
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.

September 3, 2020

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 September 3, 2020. There have been no material changes since the last annual update dated March 30, 2020.

On July 1, 2020, Ayco moved its corporate headquarters from Saratoga Springs, NY to Cohoes, NY.

Clients are encouraged to read the Brochure in detail and contact their Ayco representative with any questions. For ease of reference, capitalized terms that are defined when first used in the Brochure are also set forth in the Glossary.

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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 Cohoes, NY and operates through offices located in Atlanta, GA, Canonsburg, PA, Cincinnati, OH, Dallas, TX, Deerfield, IL, Irvine, CA, Latham, NY, Minneapolis, MN, Parsippany, NJ, and Troy, MI. Ayco offers certain advisory services through offices of its affiliate Goldman Sachs & Co. LLC ("GS&Co."), including in offices located in Atlanta, GA, Boston, MA, Chicago, IL, Houston, TX, New York, NY, Philadelphia, PA, San Francisco, CA, Washington, DC, West Palm Beach, FL, and Seattle, WA. 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. ("GS Group"), 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. GS Group, 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.

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") and 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 Financial Advisors, Investment Professionals (“IPs”), Ayco Personal Advisor Service (“APAS”) Wealth Advisors, and Ayco Trust Advisory Services (“ATAS”) (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, except as noted below with respect to retirement assets, 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”). As part of Goldman Sachs, a global financial services organization that is subject to a number of legal and regulatory requirements, Ayco is subject to, and has itself adopted, internal guidelines, restrictions, and policies that may restrict investment decisions and activities on behalf of Program Accounts under certain circumstances. See Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”. 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 “Managed Account Strategies 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 Managed Account Strategies 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 Accounts

Individual retirement accounts (IRAs), tax-qualified retirement accounts, including plans subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Keogh plans, and Coverdell education savings accounts (each such client, a “Retirement Account”) have two different options for selecting Managers. Retirement Accounts choose between participating Managers either comprised exclusively of Affiliated Managers (“Affiliated Manager Option”) or Unaffiliated Managers (“Unaffiliated Manager Option”), unless Ayco otherwise agrees. Ayco does not provide advice, make recommendations or otherwise assist Retirement 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 Account and no information provided by Ayco may be considered in making this selection, unless Ayco otherwise agrees.

When Ayco acts in an investment advisory capacity, it has a fiduciary obligation to act in its advisory client’s best interests in accordance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Fiduciary status under the Advisers Act is different from fiduciary status under other laws, including ERISA, or the Internal Revenue Code of 1986, as amended (the “IRC”). ERISA and the IRC are sometimes referred

together as “Retirement Regulations”. Therefore, the fact that Ayco may be acting as a fiduciary under the Advisers Act does not mean that it is a fiduciary under any other law. Ayco does not act as a “fiduciary” within the meaning of ERISA or have any responsibility or liability for the Retirement Account’s selection of either the Affiliated Manager Option or the Unaffiliated Manager Option. However, once a Retirement Account chooses an option, Ayco may assist the Retirement Account in identifying, evaluating, and selecting one or more potential Managers within the option selected and, in so doing, acts as a fiduciary under the Retirement Regulations.

If a client maintains both Retirement Accounts and Program Accounts that are not Retirement Accounts with Ayco or its affiliates, any advice or recommendations made by Ayco, including Advisory Personnel, for a Program Account that is not a Retirement Account does not apply to and should not be used by the client for any decision made by a Retirement 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 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 may pay execution charges for trades executed by that third-party broker-dealer, and such execution charges may 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 the custodian, 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>
U.S. Large Cap and Real Estate	1.34%
U.S. Small Cap	1.64%
U.S. Mid Cap	1.59%
Tax Oriented Strategies	0.74%

Goldman Sachs pays a portion of the Program fee to the selected Manager. The Manager fee is currently between 0.20% and 0.65% for equity accounts based on the value of the Program Accounts managed by the Manager.

The portion of the advisory fee payable to Ayco for all of a particular client's Retirement Accounts will be the same, regardless of the Manager selected by the Retirement Account.

Calculation and Deduction of Advisory Fees

Fees for Program Accounts are charged quarterly in arrears based on the average market value of the assets in the account during the previous quarter. Average month-end values are adjusted for significant cash flows (contributions and withdrawals). Cash and cash equivalents are included in the advisory fee calculation.

Clients generally authorize Ayco to direct Fidelity to have their fees and expenses debited from the Advisory Account for credit to Ayco and its affiliates, as applicable.

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 may cover execution charges (such as commissions, commission equivalents, mark-ups, mark-downs or spreads) on transactions that a Manager places with broker-dealers other than Fidelity. Any such execution charges may 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 Client Participation in 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 Advisory Account (that is, an Advisory 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 Accounts, Ayco and Advisory Personnel also may recommend 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 creates 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 Ayco's Form ADV brochures (copies of which are available through the SEC's Investment Adviser Public Disclosure website, www.adviserinfo.sec.gov, and delivered to clients, as applicable) 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, in limited circumstances, 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. When this is done through the Program, clients are charged an investment advisory fee on the assets, but are not charged commissions or execution charges when the transactions are executed through Fidelity.

Item 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION

Evaluation of Managers

The AIMS Long Only Group, which is part of the AIMS group within GSAM, selects and evaluates Unaffiliated Managers within the Managed Account Strategies Program. 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 with respect to their performance within the Managed Account Strategies Program.

The Unaffiliated Managers are selected to participate in the Managed Account Strategies Program 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 Managed Account Strategies 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.

Unaffiliated Managers are typically responsible for the day-to-day investment decisions within the Managed Account Strategies Program, although the AIMS Long Only Group may develop benchmarks and written investment guidelines for the management of client assets by Unaffiliated Managers. The AIMS Long Only Group participates in the selection, appointment, evaluation, monitoring and removal of Unaffiliated Managers participating in the Managed Account Strategies Program, and the AIMS Long Only Group generally does not have any rights with respect to determining or approving specific investments made by the Unaffiliated Managers other than setting general investment objectives and guidelines. AIMS uses a different process to evaluate ETFs, applying quantitative screens that assess

specific factors, including tracking error, total assets, expense ratio, length of track record and other factors (which may be adjusted periodically).

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 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, it 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 or recommendation of Affiliated Managers, please see Item 4, "Compensation for Client Participation in the Program" and Item 9, "Receipt of Compensation from Investment Advisers". Ayco seeks to address these potential conflicts relating to the selection or recommendation of Affiliated Managers by disclosing the affiliation to clients so that they may consider the potential conflict.

Removing Managers

Clients may request 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 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

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 periodic audits, examinations, claims, litigation, formal and informal regulatory inquiries, subpoenas, employment-related matters, disputes, investigations, and legal or regulatory proceedings, involving the SEC, other regulatory authorities, or private parties. Such audits, investigations, and proceedings 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 GS Group.

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 and portfolio management functions may be shared or moved between affiliated advisers. The particular services involved will depend on the types of services offered by the affiliate. The arrangements may involve sharing or joint compensation, or separate compensation, subject to the requirements of applicable law. Particular relationships may include, but are not limited to, those discussed below. Ayco's affiliates will retain any compensation when providing investment services to, or in connection with investment activities of, Advisory Accounts or advisory clients, subject to applicable law. 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 Ayco's affiliates.

Financial Planner

Ayco's affiliate, United Capital Financial Advisers, LLC dba Goldman Sachs Personal Financial Management ("GS PFM"), offers planning services to individual client and related accounts, which Ayco personnel may recommend to its clients.

Broker-Dealer

Ayco's affiliates, Mercer Allied Company, L.P. ("Mercer Allied") and GS&Co. are registered with the SEC as broker-dealers. Certain of Ayco's management persons and employees are registered representatives of GS&Co. or Mercer Allied to the extent necessary or appropriate to perform their responsibilities. Mercer Allied primarily distributes variable life insurance and variable annuities ("Variable Products") 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.

