ayco and Advisory Personnel to recommend one advisory program, Manager, asset class or investment strategy over another.

In addition to the disclosures contained in this Brochure, these and other potential conflicts of interest may be disclosed in the Ayco Form ADV brochure and other disclosure documents provided to clients from time to time and in the Ayco investment advisory agreement with the client.

Item 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Types of Clients

Many of Ayco's clients are individuals who may invest their assets with us directly as individuals or through private investment vehicles, such as privately held corporations, partnerships, limited liability companies, profit sharing plans and trusts and estates. Ayco also provides investment advisory services to institutional clients, including charitable organizations.

Account Minimums

Ayco generally requires clients to open a Program Account with a minimum account value of \$100,000. Program Accounts may be terminated by Ayco in its discretion if the value of the account falls below this minimum threshold.

Funding and Liquidation

The client may open an account with cash, marketable securities, or a combination of both. When initially funding an account with securities, a client should bear in mind that the Manager selected may decide to sell all or a substantial portion of the client's existing portfolio of securities and that the client is responsible for tax liabilities that may result from those transactions. Alternatively, a Manager may return the securities to the client if the Manager is not able to accept or sell the securities for regulatory or other reasons.

Clients may choose to liquidate assets from the Program and transition them to another product offering with specific entry or subscription periods and liquidity features, or to another Manager. Clients are not charged an investment advisory fee on those assets, but may be charged commissions and/or execution charges for such transactions, even if the transactions are executed through Fidelity.

Item 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION

Evaluation of Managers

The selection and evaluation process for Unaffiliated Managers is provided by the AIMS Long Only Group. The AIMS Long Only Group might not consider any Unaffiliated Managers for certain asset classes for which an Affiliated Manager is available. The AIMS Long Only Group has developed a due diligence process focused on identifying and evaluating the investment merits of each Unaffiliated Manager.

The Unaffiliated Managers are selected through a multi-step process which includes a due diligence review designed to assess the quality of the candidates and the likelihood of producing appropriate investment results over the long-term. An investment committee determines which Unaffiliated Managers are available for investment. From the Unaffiliated Managers selected by the AIMS Long Only Group, Ayco will coordinate with the AIMS Long Only Group to identify appropriate Managers for the Program and the ability of each such Manager to operate on the Fidelity broker-dealer/custodial platform.

Although the AIMS Long Only Group reviews the performance history of Unaffiliated Managers participating in the Program, none of GS&Co., the AIMS Long Only Group, Ayco or any third-party calculates or audits the information for accuracy, verifies the appropriateness of the methodology on which the performance is calculated or verifies whether the performance complies with Global Investment Performance Standards or any other standard for performance calculation. The methods for calculating performance and forming composites may differ among Unaffiliated Managers and performance information may not be calculated on a uniform and consistent basis. Past performance may not be indicative of future results and, as such, prospective clients should not place too much emphasis on Unaffiliated Manager performance information.

The AIMS Long Only Group periodically reviews the Unaffiliated Managers through quarterly calls and annual on-site meetings designed to help understand the evolution of their views and portfolio risk and to monitor various considerations, including capacity, primary performance drivers and organizational and operational changes. The AIMS Long Only Group also monitors risk by evaluating relevant risk metrics (e.g., tracking error, volatility, beta, correlation and concentration), monitoring realized risk versus expected risk to evaluate whether an Unaffiliated Manager's risk profile is within expectations, correlation with other managers and compliance with stated investment guidelines. Ayco will periodically communicate with the AIMS Long Only Group personnel regarding the Unaffiliated Managers participating in the Program. If the AIMS Long Only Group or Ayco identifies actual or potential concerns

regarding an Unaffiliated Manager that, in their view, need to be addressed, the AIMS Long Only Group may request that the Unaffiliated Manager take appropriate action. In certain circumstances, the AIMS Long Only Group may request certain modifications to an Unaffiliated Manager's operations (including staffing of personnel). For particularly severe concerns, the AIMS Long Only Group may recommend that Ayco suspend or cancel the Unaffiliated Manager's participation in the Program.

Clients should carefully review the Form ADV brochure for each of the Managers they consider under the Program, including information about best execution, trade rotation and order of execution, investment allocations, conflicts of interest, and any other policy or issue that could potentially impact the management of client assets under the Program. To the extent a Program Account regularly trades behind other types of accounts in a Manager's rotation system, for example, it is possible that the Program Account may suffer adverse effects depending on market conditions.

Affiliated Managers

Except in the case of Retirement Plan accounts that have selected the Unaffiliated Manager Option, GSAM or another affiliate of Ayco may be selected by or recommended to clients investing in the Program. Affiliated Managers are not reviewed by the AIMS Long Only Group or Ayco, but instead undergo a different review process. Goldman Sachs considers the addition of a new strategy managed by an Affiliated Manager through a process that reviews the specific strategy, asset class, performance and relative fees in the context of making the strategy available to clients. In the case of Affiliated Managers, the operational infrastructure and internal controls are well understood and are currently in place for other strategies offered to clients. As a result, the review process generally focuses on the specifics of the investment strategy and any unique characteristics, risks or eligibility criteria of the investment strategy. On the whole, the due diligence process for Affiliated Managers is significantly less rigorous and substantively different than that for Unaffiliated Managers. As a result, Advisory Personnel may recommend an Affiliated Manager for a Program Account that underperforms Unaffiliated Managers (or other Affiliated Managers) that might have been selected or recommended had the due diligence process applicable to Unaffiliated Managers been utilized for Affiliated Managers. Furthermore, when Goldman Sachs conducts due diligence of Affiliated Managers, they may be restricted from obtaining information they might otherwise request with respect to such Affiliated Managers and their sponsors, managers, or advisers as a result of internal informational barriers. If Goldman Sachs does not have access to certain information with respect to an Affiliated Manager, it may determine not to consider such Affiliated Manager for a Program Account, or, conversely, Advisory Personnel may recommend an Affiliated Manager for the Program Account notwithstanding that certain material information is unavailable to the Advisory Personnel, each of which could adversely affect the Program Account. For example, such Affiliated Manager could significantly decline in value, resulting in substantial losses to the Program Account.

For information about the conflicts associated with the selection and recommendation of Affiliated Managers, please see Item 4, Compensation for Recommending the Program and Item 9, Receipt of Compensation from Investment Advisers. Ayco seeks to address these potential conflicts relating to the selection and recommendation of Affiliated Managers by disclosing the affiliation to clients so that they may consider the potential conflict.

Removing Managers

Clients may request in writing that the Manager for their Program Account be changed at any time, and Ayco will implement such requests as soon as is reasonably practicable.

If Goldman Sachs removes a Manager from the Program, Ayco generally attempts to reach each affected client so the client may select a replacement Manager. With the exception of Retirement Plan accounts, clients grant Ayco the authority to replace a removed Manager with a Manager of a comparable strategy (if available) without prior approval. In these cases, Ayco will select a replacement Manager and notify the client of the selection. If Ayco is not able to find a replacement Manager, securities previously managed by that Manager will be held by Fidelity in a brokerage account for the client and the client will be

responsible for directing transactions in those securities. If a client wishes to continue to retain a Manager that has been removed, the client will need to make other arrangements outside the Program.

Item 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Each Manager is provided with certain information concerning the client's investment objectives, financial goals, risk tolerance, investment time horizon, reasonable restrictions and such other information as a Manager reasonably requests to satisfy its own policies and procedures. Each client is responsible for providing accurate and complete information to Ayco, as the failure to do so could affect the recommendation or selection of a Manager and that Manager's acceptance and management of the client's assets. Goldman Sachs will periodically notify the Manager of updates or changes to any of the information previously provided that could affect the management of the client's account.

Item 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS

At a client's request, Ayco will make available appropriate Ayco or Goldman Sachs personnel or a representative of the Manager to respond to a client's inquiry about the management of the client's Program Account.

Item 9 - ADDITIONAL INFORMATION

Disciplinary Information

This Item requests disciplinary information relating to Ayco. There are no reportable material legal or disciplinary events related to Ayco. In the ordinary course of its business, Ayco and its management persons have in the past been, and may in the future be, subject to formal and informal regulatory inquiries, subpoenas, investigations, and legal or regulatory proceedings, involving the SEC, other regulatory authorities, or private parties. Such actions, investigations, litigation and claims have the potential to result in findings, conclusions, settlements, charges or various forms of sanctions against Ayco or its management persons, as well as Goldman Sachs and other Goldman Sachs personnel, including fines, suspensions of personnel, changes in policies, procedures or disclosure or other sanctions and may increase the exposure of client accounts, including Program Accounts, for which Ayco serves as investment adviser ("Advisory Accounts"), Ayco and Goldman Sachs to potential liabilities and to legal, compliance and other related costs. In addition, such actions or proceedings may involve claims of strict liability or similar risks against Advisory Accounts in certain jurisdictions or in connection with certain types of activities.

Additional information about Ayco's advisory affiliates is contained in Part 1 of Ayco's Form ADV. For information relating to other Goldman Sachs entities, please visit www.gs.com and refer to the public filings of The Goldman Sachs Group, Inc.

Other Material Relationships with Affiliated Entities

Ayco may use, suggest or recommend its own services or the services of affiliated Goldman Sachs entities in connection with Ayco's advisory business. Ayco may share resources with or delegate certain of its trading, advisory and other activities for clients to affiliated entities. Particular relationships may include, but are not limited to, those discussed below. Goldman Sachs' affiliates will retain any compensation when providing investment services to, or in connection with investment activities of, Advisory Accounts or advisory clients. Compensation may take the form of commissions, markups, markdowns, service fees or other commission equivalents. Advisory Accounts or advisory clients will not be entitled to any such compensation retained by Goldman Sachs' affiliates.

Broker-Dealer

Ayco's affiliate Mercer Allied Company, L.P. ("Mercer Allied") is registered with the SEC as a broker-dealer. Certain of Ayco's management persons, as well as Advisory Personnel, may also be registered representatives of Mercer Allied to the extent necessary or appropriate to perform their responsibilities. Mercer Allied primarily sells variable life insurance and variable annuities or introduces clients to full-service carrying brokers, primarily GS&Co. and Fidelity. Ayco and Mercer Allied have overlapping officers, personnel and share office space and certain expenses. Certain Ayco management persons and employees, including but not limited to IPs, may also be registered representatives of GS&Co. if necessary or appropriate to perform their responsibilities.

In addition, Goldman Sachs may have ownership interests in trading networks, securities or derivatives indices, trading tools and settlement systems. Goldman Sachs receives fees, cash credits or other benefits from exchanges and other market centers to which it, as broker, routes order flow based on the volume and type of order flow routed and whether the order contributes or extracts liquidity from the given market.

Investment Companies and Other Pooled Investment Vehicles

Ayco has affiliates, including GSAM, that act in an advisory or subadvisory capacity including as trustee, managing member, adviser, administrator and/or distributor to a variety of U.S. and non-U.S. investment companies as well as other pooled investment vehicles including collective trusts, exchange-traded funds, closed-end funds, business development companies and private investment funds. Certain personnel of Goldman Sachs are also directors, trustees and/or officers of these investment companies and other pooled investment vehicles. Affiliates of Ayco that act as investment adviser or manager of an investment company or pooled vehicle, including ETFs (collectively, "Funds"), will receive management or advisory fees in connection with their advisory roles. Although such fees are generally paid by the Funds, the costs are ultimately borne by clients as shareholders. These fees will be in addition to any advisory fees or other fees agreed between the client and Goldman Sachs for investment advisory and brokerage services. Clients may invest in these investment companies and other pooled investment vehicles offered by Goldman Sachs.

Other Investment Advisers

Ayco has investment advisory affiliates in and outside of the United States that are registered with the SEC as investment advisers. These affiliates include, but are not limited to, GS&Co., GSAM, Goldman Sachs Asset Management International ("GSAMI"), Goldman Sachs Hedge Fund Strategies LLC ("HFS") and GS Investment Strategies, LLC ("GSIS"). Ayco and its affiliates have or intend to have co-advisory or subadvisory relationships with their investment advisory affiliates, as may be required for proper management of particular advisory accounts and in accordance with applicable law. Ayco and its affiliates will receive compensation in connection with such relationships. For additional information on compensation earned when clients select other investment advisers, see Receipt of Compensation from Investment Advisers, below. Where permissible by law, Ayco and Goldman Sachs may share resources in connection with providing investment advisory services under the Program, including credit analysis, execution services and trade support.

Clients may be offered access to advisory services through Ayco, GS&Co., GSAM, GSAMI or other affiliated investment advisers. These investment advisers manage accounts according to different strategies and may also apply different criteria to the same or similar products (including, but not limited to, equities and fixed income securities). For instance, in the case of advisory accounts holding municipal bonds, Ayco, GS&Co., and GSAM may apply different credit criteria (including different minimum credit ratings, sector restrictions, maturity limitations or portfolio duration), they may offer different portfolio structures (for example laddered, barbelled or customized), and they may have different minimum account size requirements. Additionally, GS&Co. may execute trades through itself as well as third parties and may participate in underwritings, whereas GSAM and GSAMI generally only execute trades through third parties. Since Ayco's, GSAM's, GSAMI's and GS&Co.'s investment decisions are made

independently, GSAM and/or GSAMI may be buying while Ayco and/or GS&Co. are selling, or vice versa. Therefore, it is possible that an account managed by Ayco, GS&Co., GSAMI or GSAM could sustain losses during periods in which GS&Co. and its affiliates, and other Ayco, GS&Co., GSAMI or GSAM-managed accounts, achieve significant profits on their trading.

Futures Commission Merchant, Commodity Pool Operator, Swap Dealer Commodity Trading Advisor

Ayco has affiliates registered with the Commodity Futures Trading Commission as a futures commission merchant, a commodity pool operator, a swap dealer and a commodity trading advisor. These affiliates include: GS&Co., GSAM, GSAMI, HFS, GSIS, and Goldman Sachs Execution & Clearing, L.P.

Bank or Thrift Institution

Banks

The Goldman Sachs Group, Inc. is a bank holding company under the Bank Holding Company Act of 1956, as amended. As a bank holding company, The Goldman Sachs Group, Inc. is subject to supervision and examination by the Federal Reserve Board.

Goldman Sachs Bank USA ("GS Bank") is a Federal Deposit Insurance Corporation-insured New York State chartered Federal Reserve member bank. GS Bank accepts brokered and omnibus deposits, lends to individuals and corporate clients, transacts in certain derivatives, and provides securities lending, custody and hedge fund administration services. GS Bank offers securities-based loans to Ayco clients with Advisory Accounts on the GS Platform and the Fidelity Platform, and Ayco and certain Advisory Personnel may receive compensation for referring clients to GS Bank for such loans. Such referrals create a conflict between the interests of clients and the interests of Ayco and its employees since it gives Ayco and certain Advisory Personnel an economic interest in the loans. Such compensation is in addition to compensation Ayco and certain Advisory Personnel receive from the investment advisory fee charged by Ayco for providing advisory services to the Advisory Accounts pledged as collateral for the loans. GS Bank offers deposit sweeps to Goldman Sachs clients, where free credit balances are swept into GS Bank on an omnibus basis.

Trust Companies

The Goldman Sachs Trust Company, N.A., a national bank limited to fiduciary activities ("GSTC") and The Goldman Sachs Trust Company of Delaware, a Delaware limited purpose trust company ("GSTD") may provide personal trust and estate administration and related services to Ayco's clients. Goldman Sachs may provide a variety of services to GSTC and GSTD, including investment advisory, sub-advisory, brokerage, distribution, marketing, operational, infrastructure, financial, auditing and administrative services. Goldman Sachs will receive fees from GSTC and GSTD according to the fee schedules agreed upon between the parties in arm's-length service agreements.

Insurance Company or Agency

The Ayco Services Agency, L.P. and the Ayco Services Insurance Agency, Inc., can sell insurance contracts, including, but not limited to, variable life and variable annuity insurance contracts. Ayco may refer clients to these related affiliates and will receive referral fees, subject to applicable law.

Sponsor or Syndicator of Limited Partnerships

Goldman Sachs creates and/or distributes unregistered privately placed vehicles in which clients may invest and for which it receives fees.

Management Persons: Policies and Procedures

Certain of Ayco's management persons also hold positions with one or more of the Goldman Sachs affiliates listed above. In these positions, they may have some responsibility with respect to the business of these affiliates and receive compensation based, in part, upon the profitability of these affiliates. Consequently, in carrying out their roles at Ayco and these affiliates, the management persons of Ayco will be subject to the same or similar potential conflicts of interest that exist between Ayco and these affiliates.

Ayco has adopted a variety of restrictions, policies, procedures and disclosures designed to address potential conflicts that may arise between Ayco, its management persons and its affiliates. These policies and procedures include: information barriers designed to prevent the flow of information between Ayco, its personnel and certain other affiliates; policies and procedures relating to brokerage selection, trading with affiliates or investing in products managed or sponsored by affiliates; and allocation and trade sequencing policies applicable to Advisory Accounts.