Ayco may use, suggest or recommend that advisory clients use, the securities, futures execution or custody services offered by Ayco's affiliates, including, but not limited to, GS&Co. Ayco and GS&Co. have overlapping officers, personnel and share office space and certain expenses. Ayco's affiliates, including GS&Co., may receive compensation when acting as a broker-dealer executing transactions for Advisory Accounts.

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 and certain of its affiliates, including GSAM, act in an advisory or sub-advisory capacity with respect to separately managed accounts and private investment funds and in other capacities, 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. Ayco and its affiliates, in their capacities as advisers or sub-advisers to these investment companies or pooled vehicles, 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. In certain circumstances, clients may invest in these investment companies and other pooled investment vehicles offered by Goldman Sachs without paying fees to Ayco. For Funds where Ayco applies an advisory fee, the fee that will apply will generally be the same for both affiliated Funds and Third-Party Funds and clients may pay more or less than the index oriented fee depending on the agreed upon fee schedule.

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"), GS Investment Strategies, LLC ("GSIS"), GS PFM, and PFE Advisors, Inc.. Ayco and its affiliates have or intend to have co-advisory or sub-advisory relationships with their investment advisory affiliates, as may be required for proper management of particular clients or advisory accounts and in accordance with applicable law. Ayco and its affiliates 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 its affiliates may

share resources in connection with providing investment advisory services under the Program, including credit analysis, execution services and trade support.

Subject to applicable law, Ayco may, in its discretion, delegate all or a portion of its advisory or other functions (including placing trades on behalf of Advisory Accounts) to any affiliate that is registered with the SEC as an investment adviser or to any of its non-US affiliated advisers. Ayco may also move or share portfolio management between affiliated advisers. This might include the movement of portfolio managers from Ayco to an affiliated adviser or the transfer of management of the portfolio to a management team within an affiliated adviser. Clients will be notified of any such movements or transfers of portfolio management in advance.

A copy of the brochure of GSAM, GSAMI, GS PFM, PFE Advisors, Inc., or other affiliated investment advisers is available on the SEC's website (www.adviserinfo.sec.gov) and will be provided to clients or prospective clients upon request. Clients that want more information about any of these affiliates should contact Ayco.

Bank or Thrift Institution

Banks

GS Group is a bank holding company under the Bank Holding Company Act of 1956, as amended. As a bank holding company, GS Group is subject to supervision and regulation 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. The bank deposit may earn positive interest or may incur negative interest on the daily balance at a variable interest rate. GS Bank benefits from the use of cash swept from Advisory Accounts.

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 may receive referral fees, subject to applicable law. Compensation to appropriately licensed Advisory Personnel will vary based on the insurance or annuity product type selected. As compared to managed investment strategies available through Ayco or its affiliates, the amount and timing of compensation to Advisory Personnel may be more or less depending on many factors, including the managed strategy selected and the length of time assets remain under management. Such

compensation creates a potential conflict of interest that gives Ayco and such Advisory Personnel an incentive to recommend such insurance policies and annuities, based on the compensation received.

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 certain responsibilities 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 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. No assurance can be made that any of Ayco's current policies and procedures, or any policies and procedures that are established by Ayco in the future will have their desired effect.

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 Accounts or funds managed by one or more Managers in or with which Goldman Sachs and its Personnel have ownership or other interests or business relationships directly or with such Managers' affiliates, as described in this brochure. These interests and other business relationships can differ from Manager to Manager (and as between Affiliated Managers and Unaffiliated Managers), and may create potential conflicts for Ayco and could impact our decisions regarding Manager selection as they may be considered by Ayco, among other factors, in deciding whether to make Managers available to clients, to increase client investments with Managers, and to retain or withdraw client investments from Managers. Ayco receives compensation in connection with clients' investments in, and selection and recommendation of, such Accounts or funds, and such compensation creates a potential conflict of interest

For example, 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 and their affiliates. 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 compensation to Goldman Sachs. Subject to applicable law, except for Retirement 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.

The compensation Goldman Sachs receives (either directly from Unaffiliated Managers or in the form of fees or allocations payable by client Accounts) generally increases as the amount of assets that Managers manage increases. 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 Affiliated Managers, including Accounts or investment funds managed by Goldman Sachs, such as GSAM and GSAMI, Ayco may have an incentive to allocate or recommend the allocation of the assets of Advisory Accounts to Affiliated Managers. For particular asset classes or investment strategies, Ayco's advisory program may not have Unaffiliated Managers, or may have fewer Unaffiliated Managers than Affiliated Managers; accordingly, any allocations to such an asset class or investment strategy will more likely be made to Affiliated Managers, including GSAM or GSAMI.

Goldman Sachs and its Personnel may have interests in Managers or their affiliates, or have business relationships or act as counterparties with Unaffiliated Managers or their affiliates, including, for example, in its prime brokerage, trade execution and investment banking businesses. Ayco will be incentivized to make available, allocate assets to, and refrain from withdrawing assets from Unaffiliated Managers whose principals or employees are clients of Ayco. In addition, Goldman Sachs may have investments in selected Managers or their affiliates.

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. Such opportunities will generally not be required to be allocated to Advisory Accounts. 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 (other than Retirement Accounts), requires Ayco to compensate Managers from the fee it receives from the client. This fee structure 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 in order to increase the net fee to Ayco, instead of recommending other Managers that might also be appropriate for Advisory Accounts. Except for Retirement 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.

Ayco 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 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 (directly or indirectly) 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

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 individuals. Goldman Sachs acts as broker-dealer, investment adviser, investment banker, underwriter, research provider, administrator, financier, adviser, market maker, trader, prime broker, derivatives dealer, clearing agent, lender, counterparty, agent, principal, distributor, investor, or in other commercial capacities for accounts or companies of affiliated or unaffiliated funds in which Advisory Accounts may have an interest. In those and other capacities, Goldman Sachs advises and deals with clients and third parties 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 (such as Goldman Sachs or other client accounts, relationships and products collectively, the “Accounts”). In addition, Goldman Sachs has direct and indirect interests in the global fixed income, currency, commodity, equities, bank loan and other markets, Goldman Sachs may cause Advisory Accounts to invest in products and strategies sponsored, managed or advised by Goldman Sachs or in which Goldman Sachs has an interest, either directly or indirectly, or may otherwise restrict Advisory Accounts from making such investments, as further described herein. In this regard, Goldman Sachs’ activities and dealings with other clients and third parties may affect Advisory Accounts in ways that may disadvantage Advisory Accounts and/or benefit Goldman Sachs or other clients (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 advising or dealing with other clients (including other Advisory Accounts) or third parties or in acting on its own behalf.

Goldman Sachs Acting in Multiple Commercial Capacities

Ayco faces conflicts of interest in providing and selecting services for Advisory Accounts because Goldman Sachs provides many services and has many commercial relationships with companies and affiliated and unaffiliated funds (or their applicable personnel). In this regard, a company in which an Advisory Account has an interest may hire Goldman Sachs to provide underwriting, merger advisory, distribution, other financial advisory, placement agency, foreign currency hedging, research, asset management services, brokerage services or other services to the company. In addition, Goldman Sachs may sponsor, manage, advise or provide services to affiliated funds (or their personnel) in which Advisory Accounts invest and may advise or provide services to unaffiliated funds (or their personnel) in which Advisory Account invest. In connection with such commercial relationships and services, Goldman Sachs receives fees, compensation and remuneration that may be substantial, as well as other benefits. For example, providing such services may enhance Goldman Sachs’ relationships with various parties, facilitate additional business development and enable Goldman Sachs to obtain additional business and/or generate additional revenue. Advisory Accounts will not be entitled to compensation related to any such benefit to businesses of Goldman Sachs, including Ayco. In addition, such relationships may adversely impact Advisory Accounts, including, for example, by restricting potential investment opportunities, as described below, incentivizing Goldman Sachs to take or refrain from taking certain actions on behalf of Advisory Accounts when doing so would be adverse to such business relationships, and/or influencing Goldman Sachs’ selection or recommendation of certain investment products and/or strategies over others.