Additional information about these conflicts and the policies and procedures designed to address them is available in Item 9, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Receipt of Compensation from Investment Advisers

Ayco may select, or recommend that clients allocate assets to, one or more managed accounts or funds managed by one or more Affiliated Managers or Unaffiliated Managers. Ayco receives compensation in connection with clients' investments in, and selection and recommendation of, such managed accounts or funds, and such compensation creates a potential conflict of interest. Goldman Sachs receives various forms of compensation, including fees, commissions, payments, rebates, remuneration, services or other benefits (including benefits relating to investment and business relationships of Goldman Sachs) from Unaffiliated Managers. Except for Retirement Plan accounts, the amount of such compensation, including fees, commissions, payments, rebates, remuneration, services or other benefits to Goldman Sachs, or the value of Goldman Sachs' interests in the Unaffiliated Managers or their businesses, varies by Unaffiliated Manager and may be greater if Ayco selects or recommends certain Unaffiliated Managers over other Unaffiliated Managers.

Payments to Goldman Sachs (either directly from Unaffiliated Managers or in the form of fees or allocations payable by client accounts) generally increase as the amount of assets that Unaffiliated Managers manage increases. Therefore, investments by Advisory Accounts with Unaffiliated Managers (where Goldman Sachs participates in the fee and/or profit sharing arrangement or other interest in the equity or profits of Unaffiliated Managers) may result in additional revenues to Goldman Sachs. The relationship Goldman Sachs has with Unaffiliated Managers may also result in an incentive for Ayco to increase client investments with Unaffiliated Managers or to retain their investments with Unaffiliated Managers. Except to the extent required by applicable law, Ayco may not account to a client for or offset any compensation received by Goldman Sachs against fees and expenses the client may otherwise owe Goldman Sachs.

Because Goldman Sachs will, on an overall basis, receive higher fees, compensation and other benefits if client assets are allocated to managed accounts or investment funds managed by Goldman Sachs, Ayco may have an incentive to allocate or recommend the allocation of the assets of Advisory Accounts to managed accounts or investment funds managed by Goldman Sachs, including Ayco, GS&Co. and GSAM. Except as otherwise described herein, Ayco's financial counseling clients are not required to maintain accounts or otherwise implement their financial plans through Ayco or its affiliates.

Goldman Sachs may have interests in Managers or business relationships with Unaffiliated Managers, including in its prime brokerage, trade execution and investment banking businesses. In addition, Goldman Sachs may have investments in selected Managers. As a result, Ayco faces potential conflicts of interest in making determinations as to whether Advisory Accounts should invest with or withdraw funds from Managers with which Goldman Sachs has interests or other business relationships.

Goldman Sachs may receive notice of, or offers to participate in, investment opportunities from Unaffiliated Managers or their affiliates. Unaffiliated Managers or their affiliates may offer Goldman Sachs investment opportunities for various reasons including Goldman Sachs's use of the services provided by Unaffiliated Managers and their affiliates for Goldman Sachs and client investments. Therefore, investment (or continued investment) by particular Advisory Accounts with Unaffiliated Managers may result in additional investment opportunities to Goldman Sachs or other accounts.

In addition, the fee structure of certain Advisory Accounts (pursuant to which Ayco must compensate managers from the fee it receives from the client) other than Retirement Plan accounts may provide an incentive for Ayco to recommend Managers with lower compensation levels (including managers that discount their fees based on aggregate account size or other relationships) instead of other Managers which might also be appropriate for Advisory Accounts. Except for Retirement Plan accounts, the amount of the fee retained by Goldman Sachs may also be affected by Goldman Sachs's business relationships and the size of accounts other than a particular Advisory Account, and may directly or indirectly benefit Goldman Sachs and other client accounts. Clients are not entitled to receive any portion of such benefits received by Goldman Sachs and other client accounts.

Goldman Sachs addresses these potential conflicts of interest in a manner that is consistent with its fiduciary duties.

Code of Ethics, Personal Trading and Participation or Interest in Client Transactions

Code of Ethics and Personal Trading

Ayco has adopted a Code of Ethics ("Code") under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act") designed to provide that Ayco personnel comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions. The Code imposes certain restrictions on securities transactions in the personal accounts of certain Ayco personnel to help avoid any actual or potential conflicts of interest. Subject to the limitations of the Code, Ayco personnel may buy and sell securities or other investments for their personal accounts, including investments in pooled investment vehicles that are sponsored, managed or advised by Goldman Sachs, and may also take positions that are the same as, different from, or made at different times than, positions taken for Advisory Accounts. Ayco provides a copy of the Code to clients or prospective clients upon request.

Ayco personnel are subject to Goldman Sachs policies and procedures regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading. In addition, Ayco prohibits its employees from accepting gifts and entertainment that could influence, or appear to influence, their business judgment. This generally includes gifts of more than \$100 or meals and other business-related entertainment that may be considered lavish or extraordinary and therefore raise a question or appearance of impropriety.

Participation or Interest in Client Transactions

Ayco acts as investment adviser under the Investment Advisers Act in accordance with fiduciary standards. Goldman Sachs is a worldwide, full-service investment banking, broker-dealer, asset management and financial services organization and a major participant in global financial markets. As such, Goldman Sachs provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high net worth individuals. Goldman Sachs acts as an investment banker, research provider, investment adviser, financier, advisor, market maker, prime broker, derivatives dealer, lender, counterparty, agent, principal, and investor. In those and other capacities, Goldman Sachs advises clients in all markets and transactions and purchases, sells, holds and recommends a broad array of investments, securities, derivatives, loans, commodities, currencies, credit default swaps, indices, baskets and other financial instruments and products for its own accounts and for the accounts of clients and of its personnel, through client accounts and the relationships and products it sponsors, manages and advises (such Goldman Sachs or other

client accounts, relationships and products collectively, the “Accounts”). Goldman Sachs has direct and indirect interests in the global fixed income, currency, commodity, equities, bank loan and other markets, and the securities and issuers in which Advisory Accounts may directly and indirectly invest. As a result, Goldman Sachs’ activities and dealings may affect Advisory Accounts in ways that may disadvantage or restrict Advisory Accounts and/or benefit Goldman Sachs or other Accounts (including Advisory Accounts). The following are descriptions of certain conflicts of interest and potential conflicts of interest that may be associated with the financial or other interests that Goldman Sachs may have in transactions effected by, with, or on behalf of, Advisory Accounts.

Certain Effects of the Activities of Goldman Sachs on Advisory Accounts

As described above under Participation or Interest in Client Transactions, Goldman Sachs engages in a variety of activities in the global financial markets. The extent of Goldman Sachs’ activities in the global financial markets, including without limitation in its capacity as an investment banker, research provider, investment adviser, financier, adviser, market maker, prime broker, derivatives dealer, lender, counterparty, agent, principal and investor, as well as in other capacities, may have potential adverse effects on Advisory Accounts. Goldman Sachs provides advisory services to Advisory Accounts through a variety of investment products and arrangements. Ayco’s recommendations to advisory clients and recommendations and actions on behalf of an Advisory Account may differ from those on behalf of other Advisory Accounts. Advice given to, or investment decisions made for, one or more Advisory Accounts may compete with, affect, differ from, conflict with, or involve timing different from, advice given to or investment decisions made for other Advisory Accounts. Goldman Sachs (including Ayco), the clients they advise, and their personnel may have interests in and advise Accounts, including Advisory Accounts, that have investment objectives or portfolios similar to, related to or opposed to those of particular Advisory Accounts. Goldman Sachs may receive greater fees or other compensation from such Accounts than it does from the particular Advisory Accounts. In addition, Goldman Sachs (including Ayco), the clients they advise, and their personnel may engage (or consider engaging) in commercial arrangements or transactions with Accounts, and/or may compete for commercial arrangements or transactions in the same types of securities and other instruments, as particular Advisory Accounts. Within Ayco, decisions and actions of Ayco on behalf of a particular Advisory Account may differ from those on behalf of other Advisory Accounts. Advice given to, or investment decisions made for, one or more Advisory Accounts may compete with, affect, differ from, conflict with, or involve timing different from, advice given to or investment decisions made for other Advisory Accounts. Transactions by, advice to and activities of Goldman Sachs clients may involve the same or related securities or other instruments as those in which particular Advisory Accounts invest, and such clients may engage in a strategy while an Advisory Account is undertaking the same or a differing strategy, any of which could directly or indirectly disadvantage the Advisory Account (including its ability to engage in a transaction or other activities) or the prices or terms at which the Advisory Account’s transactions or other activities may be effected. For example, Goldman Sachs may be engaged to provide advice to a client that is considering entering into a transaction with a particular Advisory Account, and Goldman Sachs may advise the client not to pursue the transaction with the particular Advisory Account, or otherwise in connection with a potential transaction provide advice to the client that would be adverse to the particular Advisory Account. Additionally, an Advisory Account may buy a security and Goldman Sachs or a Goldman Sachs client may establish a short position in that same security or in similar securities. Any such short position will result in the impairment of the price of the security that the Advisory Account holds or could be designed to profit from a decline in the price of the security. An Advisory Account could similarly be adversely impacted if it establishes a short position, following which Goldman Sachs or a Goldman Sachs client takes a long position in the same security or in similar securities. To the extent an Advisory Account engages in transactions in the same or similar types of securities as Goldman Sachs clients (including Advisory Accounts), such Advisory Accounts and other clients may compete for such transactions, and transactions by such other Accounts may negatively affect the investments of the Advisory Account (including the ability of the Advisory Account to engage in such a transaction or other activities), or the price or terms at which the Advisory Account’s transactions or other activities may be effected. Moreover, a particular Advisory Account on the one hand, and Goldman Sachs or a Goldman Sachs client (including through another Advisory Account) on the other hand, may vote differently on, or take or refrain from taking different actions with respect to, the same security, which can be disadvantageous to the Advisory Account.

Goldman Sachs may make loans to clients, or enter into margin, asset-based or other credit facilities or similar transactions with clients, companies or individuals, that may (or may not) be secured by publicly or privately held securities or other assets, including by a client's assets or interests in an Advisory Account. Some of these borrowers may be public or private companies, or founders, officers or shareholders in companies in which Goldman Sachs, funds managed by Goldman Sachs, or Advisory Accounts or other accounts may be investors, and such loans may be secured by securities of such companies, which may be the same as, or pari passu with or more senior or junior to, interests held directly by Goldman Sachs, funds managed by Goldman Sachs, Advisory Accounts or other Accounts. In connection with its rights as lender, Goldman Sachs may act to protect its own commercial interest and may take actions that adversely affect the borrower, including by liquidating or causing the liquidation of securities on behalf of a borrower or foreclosing and liquidating such securities in Goldman Sachs' own name. Such actions may adversely affect Advisory Accounts (e.g., if a large position in securities is liquidated, among the other potential adverse consequences the value of such security may decline rapidly and Advisory Accounts holding such security may in turn decline in value or may be unable to liquidate their positions in such security at an advantageous price or at all).

Subject to applicable law, Goldman Sachs or its clients (including Advisory Accounts and Accounts formed to facilitate investment by personnel) may also invest in or alongside particular Advisory Accounts that are invested in securities issued by Goldman Sachs, including structured products, separately managed accounts and pooled vehicles managed by Goldman Sachs ("Affiliated Products"). These investments may be on terms more favorable than those of an investment by Advisory Accounts in the Affiliated Products and may constitute substantial percentages of such Affiliated Products. Unless provided otherwise by agreement to the contrary, Goldman Sachs, its personnel and its clients may redeem or withdraw interests in these Affiliated Products at any time without notice or regard to the effect on the portfolios of Advisory Accounts invested in the Affiliated Product, which may be adversely affected by any such redemption or withdrawal. Substantial requests for redemption or withdrawal by Goldman Sachs in a concentrated period of time could require an Affiliated Product to liquidate certain of its investments more rapidly than otherwise desirable in order to raise cash to fund the redemptions or withdrawals, adversely affecting the Affiliated Product and its investors, including Advisory Accounts. For example, due to the requirements of the Volcker Rule, Goldman Sachs and certain Goldman Sachs personnel are expected to dispose of investments in certain Affiliated Products, including through redemptions and withdrawals, which may be substantial and have the adverse effects described above.

Goldman Sachs may create, write, sell, issue, invest in or act as placement agent or distributor of derivative instruments related to Affiliated Products such as pooled investment vehicles, or with respect to underlying securities or assets of Affiliated Products, or which may be otherwise based on, or seek to replicate or hedge, the performance of Affiliated Products. Such derivative transactions, and any associated hedging activity, may differ from, and be adverse to, the interests of Advisory Accounts. For example, derivative transactions could represent leveraged investments in an investment fund in which Advisory Accounts have an interest that is a hedge fund, and the leveraged characteristics of such investments could make it more likely, due to events of default or otherwise, that there would be significant redemptions of interests from such underlying fund more quickly than might otherwise be the case. Goldman Sachs, acting in commercial capacities in connection with such derivative transactions, may in fact cause such a redemption. Activities in respect of derivative transactions, and any associated hedging activity, may occur as a result of Goldman Sachs' adjustment in assessment of an investment or an Affiliated Manager or Unaffiliated Manager based on various considerations, and Goldman Sachs will not be under any obligation to provide notice to Advisory Accounts in respect of any such adjustment in assessment.

Goldman Sachs and its personnel, when acting as an investment banker, research provider, investment adviser, financier, adviser, market maker, prime broker, derivatives dealer, lender, counterparty or investor, or in other capacities, may advise on transactions, make investment decisions or recommendations, provide differing investment views or have views with respect to research or valuations that are inconsistent with, or adverse to, the interests and activities of Advisory Accounts. Clients may be offered access to advisory services through several different Goldman Sachs advisory businesses

(including Ayco, GS&Co. and GSAM). Different advisory businesses within Goldman Sachs manage Accounts according to different strategies and may also apply different criteria to the same or similar strategies and may have differing investment views in respect of an issuer or a security or other investment. Similarly, Goldman Sachs' investment teams can have differing or opposite investment views in respect of an issuer or a security, and the positions an investment team takes in respect of an Advisory Account it manages may be inconsistent with, or adverse to, the interests and activities of Advisory Accounts advised by other Goldman Sachs' investment teams, including Ayco Advisory Personnel. Moreover, research, analyses or viewpoints will be available to clients or potential clients at different times. Goldman Sachs will not have any obligation to make available to Advisory Accounts any research or analysis prior to its public dissemination. Goldman Sachs, on behalf of itself or its clients (including Advisory Accounts), may implement an investment decision or strategy ahead of, or contemporaneously with, or behind similar investment decisions or strategies made for particular Advisory Accounts (whether or not the investment decisions emanate from the same research analysis or other information). The relative timing for the implementation of investment decisions or strategies among Advisory Accounts, on the one hand, and other clients (including Advisory Accounts), on the other hand, may disadvantage the Advisory Accounts. Certain factors, for example, market impact, liquidity constraints or other circumstances, could result in Advisory Accounts receiving less favorable trading results or paying increased costs associated with implementing such investment decisions or strategies, or being otherwise disadvantaged.

Investments in Different Parts of an Issuer's Capital Structure

Goldman Sachs or its clients (including Advisory Accounts), on the one hand, and a particular Advisory Account, on the other hand, may invest in or extend credit to different parts of the capital structure of a single issuer. As a result, Goldman Sachs or its clients may take actions that adversely affect the particular Advisory Account. In addition, Goldman Sachs (including Ayco) may advise clients with respect to different parts of the capital structure of the same issuer, or classes of securities that are subordinate or senior to securities, in which a particular Advisory Account invests. Goldman Sachs may pursue rights, provide advice or engage in other activities, or refrain from pursuing rights, providing advice or engaging in other activities, on behalf of itself or its clients with respect to an issuer in which a particular Advisory Account has invested, and such actions (or refraining from action) may have a material adverse effect on such Advisory Account.

For example, in the event that Goldman Sachs or an Account holds loans, securities or other positions in the capital structure of an issuer that ranks senior in preference to the holdings of a particular Advisory Account in the same issuer, and the issuer were to experience financial or operational difficulties, Goldman Sachs (acting on behalf of itself or the Account) may seek a liquidation, reorganization or restructuring of the issuer, or terms in connection with the foregoing, that may have an adverse effect on or otherwise conflict with the interests of the particular Advisory Account's holdings in the issuer. In connection with any such liquidation, reorganization or restructuring, a particular Advisory Account's holdings in the issuer may be extinguished or substantially diluted, while Goldman Sachs or an Account may receive a recover of some or all of the amounts due to them. Alternatively, in situations in which an Advisory Account holds a more senior position in the capital structure of an issuer experiencing financial or other difficulties as compared to positions held by other Accounts (which may include those of Goldman Sachs), Ayco may determine not to pursue actions and remedies that may be available to the Advisory Account or particular terms that might be unfavorable to the Accounts holding the less senior position. In addition, in the event that Goldman Sachs or the Accounts hold voting securities of an issuer in which a particular Advisory Account holds loans, bonds or other credit-related assets or securities, Goldman Sachs or the Accounts may vote on certain matters in a manner that has an adverse effect on the positions held by the Advisory Account. Conversely, Advisory Accounts may hold voting securities of an issuer in which Goldman Sachs or Accounts hold credit-related assets or securities, and Ayco may determine on behalf of the Advisory Accounts not to act in a manner adverse to Goldman Sachs or the Accounts.