In connection with providing such services, Ayco may take commercial steps in its own interest, or may advise the parties to which it is providing services, or take other actions. Such actions may benefit Goldman Sachs. For example, Ayco may cause Advisory Accounts to invest, directly or indirectly, in securities, bank loans or other obligations of companies affiliated with Goldman Sachs, advised by Goldman Sachs (including GS&Co.) or in which Goldman Sachs or Accounts (including Advisory Accounts) have an equity, debt or other interest, or to engage in investment transactions that may result in Goldman Sachs or other

Accounts (including through other Advisory Accounts) being relieved of obligations or otherwise divested of investments. Similarly, an Advisory Account may acquire securities or indebtedness of a company affiliated with Goldman Sachs directly or indirectly through syndicate or secondary market purchases, or may make a loan to, or purchase securities from, a company that uses the proceeds to repay loans made by Goldman Sachs. These activities by an Advisory Account may enhance the profitability of Goldman Sachs or other Accounts (including Advisory Accounts) with respect to their investment in and activities relating to such companies. Advisory Accounts will not be entitled to compensation as a result of this enhanced profitability.

Providing such services may also have an adverse effect on Advisory Accounts. For example, Goldman Sachs may make loans to, or enter into margin, asset-based or other credit facilities or similar transactions with, clients, companies, individuals, or Managers or their affiliates 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 (directly or indirectly) invest, 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 or indirectly) 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 (directly or indirectly) 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). For a discussion of certain additional conflicts associated with Goldman Sachs or clients, on the one hand, and a particular Advisory Account, on the other hand, investing in or extending credit to different parts of the capital structure of a single issuer, see "Investments in and Advice Regarding Different Parts of an Issuer's Capital Structure".

Actions taken or advised to be taken by Goldman Sachs in connection with other types of services and transactions may also result in adverse consequences for Advisory Accounts. For example, Goldman Sachs 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 Advisory Accounts. For more information in this regard, see "Investments in and Advice Regarding Different Parts of an Issuer's Capital Structure", below. In addition, underwriters, placement agents or managers of IPOs, including GS&Co., may require clients who hold privately placed securities of a company to execute a lock-up agreement prior to such company's IPO restricting the resale of the securities for a period of time before and following the IPO. As a result, Ayco may be restricted from selling the securities in such clients' Advisory Accounts at a more favorable price.

Goldman Sachs' activities on behalf of its clients may also restrict investment opportunities generally 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. Goldman Sachs (including Ayco) may also represent creditor or debtor companies in proceedings under Chapter 11 of the U.S. Bankruptcy Code (and equivalent non-U.S. bankruptcy laws) or prior to these filings. From time to time, Goldman Sachs (including Ayco) may serve on creditor or equity committees. These actions, for which Goldman Sachs (or Ayco, as applicable) may be compensated, may limit or preclude the flexibility that the Advisory Account may otherwise have to buy or sell securities issued by those companies. Please also refer to "Firm Policies, Regulatory Restrictions and Certain Other Factors Affecting Advisory Accounts", below.

In addition, Goldman Sachs may gather information in the course of such other activities and relationships about companies in which a client holds or may in the future hold an interest. In the event that Goldman Sachs is consulted in connection with opportunities with respect to these companies, Goldman Sachs shall have no obligation to disclose such information, any other non-public information which is otherwise subject to an obligation of confidence to another person, or the fact that Goldman Sachs is in possession of such information, to the client or to use such information on the client's behalf. As a result of actual or potential conflicts, Goldman Sachs may not be able to provide a client with information or certain services with respect to a particular opportunity. See *also* "Considerations Relating to Information Held by Goldman Sachs", below.

Differing Advice and Competing Interests

Advice given to, or investment decisions made or other actions taken 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 Accounts, including Advisory Accounts. Goldman Sachs (including Ayco), the clients it advises, and its 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. In this regard, Goldman Sachs may make investment decisions for such Accounts that are different from the investment decisions made for Advisory Accounts, and such investment decisions or other actions taken in connection with other Accounts may adversely impact Advisory Accounts, as described below. In addition, Goldman Sachs (including Ayco), the clients it advises, and its Personnel may engage (or consider engaging) in commercial arrangements or transactions with Accounts, and/or may compete for commercial arrangements or transactions or invest in the same types of companies, assets, securities and other instruments, as particular Advisory Accounts. Such arrangements, transactions or investments may adversely affect such Advisory Accounts by, for example, limiting clients' ability to engage in such activity or by effecting the pricing or terms of such arrangements, transactions or investments. Moreover, a particular Advisory Account on the one hand, and Goldman Sachs or other Accounts (including other Advisory Accounts) on the other hand, may vote differently on, or take or refrain from taking different actions with respect to, the same security, which may be disadvantageous to the Advisory Account. Goldman Sachs may receive greater fees or other compensation from such Accounts than Ayco does from the particular Advisory Accounts, in which case Goldman Sachs, including through GS&Co., will be incentivized to favor such Accounts.

Accounts (including Advisory Accounts) 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). For example, 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 may 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,

Clients may be offered access to advisory services through several different Goldman Sachs businesses (including through Ayco 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, Advisory Personnel can have differing or opposite investment views in respect of an issuer or a security, and the positions Advisory Personnel take in respect of an Advisory Account may be inconsistent with, or adverse to, the interests and activities of Advisory Accounts advised by other 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 at any particular time or prior to its public dissemination.

The timing of transactions entered into or recommended by Goldman Sachs, on behalf of itself or its clients, including Advisory Accounts, may negatively impact Advisory Accounts or benefit certain other Accounts, including other Advisory Accounts. For example, Goldman Sachs may implement an investment decision or strategy for certain Advisory Accounts ahead of, contemporaneously with, or behind the implementation

of similar investment decisions or strategies for Advisory Accounts, (whether or not the investment decisions emanate from the same research analysis or other information) that could result, due to market impact, in liquidity constraints or other factors, in certain Advisory Accounts receiving less favorable investment or trading results or incurring increased costs. Similarly, Goldman Sachs may implement an investment decision or strategy that results in a purchase (or sale) of security for one Advisory Account that may increase the value of such security already held by another Advisory Account (or decrease the value of such security that such other Advisory Account intends to purchase), thereby benefitting such other Advisory Account.

The terms of an investment in an Account formed to facilitate investment by personnel of Goldman Sachs are typically different from, and may be more favorable than, those of an investment by a third-party investor in an Advisory Account. For example, investors in such an Account generally are not subject to management fees or performance-based compensation, may share in the performance-based compensation, may not have their commitments pledged under a subscription facility, and may receive capital calls, distributions and information regarding investments at different times than third-party investors. In addition, to the extent permitted by law, certain investors in such an Account may be provided leverage by Goldman Sachs. In the event of a substantial decline in the value of such Account's investments, the leverage, if any, provided to employees may have the effect of rendering the investments by employees effectively worthless, which could undermine the potential alignment of interest between employees and third-party investors. In certain circumstances, subject to applicable law, including the Dodd-Frank Act, Goldman Sachs may offer to purchase, redeem or liquidate the interests held by one or more investors in such an Account (potentially on terms advantageous to such Account's investors) or to release one or more investors in such an Account from their obligations to fund capital commitments without offering third-party investors the same or a similar opportunity.

Affiliated Products / External Products

We make available a range of investment products, including both Affiliated Products and External Products. There may be, however, certain asset classes for which no External Products are made available. Our decision to offer Affiliated Products or External Products is affected by a variety of factors, including but not limited to the availability of managers or number of managers we consider that offer particular strategies, products' investment objectives and performance track records, products' capacity to accept new clients, investor concentration, product terms (including investment minimums, management fees, and expenses), access to portfolio managers as well as advisory personnel for discussion with clients, and the specialized nature of the products or strategies.

The universe of products that are made available to Advisory Accounts (including those Advisory Accounts that invest in Multi-Asset Class or Customized Multi-Asset Class Portfolios) may be limited for certain reasons, including, for example, (i) because one or more External Products have not been reviewed or approved for investment; (ii) as a result of internal informational barriers that restrict access to certain information regarding Affiliated Products, as described below; or (iii) for administrative, practical or other considerations. As a result, there may be one or more products that could have otherwise been selected or recommended but for such limitations, and such other products may be more appropriate or have superior historical returns than the investment product selected or recommended for the Advisory Account.

In determining which External Products to review for inclusion on the GS Platform, Goldman Sachs sources managers and/or investment opportunities in a variety of ways, including, for example, by reviewing databases and inbound inquiries from managers, and/or by leveraging relationships that such managers or other clients may already have with other parts of Goldman Sachs' businesses. Such relationships give rise to a conflict of interest, as Goldman Sachs may be incentivized to select managers from whom Goldman Sachs receives fees or other benefits, including the opportunity for business development and the additional revenue that may result therefrom. In addition, Goldman Sachs may be compensated more by one manager over another, and may therefore be incentivized to choose the higher paying manager. Different parts of Goldman Sachs may source managers and investment opportunities in different ways and based on different considerations. See "Goldman Sachs Acting in Multiple Commercial Capacities".

Before making Affiliated Products or External Products available on our platform, various teams within Goldman Sachs review such products and, in doing so, consider certain factors, including the operational and reputational risks relating to such products. The focus of certain reviews and the teams conducting such reviews, however, differ depending on whether the product is an Affiliated Product or an External Product. In addition, different teams review or screen such products in different ways. With respect to External Products, certain External Products are reviewed by the Alternative Investments & Manager Selection (“AIMS”) group within GSAM, while other External Products are reviewed by other teams within Goldman Sachs. In this regard, AIMS reviews External Products that it sources or that are sourced elsewhere in Goldman Sachs but intended to be offered to or placed with Ayco clients. External Products that are sourced by other groups within Goldman Sachs and that are intended to be placed with GS&Co.’s Investment Banking Division clients or Securities Division clients would be reviewed by such other sourcing group(s) within Goldman Sachs, but generally not by AIMS.

With respect to External Products reviewed by AIMS, such products undergo a due diligence review designed to assess the investment merits of each product, which includes a review of the quality of the managers and the likelihood of producing appropriate investment results over the long term. Applicable investment and operational due diligence committees determine which External Products are available for investment. Although AIMS reviews the performance history of External Products, none of GS&Co., AIMS, 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 External Products 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 External Product performance information. AIMS periodically reviews the External Products through interactions with Unaffiliated Managers designed to help understand the evolution of their views. AIMS uses a different process to evaluate ETFs and certain third party mutual funds, applying quantitative screens that assess specific factors, including tracking error, total assets, expense ratio, length of track record and other factors (which may be adjusted periodically). AIMS will not review the entire universe of External Products that may be otherwise appropriate for Goldman Sachs’ platform. In addition, AIMS might not consider any External Product for certain asset classes for which an Affiliated Product is available; as a result, there may be no External Products available for certain asset classes on our platform. External Products that were not reviewed or approved by AIMS may have been more appropriate for a particular Advisory Account or may have had superior historical returns than the products otherwise made available.

With respect to Affiliated Products the process for including products on an investment platform is conducted in a different way from AIMS and is implemented primarily through a product development process by teams within Goldman Sachs, other than AIMS. Because such teams are familiar with and subject to the framework of Goldman Sachs’ operational infrastructure and internal controls, they are likely, depending on the investment product, to generally focus more on the specifics of the investment product in developing such product. Advisory Personnel may, in determining potential investment products for a particular Advisory Account, as further described below, select or recommend an Affiliated Product that he or she may not have otherwise selected or recommended had the same review process applicable to External Products been utilized for the Affiliated Product.

After investment products have been approved for offering by Ayco, Advisory Personnel determine which products to select or recommend to clients. When considering potential investment products for a particular Advisory Account, Advisory Personnel give different weights to different factors depending on the nature of the client and on whether their review is for an Affiliated Product or for an External Product. Such factors may include quantitative considerations (such as the investment product’s returns and performance consistency over specified time periods) and qualitative considerations (such as the investment product’s investment objective and process), which may be inherently subjective and may include a wide variety of factors. Advisory Personnel may consider, for example, without limitation: (i) product-related factors, such as track record, index comparisons, risk and return assumptions; (ii) the Advisory Personnel’s experience and familiarity with particular potential investment products, and, if applicable, the investment management

teams managing such investment products or their organizations; (iii) client-driven factors, such as the client's investment objective, the effect on the client's portfolio diversification objectives, consistency with the client's asset allocation mode and investment program, and the projected timing of implementation; and (iv) other factors, such as capacity constraints and minimum investment requirements. Consideration of such factors may not be applied consistently over time or by particular Advisory Personnel across all Accounts or across different products and may play a greater role in the review of certain strategies or products while others play no role at all, and the factors may change from time to time. See also "Differing Advice and Competing Interests".

Advisory Personnel may consider qualitative and subjective factors to a greater extent than quantitative factors when they review an Affiliated Product from an External Product. Affiliated Products and External Products, therefore, may not be subject to the same review of quantitative and qualitative characteristics. Accordingly, such Advisory Personnel may recommend or select an Affiliated Product over an External Product, and the Affiliated Product that was recommended or selected may not perform as well as the External Product that would have been recommended or selected had the more quantitative review been applied to both Affiliated Products and External Products.

Other factors may also affect the review of potential investment products by Advisory Personnel. For example, when Advisory Personnel review Affiliated Products, they may be restricted from obtaining information they might otherwise request with respect to such Affiliated Products and their sponsors, managers, or advisers as a result of internal informational barriers. When Advisory Personnel do not have access to certain information with respect to an investment product, they may determine not to consider such investment product for an Advisory Account, or, conversely, Advisory Personnel may select an investment product for the Advisory Account notwithstanding that certain material information is unavailable to the Advisory Personnel, each of which could adversely affect the Advisory Account (e.g., such Affiliated Product could significantly decline in value, resulting in substantial losses to the Advisory Account). For more information, see "Considerations Relating to Information Held by Goldman Sachs".

Advisory Personnel may not review the entire universe of External Products that may be appropriate for an Advisory Account. As a result, there may be one or more External Products that would be a more appropriate addition to the Advisory Account than the investment product selected by Advisory Personnel. Such External Products may outperform the investment product selected for the Advisory Account.

The availability of Affiliated Products versus External Products gives rise to additional conflicts of interest. Goldman Sachs receives higher fees, compensation and other benefits, when assets of Advisory Accounts are allocated to Affiliated Products rather than External Products. Ayco therefore, is incentivized to allocate Advisory Account assets to Affiliated Products, rather than to External Products. Similarly, Ayco may be disincentivized to consider or recommend the removal of an Advisory Account's assets from, or the modification of an Advisory Account's allocations to, an Affiliated Product at a time that it otherwise would have where doing so would decrease the fees, compensation and other benefits to Goldman Sachs, including where disposal of such Affiliated Product by the Advisory Account would likely adversely affect the Affiliated Product with respect to its liquidity position or otherwise. Moreover, Ayco may have an interest in allocating or recommending the assets of Advisory Accounts to Affiliated Products that impose higher fees than those imposed by other Affiliated Products or that provide other benefits to Goldman Sachs. Any differential in compensation paid to personnel in connection with certain Affiliated Products rather than other Affiliated Products creates a financial incentive on the part of Ayco to select or recommend certain Affiliated Products over other Affiliated Products. For information regarding fees and compensation, see "Item 5 – Fees and Compensation".

The activities of Affiliated Products may be restricted because of regulatory or other requirements applicable to Goldman Sachs and/or its internal policies designed to comply with, limit the applicability of, or otherwise relate to such requirements. External Products may or may not be subject to the same or similar restrictions or requirements and, as a result, may outperform Affiliated Products.

Goldman Sachs (including Ayco) may provide opportunities to clients (including Advisory Accounts) to make investments in Affiliated Products 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 clients with no existing investment in the Affiliated Product, 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 leveraging, recapitalization and similar transactions involving Affiliated Products in which other Advisory Accounts have invested or will invest. Conflicts of interest in these recapitalization and other transactions arise between Advisory Accounts with existing investments in an Affiliated Product and Advisory Accounts making subsequent investments in the Affiliated Product, which have opposing interests regarding pricing and other terms. The subsequent investments may dilute or otherwise adversely affect the interests of the previously-invested Advisory Accounts. See “Differing Advice and Competing Interests and Allocation of Investment Opportunities”.