These potential issues are examples of conflicts that Goldman Sachs will face in situations in which Advisory Accounts, and Goldman Sachs or other Accounts, invest in or extend credit to different parts of

the capital structure of a single issuer. Goldman Sachs has adopted procedures to address such conflicts. The particular procedures employed will depend on the circumstances of particular situations. For example, Goldman Sachs may determine to rely on information barriers between different Goldman Sachs business units or portfolio management teams. Goldman Sachs may determine to rely on the actions of similarly situated holders of loans or securities rather than taking such actions itself on behalf of the Advisory Account.

As a result of the various conflicts and related issues described above and the fact that conflicts will not necessarily be resolved in favor of the interests of particular Advisory Accounts, Advisory Accounts could sustain losses during periods in which Goldman Sachs and other Accounts (including Advisory Accounts) achieve profits generally or with respect to particular holdings in the same issuer, or could achieve lower profits or higher losses than would have been the case had the conflicts described above not existed. The negative effects described above may be more pronounced in connection with transactions in, or Advisory Accounts utilizing, small capitalization, emerging market, distressed or less liquid strategies.

Potential Conflicts Relating to Follow-On Investments

From time to time, Goldman Sachs (including Ayco) will provide opportunities to Advisory Accounts to make investments in companies in which certain Advisory Accounts have already invested. Such follow-on investments can create conflicts of interest, such as the determination of the terms of the new investment and the allocation of such opportunities among Advisory Accounts. Follow-on investment opportunities may be available to Advisory Accounts with no existing investment in the issuer, resulting in the assets of an Advisory Account potentially providing value to, or otherwise supporting the investments of, other Advisory Accounts. Advisory Accounts may also participate in releveraging and recapitalization transactions involving companies in which other Advisory Accounts have invested or will invest. Conflicts of interest in recapitalization transactions arise between Advisory Accounts with existing investments in a company and Advisory Accounts making an initial investment in the company, which have opposing interests regarding pricing and other terms.

Considerations Relating to Information Held by Goldman Sachs

Goldman Sachs has adopted certain information barriers and other policies designed to address the sharing of information between different businesses within Goldman Sachs and within Ayco. As a result of information barriers, Ayco generally does not have access, or has limited access, to information and personnel in other areas of Goldman Sachs, and generally will not manage the Advisory Accounts with the benefit of information held by these other areas. Goldman Sachs, due to its access to, and knowledge of, funds, markets and securities based on its prime brokerage and other businesses, may make decisions based on information or take (or refrain from taking) actions with respect to interests in investments of the kind held (directly or indirectly) by Advisory Accounts in a manner that will be adverse to Advisory Accounts and Goldman Sachs will not have any obligation to share information with Ayco. In addition, regardless of the existence of information barriers, Goldman Sachs will not have any obligation to make available any information regarding its trading activities, strategies or views, or the activities, strategies or views used for other Accounts for the benefit of Advisory Accounts. Different areas of Ayco and Goldman Sachs may take views, and make decisions or recommendations, that are different than other areas of Ayco and Goldman Sachs. To the extent that Advisory Personnel have access to fundamental analysis and proprietary technical models or other information developed by Goldman Sachs and its personnel, Advisory Personnel will not be under any obligation to effect transactions on behalf of the Advisory Accounts in accordance with such analysis and models. Different Advisory Personnel within Ayco may make decisions based on information or take (or refrain from taking) actions with respect to Advisory Accounts they advise in a manner that may be different than or adverse to other Advisory Accounts. Such teams may not share information with other portfolio management teams within Ayco (or other areas of Goldman Sachs), including as a result of certain information barriers and other policies, and will not have any obligation to do so.

Goldman Sachs operates a business known as Goldman Sachs Securities Services ("GSS"), which provides prime brokerage, administrative and other services to clients that may involve investment funds

in which Advisory Accounts have an interest or markets and securities in which Advisory Accounts invest. GSS and other parts of Goldman Sachs have broad access to information regarding the current status of certain markets, investments and funds and detailed information about fund operators that is not available to Ayco. In addition, Goldman Sachs may act as a prime broker to one or more investment funds in which Advisory Accounts have an interest, in which case Goldman Sachs will have information concerning the investments and transactions of such investment fund that is not available to Ayco. As a result of these and other activities, parts of Goldman Sachs may be in possession of information in respect of markets, investments, Affiliated Managers, Unaffiliated Managers, and investment funds, which, if known to Ayco, might cause Ayco to seek to dispose of, retain, or increase interests in investments held by Advisory Accounts or acquire certain positions on behalf of Advisory Accounts, or take other actions. Goldman Sachs will be under no obligation or fiduciary or other duty to make any such information available to Ayco or Advisory Personnel involved in decision-making for Advisory Accounts.

Goldman Sachs May Act In Multiple Commercial Capacities

Goldman Sachs provides various services to Advisory Accounts or to companies or affiliated or unaffiliated investment funds in which Advisory Accounts have an interest, which results in fees, compensation and remuneration, as well as other benefits to Goldman Sachs. In addition, Goldman Sachs may act as broker, dealer, agent, lender or advisor or in other commercial capacities for Advisory Accounts or companies or affiliated or unaffiliated investment funds in which Advisory Accounts have an interest. An example of this is that a company in which an Advisory Account has an interest may hire Goldman Sachs to provide underwriting, merger advisory, other financial advisory, placement agency, foreign currency hedging, research, asset management services, brokerage services or other services to the company. In connection with providing such services, Goldman Sachs may take commercial steps in its own interests, or may advise the parties to which it is providing services to take actions or engage in transactions, which may have an adverse effect on Advisory Accounts. For example, Goldman Sachs, through its banking division, may advise a company to make changes to its capital structure the results of which would be a reduction in the value or priority of a security held by one or more Advisory Accounts. Actions taken or advised to be taken by Goldman Sachs in connection with other types of transactions may also result in adverse consequences for Advisory Accounts. Providing such services to the Advisory Accounts and companies and affiliated or unaffiliated investment funds in which they invest may enhance Goldman Sachs' relationships with various parties, facilitate additional business development and enable Goldman Sachs to obtain additional business and generate additional revenue. Advisory Accounts will not be entitled to compensation related to any such benefit to businesses of Goldman Sachs or Ayco.

Goldman Sachs' activities on behalf of its clients may also restrict investment opportunities that may be available to Advisory Accounts. For example, Goldman Sachs is often engaged by companies as a financial advisor, or to provide financing or other services, in connection with commercial transactions that may be potential investment opportunities for Advisory Accounts. There may be circumstances in which Advisory Accounts are precluded from participating in such transactions as a result of Goldman Sachs' engagement by such companies. Goldman Sachs reserves the right to act for these companies in such circumstances, notwithstanding the potential adverse effect on Advisory Accounts.

Diverse Interests of Investors in Affiliated Products

The various types of investors in and beneficiaries of Affiliated Products, including Goldman Sachs and its affiliates, may have conflicting investment, tax and other interests with respect to their interest in the Affiliated Products. When considering a potential investment for an Affiliated Product, Goldman Sachs will generally consider the investment objectives of the Affiliated Product, not the investment objectives of any particular investor or beneficiary. Goldman Sachs may make decisions, including with respect to tax matters, from time to time that may be more beneficial to one type of investor or beneficiary than another, or to Ayco and its affiliates than to investors or beneficiaries unaffiliated with Ayco. In addition, Goldman Sachs may face certain tax risks based on positions taken by an Affiliated Product, including as a withholding agent. Goldman Sachs reserves the right on behalf of itself and its affiliates to take actions

adverse to the Affiliated Product or other Accounts in these circumstances, including withholding amounts to cover actual or potential tax liabilities.

Valuation

As an accommodation, Ayco may provide valuation services for certain securities and assets held in certain Advisory Accounts using software created by a third party vendor. Clients typically request valuations as of a particular date. Ayco does not value securities or assets that cannot be valued by such software, like alternative investments, and clients are responsible for the valuation of such securities and assets. The software program Ayco uses might value an identical asset differently from another division or unit within Goldman Sachs, or differently from another Account or Advisory Account. This is particularly the case in respect of difficult-to-value assets. Ayco may face a conflict with respect to valuations generally because of their effect on Ayco's fees and other compensation. In addition, to the extent Ayco utilizes third-party vendors to perform certain valuation functions, these vendors may have interests and incentives that differ from those of the Advisory Accounts.

Goldman Sachs-Sourced Investment Opportunities

Goldman Sachs businesses outside of Ayco are under no obligation to provide investment opportunities to Advisory Accounts, and generally are not expected to do so. Opportunities not allocated to Advisory Accounts may be undertaken by Goldman Sachs, including for Goldman Sachs' accounts, or made available to other Accounts or third parties.

Goldman Sachs Policies and Regulatory Restrictions Affecting Advisory Accounts

Ayco may restrict its investment decisions and activities on behalf of an Advisory Account in various circumstances, including as a result of applicable regulatory requirements, information held by Goldman Sachs, Goldman Sachs's internal policies and/or potential reputational risk in connection with Accounts (including Advisory Accounts). As a result, Ayco might not engage in transactions for, or recommend transactions to, an Advisory Account, or may reduce an Advisory Account's position in an investment with limited availability to create availability for an Advisory Account managed in the same strategy, in consideration of Goldman Sachs' activities outside the Advisory Account. For example, Ayco may restrict or limit the amount of an Advisory Account's investment where exceeding a certain aggregate amount could require a filing or a license or other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligations for Goldman Sachs, including Ayco. Ayco may also reduce a particular Advisory Account's interest in an investment opportunity that has limited availability so that other Advisory Accounts that pursue similar investment strategies may be able to acquire an interest in the investment opportunity. In addition, Ayco is not permitted to obtain or use material nonpublic information in effecting purchases and sales in public securities transactions for Advisory Accounts. Restrictions may be imposed on particular Advisory Accounts and not on other Accounts (including other Advisory Accounts). Ayco may also limit an activity or transaction engaged in on behalf of a particular Advisory Account, and may limit its exercise of rights on behalf of the Advisory Account for reputational or other reasons, including: (i) where Goldman Sachs is providing (or may provide) advice or services to an entity involved in such activity or transaction; (ii) where Goldman Sachs or an Account is or may be engaged in the same or a related transaction to that being considered on behalf of the Advisory Account; or (iii) where Goldman Sachs or another Account has an interest in an entity involved in such activity or transaction that could affect Goldman Sachs, Ayco or their activities. Ayco may restrict its investment decisions and activities on behalf of particular Advisory Accounts and not other Accounts (including other Advisory Accounts). Goldman Sachs may become subject to additional restrictions on its business activities that could have an impact on the Advisory Accounts' activities.

Review of Accounts

Account Reviews

Ayco is not obligated to monitor transactions directed by each Manager for conformity with each client's stated investment objectives, risk tolerance, financial circumstances or investment restrictions, if any. In addition, Ayco will not evaluate each transaction executed by a Manager for compliance with the Manager's disclosed policies or style.

Ayco supervisory personnel, or their delegates, in consultation with the responsible Advisory Personnel, conduct annual reviews of certain Program Accounts that may be randomly selected or identified as meeting certain criteria warranting additional review. Additionally, Ayco periodically communicates with clients to ascertain whether there have been any changes in the client's financial circumstances or objectives that warrant a change in the management of the client's assets.

Client Reports

Fidelity provides clients with written reports regarding their Program Accounts on a monthly or periodic basis, depending on the terms of the separate agreement underlying the Advisory Account. Such reports generally include, among other things, an activity summary, a summary of holdings that includes a portfolio valuation and the change in value of the Program Account during the reporting period.

Client Referrals and Other Compensation

From time to time, Ayco may make cash payments to third parties, including Fidelity or its affiliates, for referring clients to Ayco, consistent with applicable laws, including Rule 206(4)-3 under the Investment Advisers Act. Ayco is not currently participating in any program to accept new referrals from Fidelity or its affiliates. The compensation arrangements generally are based on a percentage of the advisory fees paid to Ayco by the referred clients and are disclosed to clients. In addition, from time to time, Ayco may also compensate employees of Ayco and its affiliates for client referrals pursuant to applicable laws.

Financial Information

A balance sheet for Ayco's most recent fiscal year is attached.

Item 10 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.

GLOSSARY

As used in this Brochure, these terms have the following meanings:

“Accounts” means Goldman Sachs’ own accounts, accounts in which personnel have an interest, Goldman Sachs’ clients and Affiliated Products Goldman Sachs sponsors, manages and advises.

“Advisory Accounts” means Ayco client accounts, including Program Accounts, for which Ayco serves as investment adviser.

“Advisory Personnel” mean such Ayco personnel responsible for determining investments or giving investment advice to Ayco clients.

“Affiliated Managers” means managers that are affiliated with Goldman Sachs.

“Affiliated Manager Option” means the option for Retirement Plan accounts to choose participating Managers comprised exclusively of Affiliated Managers.

“Affiliated Products” means securities issued by Goldman Sachs, including structured products, separately managed accounts and pooled vehicles managed by Goldman Sachs.

“AIMS Long Only Group” means the Long Only group, which is part of the Alternative Investments & Manager Selection group within GSAM.

“Ayco” means The Ayco Company, L.P., an investment adviser registered with the SEC and sponsor of the Program.

“Brochure” means Appendix 1 to Ayco’s Form ADV Part 2A.

“Code” means the Ayco’s Code of Ethics.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Fidelity” means Fidelity Brokerage Services LLC and National Financial Services LLC.

“Goldman Sachs” means The Goldman Sachs Group, Inc., Goldman Sachs & Co. LLC, Ayco and their respective affiliates, directors, partners, trustees, managers, members, officers and employees.

“GS Bank” means the Goldman Sachs Bank USA.

“GS&Co.” means Goldman Sachs & Co. LLC, an investment adviser registered with the SEC and affiliate of Ayco.

“GSAM” means Goldman Sachs Asset Management, L.P., an investment adviser registered with the SEC and affiliate of Ayco.

“GSAMI” means Goldman Sachs Asset Management International, an investment adviser registered with the SEC and affiliate of Ayco.

“GSIS” means GS Investment Strategies, LLC.

“GSS” means Goldman Sachs Securities Services.

“GSTC” means The Goldman Sachs Trust Company, N.A.

“GSTD” means The Goldman Sachs Trust Company of Delaware.

“HFS” means Goldman Sachs Hedge Fund Strategies LLC.

“Investment Advisers Act” means the Investment Advisers Act of 1940, as amended.

“IRC” means the Internal Revenue Code of 1986, as amended.

“Manager” means an investment manager that manages client assets on a discretionary basis under one or more investment strategies offered through the Program.

“Mercer Allied” means Mercer Allied Company, L.P.

“Private Access Account Strategies” means Ayco’s wrap fee program.

“Program” means the Ayco Private Access Account Strategies program.

“Program Account” means accounts for which Managers have been selected or appointed to manage the client’s assets invested through the Program.

“Retirement Plan account” means pension plans (including 401(k) plans) and other employee pension benefit plans subject ERISA, tax-qualified retirement plans (including Keogh plans) under Section 401(a) of the IRC and not covered by ERISA, and individual retirement accounts under Section 408 or 408A of the IRC.

“SEC” means the U.S. Securities and Exchange Commission.

“Unaffiliated Managers” means managers that are unaffiliated with Goldman Sachs.

“Unaffiliated Manager Option” means the option for Retirement Plan accounts to choose Managers comprised exclusively of Unaffiliated Managers.

The Ayco Company L.P.

Statement of Financial Condition

December 31, 2016

The Ayco Company L.P.

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Report of Independent Auditors

To the Management of The Ayco Company L.P.

We have audited the accompanying statement of financial condition of The Ayco Company L.P. as of December 31, 2016.