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, 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 Ayco will not be under any obligation to provide notice to Advisory Accounts in respect of any such adjustment in assessment. See “Differing Advice and Competing Interests”. See also Item 8, “Options Risk”.

Subject to applicable law, Goldman Sachs or its clients (including Advisory Accounts and Accounts formed to facilitate investment by Personnel) may invest in or alongside particular Advisory Accounts that are invested in Affiliated Products. These investments may be on terms more favorable than those of an investment by Advisory Accounts in such Affiliated Products and may constitute substantial percentages of such Affiliated Products, and may result in particular Advisory Accounts being allocated a smaller share of the investment than would be the case absent the side-by-side investment. 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. See “Differing Advice and Competing Interests”, above, and “Firm Policies, Regulatory Restrictions and Certain Other Factors Affecting Advisory Accounts”.

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. See “Differing Advice and Competing Interests”.

following which Goldman Sachs or a Goldman Sachs client takes a long position in the same security or in similar securities. Similarly, 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.

Clients may be offered access to advisory services through several different Goldman Sachs businesses (including through Ayco 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, Advisory Personnel can have differing or opposite investment views in respect of an issuer or a security, and the positions Advisory Personnel take in respect of an Advisory Account may be inconsistent with, or adverse to, the interests and activities of Advisory Accounts advised by other Advisory Personnel. Moreover, research, analyses or viewpoints will be available to clients or potential clients at different times. Ayco will not have any obligation to make available to Advisory Accounts any research or analysis at any particular time or prior to its public dissemination.

The timing of transactions entered into or recommended by Ayco, on behalf of itself or its clients, including Advisory Accounts, may negatively impact Advisory Accounts or benefit certain other Accounts, including other Advisory Accounts. For example, Ayco may implement an investment decision or strategy for certain Advisory Accounts ahead of, contemporaneously with, or behind the implementation of similar investment decisions or strategies for Advisory Accounts, (whether or not the investment decisions emanate from the same research analysis or other information) that could result, due to market impact, in liquidity constraints or other factors, in certain Advisory Accounts receiving less favorable investment or trading results or incurring increased costs. Similarly, Ayco may implement an investment decision or strategy that results in a purchase (or sale) of security for one Advisory Account that may increase the value of such security already held by another Advisory Account (or decrease the value of such security that such other Advisory Account intends to purchase), thereby benefitting such other Advisory Account.

The terms of an investment in an Account formed to facilitate investment by personnel of Goldman Sachs are typically different from, and may be more favorable than, those of an investment by a third-party investor in an Advisory Account. For example, investors in such an Account generally are not subject to management fees or performance-based compensation, may share in the performance-based compensation, may not have their commitments pledged under a subscription facility, and may receive capital calls, distributions and information regarding investments at different times than third-party investors. In addition, to the extent permitted by law, certain investors in such an Account may be provided leverage by Goldman Sachs. In the event of a substantial decline in the value of such Account's investments, the leverage, if any, provided to employees may have the effect of rendering the investments by employees effectively worthless, which could undermine the potential alignment of interest between employees and third-party investors. In certain circumstances, subject to applicable law, including the Dodd-Frank Act, Goldman Sachs may offer to purchase, redeem or liquidate the interests held by one or more investors in such an Account (potentially on terms advantageous to such Account's investors) or to release one or more investors in such an Account from their obligations to fund capital commitments without offering third-party investors the same or a similar opportunity.

Allocation of Investment Opportunities

Ayco and its Advisory Personnel manage multiple Advisory Accounts and fees paid by those Advisory Accounts, including Advisory Accounts in which Goldman Sachs and its Personnel have an interest, that pay different fees based on a client's particular circumstances, including the size of the relationship and required service levels. This creates an incentive to allocate investments with limited availability to the accounts for which Ayco and its Advisory Personnel receive higher fees. Such investments may include local emerging markets securities, high yield securities, fixed income securities, interests in alternative investment funds, MLPs, and initial public offerings and new issues.

To help address potential conflicts regarding allocations among multiple Advisory Accounts, Ayco has adopted allocation policies and procedures that by which provide that Advisory Personnel allocate investment opportunities among Advisory Accounts consistent with their fiduciary obligations. In some cases, these policies and procedures may result in the pro rata allocation (on a basis determined by Ayco) of limited opportunities across eligible Advisory Accounts. In other cases, the allocations reflect the consideration of numerous other factors, including, but not limited to, those described below. The allocation methodology may vary based on the type of investment opportunity. In some cases, Advisory Accounts managed by different teams of Advisory Personnel are generally viewed separately for allocation purposes.

Advisory Personnel make allocation-related decisions by reference to one or more factors including, without limitation, the client's overall relationship with Ayco; Account investment objectives, investment horizon, financial circumstances and risk tolerance; timing of client's subscription to or indication of interest in the investment; the capacity of the investment; whether Advisory Accounts give Ayco discretion or request client approval for investments; current and expected future capacity of applicable Advisory Accounts; tax sensitivity of Accounts; the client's domicile; suitability considerations; the nature of the investment opportunity; cash and liquidity considerations, including, without limitation, availability of cash for investment; relative sizes and expected future sizes of applicable Advisory Accounts; availability of other appropriate investment opportunities; legal and regulatory restrictions affecting certain Advisory Accounts, including client eligibility; minimum denomination, minimum increments, *de minimis* threshold and round lot considerations; client-specific investment guidelines and restrictions; and current investments made by clients that may be similar to the applicable investment opportunity.

There may be some instances where certain Advisory Accounts receive an allocation while others do not, and preferential allocations may be given to clients with a proven interest or expertise in a certain sector, company or industry. Additionally, Private Wealth Advisors, as part of their investment style, may choose not to participate in IPOs for any clients, or may choose to offer participation to only a small group of clients based upon criteria, such as assets under management, or may choose to adopt another methodology. From time to time, Ayco may make allocations to certain Advisory Accounts before other Advisory Accounts based on a rotational system designed to preclude the favoring of any one Advisory Account over another. To the extent a given Advisory Account trades behind other Advisory Accounts within the rotation system, it is possible that such Advisory Account may suffer adverse effects depending on market conditions.

Ayco, or its affiliates, under limited circumstances, uses model portfolios and research or research lists, including those provided by GSAM or third parties, when managing Advisory Accounts. Certain Advisory Accounts may have the opportunity to evaluate or act upon recommendations (including recommendations in model portfolios) before other Advisory Accounts, including those advised by the same adviser providing the recommendations and other Personnel may have already begun to trade based upon the recommendations. As a result, trades ultimately placed on behalf of Advisory Accounts based upon such recommendations may be subject to price movements, particularly with large orders or thinly traded securities. This may result in the Advisory Accounts receiving prices for transactions that are less favorable than the prices for transactions obtained for other clients of the adviser. This could occur because of time zone differences or other reasons that cause orders to be placed at different times. In addition, model portfolios available through GS&Co. affiliates might not be available through GS&Co., and vice versa, and might experience different performance than other model portfolios. See "Differing Advice and Competing Interests", above. See also Item 12, "Aggregation of Trades and Allocation of Securities or Proceeds", for information regarding the allocation of securities or proceeds relating to orders that are executed on an aggregated basis.

Some or all Advisory Accounts may, from time to time, be offered investment opportunities that are made available through Goldman Sachs businesses outside of Ayco, including, for example, interests in real estate and other private investments. In this regard, a conflict of interest will exist to the extent that Goldman Sachs controls or otherwise influences the terms and pricing of such investments and/or receives fees or other benefits in connection therewith. Please see "Goldman Sachs Acting in Multiple Commercial Capacities". Notwithstanding the foregoing, Goldman Sachs businesses outside of Ayco are under no obligation or other duty to provide investment opportunities to any Advisory Accounts, and generally are not expected to do so. Opportunities not allocated (or not fully allocated) to Advisory Accounts may be

undertaken by Goldman Sachs, including for Goldman Sachs accounts, or made available to other Accounts or third parties. See “Differing Advice and Competing Interests”.

Investments in and Advice Regarding 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 inaction) may have an adverse effect on such Advisory Account. See “Goldman Sachs Acting in Multiple Commercial Capacities”.

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 experiences 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 (including Ayco) or an Account may recover some or all of the amounts due to them. In addition, in connection with any lending arrangements involving the issuer in which Goldman Sachs (including Ayco) or an Account participates, Goldman Sachs (including Ayco) or the Account may seek to exercise its rights under the applicable loan agreement or other document, which may be detrimental to the particular Advisory Account. 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), Goldman Sachs (including 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 Goldman Sachs (including Ayco) may determine on behalf of the Advisory Accounts not to act in a manner adverse to Goldman Sachs or the Accounts. Finally, Goldman Sachs may have relationships or other business dealings with an issuer, other holders of credit-related assets or securities of such issuer, or other transaction participants that cause Goldman Sachs to pursue an action or engage in a transaction that may have an adverse effect on the positions held by the Advisory Account.

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 rely on information barriers between different Goldman Sachs business units or portfolio management teams or Goldman Sachs may 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 using small capitalization, emerging market, distressed or less liquid strategies.

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, such as 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, including because such other entity, division or unit has information or uses valuation techniques and models that it does not share with, or that are different than those of Ayco or because different Advisory Accounts are subject to different valuation guidelines pursuant to their respective governing agreements.. Differences in valuation may also exist because different third-party vendors are hired to perform valuation functions for the Advisory Accounts, or the Advisory Accounts are managed or advised by different portfolio management teams within Goldman Sachs that employ different valuation policies or procedures or otherwise.

This is particularly the case with 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, third-party vendors performing certain valuation functions may have interests and incentives that differ from those of the Advisory Accounts.

Firm Policies, Regulatory Restrictions and Certain Other Factors Affecting Advisory Accounts

Goldman Sachs 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, as more fully described below, Goldman Sachs' roles in connection with other clients and in the capital markets (including in connection with advice it may give to such clients or commercial arrangements or transactions that may be undertaken by such clients of Goldman Sachs), Goldman Sachs' internal policies and/or potential reputational risk in connection with Accounts (including Advisory Accounts). As a result, Goldman Sachs might not engage in transactions or other activities 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 and regulatory requirements, policies and reputational risk assessments. 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 or impose regulatory restrictions on Goldman Sachs, including Ayco or on other Advisory Accounts, or where exceeding a threshold is prohibited or may result in regulatory or other restrictions. In certain cases, restrictions and limitations will be applied to avoid approaching such threshold. Circumstances in which such restrictions or limitations may arise include, without limitation: (i) a prohibition against owning more than a certain percentage of an issuer's securities; (ii) a "poison pill" that could have a dilutive impact on the holdings of the Accounts should a threshold be exceeded; (iii) provisions that would cause Goldman Sachs to be considered an "interested stockholder" of an issuer; (iv) provisions that may cause Goldman Sachs to be considered an "affiliate" or "control person" of the issuer; and (v) the imposition by an issuer (through charter amendment, contract or otherwise) or governmental, regulatory or self-regulatory organization (through law, rule, regulation, interpretation or other guidance) of other restrictions or limitations.

When faced with the foregoing limitations, Goldman Sachs will generally avoid exceeding the threshold because it could have an adverse impact on the ability of Goldman Sachs to conduct business activities, Goldman Sachs may also reduce a particular Advisory Account's interest in, or restrict certain Advisory Accounts from participating 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. Goldman Sachs may determine not to engage in certain transactions or activities which may

be beneficial to Advisory Accounts because engaging in such transactions or activities in compliance with applicable law would result in significant cost to, or administrative burden on, Goldman Sachs (including Ayco) or create the potential risk of trade or other errors. In addition, Goldman Sachs generally is not permitted to obtain or use material nonpublic information in effecting purchases and sales for Advisory Accounts that involve public securities. Restrictions (such as limits on purchase and sale transactions or subscription to or redemption from an underlying fund) may be imposed on particular Advisory Accounts and not on other Accounts (including other Advisory Accounts). For example, directors, officers and employees of Goldman Sachs may take seats on the boards of directors of, or have board of directors observer rights with respect to, companies in which Goldman Sachs invests on behalf of Advisory Accounts. To the extent a director, officer or employee of Goldman Sachs were to take a seat on the board of directors of, or have board of directors observer rights with respect to, a public company, Goldman Sachs, (including Ayco or certain of its investment teams) may be limited and/or restricted in its or their ability to trade in the securities of the company. In addition, any such director, officer or employee of Goldman Sachs that is a member of the board of directors of a company in which Goldman Sachs invests on behalf of Advisory Accounts may have duties to such company in his or her capacity as a director that conflict with Goldman Sachs' duties to Advisory Accounts, and may act in a manner that may disadvantage or otherwise harm Advisory Accounts and/or benefit the portfolio company and/or Goldman Sachs.

Different areas of Goldman Sachs may come into possession of material non-public information regarding an issuer of securities held by an investment fund in which an Advisory Account invests. In the absence of information barriers between such different areas of Goldman Sachs or under certain other circumstances, the Advisory Account may be prohibited, including by internal policies, from redeeming from such security or such investment fund during the period such material non-public information is held by such other part of Goldman Sachs, which period may be substantial. As a result, the Advisory Account may not be permitted to redeem from an investment fund in whole or in part during periods when it otherwise would have been able to do so, which could adversely affect the Advisory Account. Other investors in the investment fund that are not subject to such restrictions may be able to redeem from the investment fund during such periods.

In addition, Ayco clients may partially or fully fund a new Advisory Account with in-kind securities in which Ayco may be restricted. In such circumstances, Ayco may sell any such securities at the next available trading window, subject to operational and technological limitations (unless such securities are subject to another express arrangement). As a result, such Advisory Accounts may be required to dispose of investments at an earlier date and/or at a less favorable price than would otherwise have been the case had Ayco not been so restricted. Advisory Accounts will be responsible for all tax liabilities that result from any such sale transactions.

Goldman Sachs operates a program reasonably designed to ensure compliance generally with economic and trade sanctions-related obligations applicable directly to its activities (although such obligations are not necessarily the same obligations that an Advisory Account may be subject to). Such economic and trade sanctions may prohibit, among other things, transactions with and the provision of services to, directly or indirectly, certain countries, territories, entities and individuals. These economic and trade sanctions, and the application by Goldman Sachs of its compliance program in respect thereof, may restrict or limit an Advisory Account's investment activities.

In order to engage in certain transactions on behalf of Advisory Accounts, Ayco will also be subject to (or cause Advisory Accounts to become subject to) the rules, terms and/or conditions of any venues through which it trades securities, derivatives or other instruments. This includes, but is not limited to, where Ayco and/or the Advisory Accounts may be required to comply with the rules of certain exchanges, execution platforms, trading facilities, clearinghouses and other venues, or may be required to consent to the jurisdiction of any such venues. The rules, terms and/or conditions of any such venue may result in Ayco and/or the Advisory Accounts being subject to, among other things, margin requirements, additional fees and other charges, disciplinary procedures, reporting and recordkeeping, position limits and other restrictions on trading, settlement risks and other related conditions on trading set out by such venues. From time to time, an Advisory Account, Ayco or its affiliates and/or their service providers or agents may

be required, or may determine that it is advisable, to disclose certain information about an Advisory Account, including, but not limited to, investments held by the Advisory Account, and the names and percentage interest of beneficial owners thereof, to third parties, including advisers, local governmental authorities, regulatory organizations, taxing authorities, markets, exchanges, clearing facilities, custodians, brokers and trading counterparties of, or service providers to, Ayco, advisers or underlying funds or the Advisory Account. Ayco will comply with requests to disclose such information as it so determines, including through electronic delivery platforms. Ayco may determine to cause the sale of certain assets for the Advisory Account, and such sale may be at a time that is inopportune from a pricing or other standpoint. In addition, Goldman Sachs may provide third parties with aggregated data regarding the activities of, or certain performance or other metrics associated with, the Advisory Accounts it manages, and Goldman Sachs may receive compensation from such third parties for providing them such information.