Management's Responsibility for the Statement of Financial Condition

Management is responsible for the preparation and fair presentation of the statement of financial condition in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a statement of financial condition that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the statement of financial condition based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the statement of financial condition in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial condition. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of The Ayco Company L.P. as of December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the statement of financial condition, the Company has entered into significant transactions with The Goldman Sachs Group, Inc., a related party. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

March 27, 2017

The Ayco Company L.P.
Statement of Financial Condition
December 31, 2016

Assets

Current assets

Cash and cash equivalents	\$ 4,781,000
Accounts receivable, net of allowance of \$787,000	32,593,000
Prepaid expenses	1,308,000
Due from affiliates	<u>171,666,000</u>

Total current assets 210,348,000

Property, building and equipment, net	14,267,000
Investments in affiliates	8,318,000
Goodwill	275,188,000
Customer relationships, net	62,205,000
Other assets	<u>622,000</u>

Total assets \$ 570,948,000

Liabilities and Partners' Capital

Current liabilities

Accrued compensation and benefits	\$ 58,671,000
Other liabilities and accrued expenses	2,155,000
Due to affiliates	33,259,000
Deferred income	5,487,000
Income taxes payable	34,169,000
Pensions, postretirement and deferred compensation liabilities	<u>2,090,000</u>

Total current liabilities 135,831,000

Net deferred tax liabilities	81,859,000
Rent escalation	5,742,000
Pensions, postretirement and deferred compensation liabilities	<u>3,819,000</u>

Total liabilities 227,251,000

Commitments, contingencies and guarantees

Partners' capital 343,697,000

Total liabilities and partners' capital \$ 570,948,000

The accompanying notes are an integral part of the statement of financial condition.

The Ayco Company L.P.

Notes to Statement of Financial Condition

December 31, 2016

1. Description of Business

The Ayco Company L.P. (the Partnership), a Delaware limited partnership, is an indirectly wholly owned subsidiary of The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation. The Partnership's sole members are GS Ayco Holding LLC and Saratoga Springs LLC. The Partnership is engaged in the business of providing professional services which include financial counseling, tax return preparation, asset management, trust and estate and corporate benefit plan services to corporate and individual clients primarily throughout the United States.

2. Basis of Presentation and Significant Accounting Policies

The statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Use of Estimates

Preparation of the statement of financial condition requires management to make certain estimates and assumptions, the most important of which relate to the fair value methodology used to calculate the fair value of the Partnership in connection with the goodwill impairment test, the provision for losses that may arise from litigation, regulatory proceedings and tax audits and the allowance for uncollectible accounts receivable. These estimates and assumptions are based on the best available information but actual results could be materially different.

Cash and Cash Equivalents

The Partnership defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business. Cash balances are maintained at various institutions, some of which are insured by the Federal Deposit Insurance Corporation to the extent provided by law. At December 31, 2016, the Partnership had \$4,184,000 held in banks in excess of the insured limits.

Accounts Receivable

Accounts receivable consist primarily of amounts owed by clients. These balances are presented net of allowance for uncollectible accounts. The allowance estimate is based on past collection experience and the Partnership's assessment of the incurred loss.

Property, Building and Equipment

Property, building and equipment are stated net of accumulated depreciation and amortization. All property and equipment, excluding land, are depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the useful life of the improvement or the term of the lease, whichever is shorter. Significant additions or improvements extending the assets' useful lives are capitalized.

The Partnership tests property, building and equipment for impairment whenever events or changes in circumstances suggest that an asset or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the Partnership determines the asset is impaired and records an impairment loss equal to the difference between the estimated fair value and the carrying value of the asset or asset group.

The Ayco Company L.P.

Notes to Statement of Financial Condition

December 31, 2016

Investments in affiliates

The Partnership owns 99% of Ayco Services Agency, L.P. and Mercer Allied Company, L.P. but does not have a controlling financial interest in these entities. The controlling financial interest is maintained by the General Partner, GS Ayco Holding LLC, which holds all voting rights. Investments in affiliates are reported using the equity method of accounting because the Partnership has a significant degree of involvement in the cash flows and operations of the entities.

Goodwill

The goodwill balance relates to the acquisition of The Ayco Company, L.P. and its Affiliates by GS Ayco Holding LLC on July 1, 2003. Goodwill is the cost of acquired companies in excess of the fair value of net assets, including identifiable intangible assets, at the acquisition date. During 2016, the carrying value of goodwill decreased by \$583,000 related to amortization of tax goodwill.

Goodwill is assessed for impairment annually in the fourth quarter or more frequently if events occur or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, first, qualitative factors are assessed to determine whether it is more likely than not that the fair value of the Partnership is less than its carrying amount. If results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed. The quantitative goodwill impairment test consists of two steps. The first step compares the estimated fair value of the Partnership with its estimated net book value (including goodwill and identifiable intangible assets). If the Partnership's fair value exceeds its estimated net book value, goodwill is not impaired. If the estimated fair value of the Partnership is less than its estimated net book value, the second step of the goodwill test is performed to measure the amount of impairment, if any. An impairment is equal to the excess of the carrying amount of goodwill over its fair value.

Goodwill was tested for impairment, using a quantitative test, during the fourth quarter. The estimated fair value of the Partnership exceeded its net book value. Accordingly, goodwill was not impaired and step two of the quantitative goodwill test was not performed. The Partnership uses a price-to-earnings multiple of comparable competitors to the Partnership's net earnings to estimate fair value because the Partnership believes market participants would use this technique to value the Partnership.

Customer Relationships

Customer relationships are amortized over their estimated useful lives using the straight-line method. Customer relationships are tested for potential impairment whenever events or changes in circumstances suggest that an asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset exceeds the projected undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group, the Partnership determines the asset is impaired and records an impairment loss equal to the difference between the estimated fair value and the carrying value of the asset or asset group. During 2016, the Partnership did not record an impairment.

Deferred Income

Deferred income consists of the unearned portion of amounts invoiced. The entity recognizes revenue in the period service is provided, any revenue received in advance is deferred.

The Ayco Company L.P.

Notes to Statement of Financial Condition

December 31, 2016

Recent Accounting Developments

Revenue from Contracts with Customers (ASC 606)

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures.

The ASU is effective for the Partnership in January 2018 under a modified retrospective approach or retrospectively to all periods presented. The Partnership's implementation efforts include identifying revenues and costs within the scope of the ASU, reviewing contracts, and analyzing any changes to its existing revenue recognition policies. Based on implementation work to date, the Partnership does not currently expect that the ASU will have an impact on its financial condition on the date of adoption.

Leases (ASC 842)

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This ASU requires that, for leases longer than one year, a lessee recognize in the statements of financial condition a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. It also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense. In addition, this ASU requires expanded disclosures about the nature and terms of lease agreements.

The ASU is effective for the Partnership in January 2019 under a modified retrospective approach. Early adoption is permitted. The Partnership's implementation efforts include reviewing existing leases and service contracts, which may include embedded leases. The Partnership expects a gross up on its statement of financial condition upon recognition of the right-of-use assets and lease liabilities that may be material to the assets and liabilities on the statement of financial condition but the partnership does not expect the gross up to have a material net economic impact on its financial condition.

3. Property, Building and Equipment

Property, building and equipment that the Partnership uses in connection with its operations consist of the following:

Land	\$ 800,000
Building and improvements	24,950,000
Furniture, fixtures and equipment	19,052,000
	<hr/>
	44,802,000
Less: Accumulated depreciation	(30,535,000)
	<hr/>
	\$ 14,267,000

The Ayco Company L.P.
Notes to Statement of Financial Condition
December 31, 2016

4. Customer Relationships

The following table sets forth the gross carrying amount, accumulated amortization and net carrying amounts of the customer relationships:

Gross carrying amount	\$ 161,000,000
Accumulated amortization	<u>(98,795,000)</u>
Net carrying amount	<u>\$ 62,205,000</u>

The customer relationships are being amortized over their estimated useful life of 22 years. The weighted average remaining lives at December 31, 2016 of customer relationships is approximately 8.5 years.

5. Income Taxes

Provision for Income Taxes

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities.

The Partnership is treated as a single member limited liability corporation ("SMLLC"), and therefore considered a disregarded branch of the parent for U.S. Federal tax purposes, and a "C" Corporation for U.S. Federal tax purposes. Therefore, the Partnership is required to accrue U.S. federal, state and local tax as the entity was a "C" Corporation. The Partnership is included with Group Inc. and subsidiaries in the consolidated corporate federal tax returns as well as consolidated/combined state and local tax returns. The Partnership computes its tax liability on a modified separate company basis and settles such liabilities with Group Inc. pursuant to the tax sharing arrangement. To the extent the Partnership generates tax benefits from losses it will be reimbursed by Group Inc. pursuant to the tax sharing arrangement. The Partnership's state and local tax liabilities are allocated to reflect its share of the consolidated/combined state and local income tax liability. As of December 31, 2016, the Partnership's income tax payable in the statement of financial condition was \$34,169,000.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. Deferred taxes are recorded in the statement of financial condition, until the underlying temporary differences reverse and the taxes become currently payable or receivable. At December 31, 2016, the Partnership had net deferred tax liabilities of \$81,859,000 primarily related to deferred tax liabilities on tax amortization of customer relationships and goodwill of \$109,142,000 offset by deferred tax assets related to deferred compensation of \$25,726,000 and other book tax differences of \$1,557,000. No valuation allowance is required as it is considered more likely than not that the deferred tax assets will be utilized.