Ayco may determine to limit or not engage at all in transactions and activities on behalf of Advisory Accounts for reputational or other reasons. Examples of when such determinations may be made include, but are not limited to: (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 activity or transaction to that being considered on behalf of the Advisory Account; (iii) where Goldman Sachs or another Account has an interest in an entity involved in such activity or transaction; (iv) where there are political, public relations, or other reputational considerations relating to counterparties or other participants in such activity or transaction; or (v) where such activity or transaction on behalf of or with respect to the Advisory Account could affect in tangible or intangible ways Goldman Sachs, GSAM, an Account or their activities. Please also see “Goldman Sachs Acting in Multiple Commercial Capacities”.

Considerations Relating to Information Held by Goldman Sachs

Goldman Sachs has established 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, Ayco generally does not have access, or has limited access, to information and personnel in other areas of Goldman Sachs relating to business transactions for clients (including transactions in investing, banking, prime brokerage and certain other areas), 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. Information barriers may also exist between businesses within 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 advisory clients or 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 or other duty to effect transactions on behalf of the Advisory Accounts in accordance with such analysis and models. In the event Goldman Sachs elects not to share certain information with Advisory Accounts, such Advisory Accounts may make investment decisions that differ from those they would have made if Goldman Sachs had provided such information, which may be disadvantageous to the Advisory Account. 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. See “Differing Advice and Competing Interests”.

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.

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, or the third party with whom assets are custodied, 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 makes cash payments to third parties for referring clients to Ayco, consistent with applicable laws, including Rule 206(4)-3 under the Advisers Act. 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.

Additionally, Ayco may make referrals of clients to affiliates, including GS PFM, who do not meet the minimums for accounts at Ayco or for whom such services seem to be appropriate. Ayco may receive a percentage of fee revenue as compensation.

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.

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

“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 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” or **“Wrap Brochure”** means this 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.

“Fidelity Platform” means the platform with Fidelity through which services including, among others, brokerage, custodial, administrative support, record keeping and related services, are provided and which may benefit Ayco.

“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 Group” means The Goldman Sachs Group, Inc.

“GS PFM” means United Capital Financial Advisers, LLC dba Goldman Sachs Personal Financial Management.

“GS Platform” means the platform with GS&Co. through services including, among others, brokerage, custodial, administrative support, record keeping and related services, are provided and which may benefit Ayco.

“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.

“IP” means Ayco Investment Professionals.

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

“Managed Account Strategies Program” means GS&Co.’s wrap fee program.

“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., a broker-dealer registered with the SEC, and an affiliate of Ayco.

“Private Access Account Strategies Program” or **“Program”** 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 Account” means individual retirement accounts (IRAs), tax-qualified retirement accounts, including plans subject to ERISA and Keogh plans, and Coverdell education savings accounts.

“Retirement Regulations” means ERISA, together with the IRC.

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

“Third-Party Professionals” means unaffiliated third-party professionals.

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

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

“United Capital” means United Capital Financial Advisers, LLC.

“Variable Products” means variable life insurance policies and variable annuity contracts.

The Ayco Company, L.P.
Balance Sheet
December 31, 2019

The Ayco Company, L.P.
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December 31, 2019

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Report of Independent Auditors

To the Management of The Ayco Company, L.P.

We have audited the accompanying balance sheet of The Ayco Company, L.P. (the "Company") as of December 31, 2019.

Management's Responsibility for the Balance Sheet

Management is responsible for the preparation and fair presentation of the balance sheet 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 balance sheet that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the balance sheet 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 balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the balance sheet, 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 balance sheet 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 balance sheet. 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 balance sheet presents fairly, in all material respects, the financial position of the Company as of December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the balance sheet, 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 20, 2020

The Ayco Company, L.P.
Balance Sheet
December 31, 2019

Assets

Current assets

Cash and cash equivalents	\$ 1,565,244
Accounts receivable, net of allowance of \$1,426,820	41,085,804
Prepaid expenses	3,143,217
Due from affiliates	<u>211,943,372</u>

Total current assets 257,737,637

Property, leasehold improvements and equipment, net	7,888,912
Right-of-use assets, net	30,330,347
Investments in affiliates	16,893,722
Goodwill	274,001,135
Customer relationships, net	40,249,999
Other assets	<u>660,165</u>

Total assets \$627,761,917

Liabilities and Partners' Capital

Current liabilities

Accrued compensation and benefits	\$ 84,162,841
Due to affiliates	76,943,327
Deferred income	3,999,843
Income taxes payable	26,117,194
Pensions, postretirement and deferred compensation liabilities	12,002,151
Lease liabilities	7,043,222
Other liabilities and accrued expenses	<u>8,028,680</u>

Total current liabilities 218,297,258

Net deferred tax liabilities	57,086,482
Lease liabilities	25,588,818
Pensions, postretirement and deferred compensation liabilities	<u>3,817,059</u>

Total liabilities 304,789,617

Commitments, contingencies and guarantees

Partners' capital	<u>322,972,300</u>
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Total liabilities and partners' capital \$627,761,917

The accompanying notes are an integral part of this balance sheet.

The Ayco Company, L.P.

Notes to the Balance Sheet

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

This financial statement is prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and all reference to 2019 refer to the Partnership's year ended, or the date, as the context requires, December 31, 2019.

3. Significant Accounting Policies

Use of Estimates

Preparation of this statement requires management to make certain estimates and assumptions, the most important of which relate to the fair value measurements, accounting for goodwill and identifiable intangible assets, provision for losses that may arise from litigation and regulatory proceedings, provisions for losses that may arise from tax audits and the allowance for uncollectible accounts. 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 2019, the Partnership had \$809,715 held in banks in excess of the insured limits.

Accounts Receivable

Accounts receivable consists 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, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment are stated net of accumulated depreciation and amortization. All property and equipment 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. Capitalized costs of software developed or obtained for internal use are amortized on a straight-line basis over three years.

The Partnership tests property, leasehold improvements and equipment for impairment whenever events or changes in circumstances suggest that an asset's 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 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 the Balance Sheet

Operating Lease Right-of-Use Assets

The Partnership enters into operating leases for real estate used in connection with its operations. The firm adopted ASU No. 2016-02 in January 2019, which required the firm to recognize, for leases longer than one year, 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 payments. The lease term is generally determined based on the contractual maturity of the lease. For leases where the firm has the option to terminate or extend the lease, an assessment of the likelihood of exercising the option is incorporated into the determination of the lease term. Such assessment is initially performed at the inception of the lease and is updated if events occur that impact the original assessment.

An operating lease right-of-use asset is initially determined based on the operating lease liability, adjusted for initial direct costs, lease incentives and amounts paid at or prior to lease commencement. This amount is then amortized over the lease term. See Note 8 for information about operating lease liabilities.

For leases where the Partnership has ceased using the space and management has concluded that the Partnership will not derive any future economic benefits, the firm records an impairment of right-of-use assets. There were no such impairments during 2019.

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 interest in these entities. The controlling 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.

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 2019, the carrying value of goodwill decreased by \$454,191 related to a life to date adjustment for the 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 estimated fair value of the Partnership is less than its estimated carrying amount. If the results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed. Alternatively, a quantitative goodwill test can be performed without performing a qualitative assessment. The quantitative goodwill impairment test compares the estimated fair value of the Partnership with its estimated net book value (including goodwill and identifiable intangible assets). If the Partnership's estimated fair value exceeds its estimated net book value, goodwill is not impaired. An impairment is recognized if the estimated fair value of the Partnership is less than its estimated net book value, with the amount of impairment equal to the difference between those values.

Goodwill was tested for impairment using a quantitative test, without first performing a qualitative test, during the fourth quarter. The estimated fair value of the Partnership exceeded its net book value. Accordingly, goodwill was not impaired. 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.