The Ayco Company L.P.
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Unrecognized Tax Benefits

The Partnership recognizes tax positions in the statement of financial condition only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the statement of financial condition. As of December 31, 2016, the Partnership did not record a liability related to accounting for uncertainty in income taxes.

Regulatory Tax Examinations

The Partnership is subject to examination by the U.S. Internal Revenue Service (IRS) and other taxing authorities in jurisdictions where the Partnership has significant business operations such as New York State and City. The tax years under examination vary by jurisdiction. The Joint Committee on Taxation finalized its review of the U.S. Federal examinations of GS Group Inc. and subsidiaries (the Group) for fiscal 2008 through calendar 2010 in 2016. The examinations of 2011 and 2012 began in 2013. New York State and City examinations of tax filings for the Group for fiscal 2007 through calendar 2010 are ongoing.

The Group has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2017. This program allows the Group to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. The 2013 tax year is the first year that was examined under the program, and 2013 through 2015 remain subject to post-filing review.

6. Employee Benefit Plans

Postretirement Benefits

The Partnership provides postretirement health benefits to individuals who retire at or after age 55 and who also have at least ten years of full time service or the equivalent as of the date of retirement. During 2011, the plan was amended to extend eligibility to employees whose age plus years of service are equal to or greater than 60 and have at least 15 years of service. The Partnership has limited the annual benefit under the plan to \$1,000 per year per participant. Any premiums in excess of \$1,000 must be paid for by the retiree.

At December 31, 2016, accumulated other comprehensive income, included in "Partners' capital" in the statement of financial condition, is comprised of an unrecognized gain and unrecognized prior service cost of \$434,000 and (\$108,000), respectively.

The following table sets forth the funded status of the postretirement health benefit plan and amount recognized in the statement of financial condition:

	Postretirement Benefits
Accumulated postretirement benefit obligation	\$ 3,367,000
Plan assets at fair value	-
Unfunded liability	<u>3,367,000</u>
Liability recognized in the statement of financial condition	<u>\$ 3,367,000</u>

The Ayco Company L.P.
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For the year ended December 31, 2016, the projected benefit obligation increased in the aggregate by approximately \$344,000 due primarily to a decrease in the discount rate from 4.60% at December 31, 2015 to 4.35% at December 31, 2016.

Weighted-average assumptions and other benefit information as of December 31, 2016:

	Postretirement Benefits
Discount rate	4.35 %
Healthcare cost trend rate assumed next year	7.25 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %
Year that the rate reaches the ultimate trend rate	2022
Benefit cost	\$ 284,000
Employer contributions	69,000
Benefits paid	69,000

The following table sets forth benefit payments projected to be paid from the Partnership's postretirement health benefit plan and reflects expected future service, where appropriate:

	Postretirement Benefits
2017	\$ 87,000
2018	99,000
2019	111,000
2020	123,000
2021	134,000
2022–thereafter	832,000

Other Employee Benefits

The Partnership maintains a nonqualified deferred compensation plan for eligible employees. The cost of such plan is accrued over the period of active employment from the employee's participation date in the plan. At December 31, 2016, the deferred compensation payable amount approximated \$756,000 of which \$264,000 is included in the current portion of pensions, postretirement and deferred compensation liabilities.

Group Inc. maintains a defined benefit pension plan for eligible employees of the Partnership. The Partnership is allocated a prorata share of the overall expense (income) from Group Inc.

The Ayco Company L.P.
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The Partnership maintains a deferred compensation (401(k)) plan which covers substantially all employees who have met certain service requirements. The plan permits participants to contribute up to 85% of salary, including commissions and bonuses, subject to Internal Revenue Service ("IRS") limitations. Effective January 1, 1999, the Partnership's matching contribution is 75% of the participant's total elective deferred contribution up to a maximum of 75% of 2% of the participant's compensation up to the IRC Section 401 (a) (17) limit. Participants elect to have their contributions invested in a number of investment funds made available by the plan sponsor. The plan administrator may limit the maximum contributions per participant to comply with the IRS regulations. At December 31, 2016, matching contributions payable under the plan and included in current portion of pensions, postretirement and deferred compensation liabilities approximated \$109,000.

The Partnership maintains an additional retirement account which covers all employees who have met certain service requirements. Benefits are based on employee's adjusted gross earnings and years of participation in the Plan. The Partnership's funding policy is to contribute annually an amount equal to the calculated benefit. At December 31, 2016, retirement contributions payable under the Plan and included in the current portion of pensions, postretirement and deferred compensation liabilities approximated \$1,620,000.

The Partnership maintains an unfunded supplemental pension plan for certain retirees. The accumulated benefit obligation for this plan is \$57,000 of which \$10,000 is included in the current portion of pensions, postretirement and deferred compensation liabilities as of December 31, 2016.

Generally, the Partnership determined the discount rate for postretirement benefits by referencing indices for long-term, high quality bonds and ensuring that the discount rate does not exceed the yield reported for those indices after adjustment for the duration of the plan's liability.

The statement of financial condition includes a liability at December 31, 2016 for the foregoing plans of \$5,909,000 of which \$2,090,000 is current.

7. Restricted Stock Units

Group Inc. grants restricted stock units ("RSUs") to employees of the Partnership under The Goldman Sachs Amended and Restated Stock Incentive Plans, primarily in connection with year-end compensation. RSUs are valued based on the closing price of the underlying shares on the date of grant after taking into account a liquidity discount for any applicable post-vesting and delivery transfer restrictions. RSUs generally vest and underlying shares of common stock deliver as outlined in the applicable award agreements. Employee award agreements generally provide that vesting is accelerated in certain circumstances, such as on retirement, death, disability and conflicted employment. Delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements. At December 31, 2016, amounts payable to Group Inc. for the vested portion of RSUs are included within accrued compensation and benefits in the statement of financial condition.

The Ayco Company L.P.
Notes to Statement of Financial Condition
December 31, 2016

8. Commitments, Contingencies and Guarantees

The Partnership has contractual obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through 2029. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. Rent expense related to leases with escalating rent payments over the lease term and lease incentives are recorded on a straight line basis. The table below presents future minimum rental payments, net of minimum sublease rentals.

As of December 31, 2016:

2017	\$ 8,934,000
2018	8,902,000
2019	9,010,000
2020	7,276,000
2021	7,360,000
2022–thereafter	21,597,000
	<u>\$ 63,079,000</u>

Legal Proceedings

The Partnership is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of the Partnership's businesses. Many of these proceedings are in early stages, and seek an indeterminate amount of damages.

Management is generally unable to estimate a range of reasonably possible loss for matters, including where (i) actual or potential plaintiffs have not claimed an amount of money damages, except in those instances where management can otherwise determine an appropriate amount, (ii) matters are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) there are novel legal issues presented. Management does not believe, based on currently available information, that the outcomes of such matters will have a material adverse effect on the Partnership's financial condition.

9. Related Party Transactions

In 2016, the Partnership provided certain counseling services to partners of Group, Inc. and had cash advances to Group Inc. recorded in due from affiliates. In addition, the Partnership reimburses Group Inc. for share issuances to Partnership employees under the restricted stock units program, discussed in Note 7. At December 31, 2016, amounts due from affiliates, include a loan receivable from affiliates in the amount of \$152,170,000. The interest on the long-term loan receivable is based on prevailing market rates, computed at an internal cost of funds (3.13% at December 31, 2016) and is payable on demand. The carrying value of the loan approximates fair value. In addition, \$91,000,000 was paid to GS Group in equity distributions during 2016.

The Ayco Company L.P.
Notes to Statement of Financial Condition
December 31, 2016

10. Disclosure About Fair Value of Financial Instruments

The Partnership would have classified the Financial Instruments as Level 2 in the Partnership's fair value hierarchy since there is reasonable level of price transparency and the inputs in the valuation of these instrument's is observable. Financial instruments, other than those discussed in Note 9, mainly consist of accounts receivable. The carrying amount of accounts receivable approximates fair value due to the short-term nature of the instruments.

11. Subsequent Events

The Partnership has performed an evaluation of subsequent events through March 27, 2017, the date at which the statement of financial condition was available to be issued, and determined that there were no material events or transactions that would require recognition or disclosure in the statement of financial condition or notes to the statement of financial condition.