The Ayco Company, L.P.

Notes to the Balance Sheet

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's or asset group's carrying value may not be fully recoverable. To the extent the carrying value of an asset or asset group 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 or asset group 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 2019, the Partnership did not record an impairment.

Deferred Income

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

Recent Accounting Developments

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 balance sheet 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 statement of earnings, while for operating leases, such amounts should be recognized as a combined expense. It also requires that for qualifying sale-leaseback transactions the seller recognize any gain or loss (based on the estimated fair value of the asset at the time of sale) when control of the asset is transferred instead of amortizing it over the lease period. In addition, this ASU requires expanded disclosures about the nature and terms of lease agreements.

The Partnership adopted this ASU in January 2019 under a modified retrospective approach. The impact of adopting this ASU was a gross up of \$35,929,347 on the Partnership's balance sheet as of January 1, 2019.

Measurement of Credit Losses on Financial Instruments (ASC 326).

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326) — Measurement of Credit Losses on Financial Instruments." This ASU amends several aspects of the measurement of credit losses on certain financial instruments, including replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (CECL) model and amending certain aspects of accounting for purchased financial assets with deterioration in credit quality since origination (Purchased Credit Deteriorated or PCD loans).

The firm adopted this ASU in January 2020 under a modified retrospective approach. As a result of adopting this ASU, the firm's allowance for credit losses on financial assets and commitments that are measured at amortized cost will reflect management's estimate of credit losses over the remaining expected life of such assets. Expected credit losses for newly recognized financial assets and commitments, as well as changes to expected credit losses during the period, will be recognized in earnings. These expected credit losses will be measured based on historical experience, current conditions and forecasts that affect the collectability of the reported amount. There was no cumulative effect of measuring the allowance under CECL as a result of adopting this ASU as of January 1, 2020.

The Ayco Company, L.P.

Notes to the Balance Sheet

4. Property, Leasehold Improvements and Equipment

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

Leasehold improvements	\$ 16,046,263
Furniture, fixtures and equipment	<u>14,627,118</u>
	30,673,381
Less: Accumulated depreciation	<u>(22,784,469)</u>
	<u>\$ 7,888,912</u>

5. 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>(120,750,001)</u>
Net carrying amount	<u>\$ 40,249,999</u>

The customer relationships are being amortized over their estimated useful life of 22 years. The weighted average remaining lives at December 2019 of customer relationships is approximately 5.5 years.

6. 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 company (SMLLC), and therefore considered a disregarded branch of the parent for U.S. Federal tax purposes. The parent is 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 2019, the Partnership's income tax payable in the balance sheet was \$26,117,194.

The Ayco Company, L.P.

Notes to the Balance Sheet

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 balance sheet, until the underlying temporary differences reverse and the taxes become currently payable or receivable. At December 2019, the Partnership had net deferred tax liabilities of \$57,086,482 primarily related to deferred tax liabilities on tax amortization of customer relationships and goodwill of \$77,629,164 and operating lease right-of-use assets of \$7,525,986, offset by deferred tax assets related to deferred compensation of \$19,329,484, operating lease liabilities of \$8,076,299 and other book tax differences of \$662,885. No valuation allowance is required as it is considered more likely than not that the deferred tax assets will be utilized.

Unrecognized Tax Benefits

The Partnership recognizes tax positions in the balance sheet 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 balance sheet. As of December 2019, 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. New York State and City examinations of 2011 through 2014 began in 2017.

U.S. Federal examinations of Group Inc. for calendar years 2011 and 2012 began in 2013. Group Inc. has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2020. This program allows Group Inc. to work with the IRS to identify and resolve potential U.S. Federal tax issues before the filing of tax returns. The 2013 through 2018 tax years remain subject to post-filing review.

7. 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 Ayco Retiree Medical 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.

The Ayco Company, L.P.

Notes to the Balance Sheet

At December 2019, accumulated other comprehensive income, included in Partners' capital in the balance sheet, is comprised of an unrecognized gain and unrecognized prior service cost of \$658,917 and (\$72,107), respectively.

The following table sets forth the funded status of the postretirement health benefit plan and amount recognized in the balance sheet:

	Postretirement Benefits
Accumulated postretirement benefit obligation	\$ 3,461,139
Plan assets at fair value	<u>-</u>
Unfunded liability	<u>3,461,139</u>
Liability recognized in the balance sheet	<u>\$ 3,461,139</u>

For the year ended December 2019, the projected benefit obligation increased in the aggregate by \$904,412 due primarily to a change in participation assumptions and a decrease in the discount rate from 4.56% at December 2018 to 3.46% at December 2019.

Weighted-average assumptions and other benefit information as of December 2019:

	Postretirement Benefits
Discount rate	3.46%
Benefit cost	\$ 147,946
Employer contributions	93,795
Benefits paid	93,795

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
2020	\$ 103,513
2021	109,471
2022	115,224
2023	121,218
2024	127,251
2025–thereafter	724,877

The Ayco Company, L.P.

Notes to the Balance Sheet

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 2019, the deferred compensation payable amount was \$621,818, of which \$199,200 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 from Group Inc.

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 IRS limitations. The Partnership's matching contribution is 100% of the participant's total elective deferred contribution up to a maximum of 4% of the participant's compensation up to the Internal Revenue Code 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 2019, matching contributions payable under the plan and included in current portion of pensions, postretirement and deferred compensation liabilities were \$7,010,786.

The Partnership maintains an additional retirement account which covers all employees who have met certain service requirements. Benefits are based on employee's years of participation in the plan. The Partnership's funding policy is to contribute annually an amount equal to the benefit. At December 2019, retirement contributions payable under the plan and included in the current portion of pensions, postretirement and deferred compensation liabilities were \$4,678,744.

The Partnership maintains an unfunded supplemental pension plan for certain retirees. The accumulated benefit obligation for this plan is \$46,723, of which \$9,908 is included in the current portion of pensions, postretirement and deferred compensation liabilities as of December 2019.

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 balance sheet includes a liability at December 2019 for the foregoing plans of \$15,819,210, of which \$12,002,151 is current.

8. Operating Lease Liabilities

The firm adopted ASU No. 2016-02 in January 2019, which required the firm to recognize, for leases longer than one year, 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 payments. See Note 3 for information about operating lease right-of-use assets.

The Ayco Company, L.P.

Notes to the Balance Sheet

The table below presents information about operating lease liabilities as of December 2019:

2020	\$ 8,156,682
2021	7,205,646
2022	4,987,895
2023	4,757,040
2024	3,364,603
2025–thereafter	8,199,971
Total undiscounted lease payments	36,671,837
Imputed Interest	4,039,797
Total operating lease liabilities	<u>\$ 32,632,040</u>

Weighted average remaining lease term	6 years
Weighted average discount rate	3.88%

In the table above, the weighted average discount rate represents the firm's incremental borrowing rate as of January 2019 for leases existing on the date of adoption of ASU No. 2016-02 and at the lease inception date for leases entered into subsequent to the adoption of this ASU.

9. Restricted Stock Units

Group Inc. grants restricted stock units (RSUs) to employees of the Partnership under The Goldman Sachs Amended and Restated Stock Incentive Plan (2018), primarily in connection with year-end compensation. RSUs are generally 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 (net of required withholding tax) as outlined in the applicable award agreements. 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, which generally occurs over a three-year period, is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements. At December 2019, amounts payable to Group Inc. for the vested portion of RSUs are included within accrued compensation and benefits and due to affiliates in the balance sheet.

10. Commitments, Contingencies and Guarantees

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.

The Ayco Company, L.P.

Notes to the Balance Sheet

11. Related Party Transactions

In 2019, 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 9. At December 2019, amounts due from affiliates, include a loan receivable from affiliate in the amount of \$187,623,674. The interest on the loan receivable is based on prevailing market rates, computed at an internal cost of funds (3.24% at December 2019) and is payable on demand. The carrying value of the loan approximates fair value. In addition, \$121,000,000 was paid to Group Inc. in equity distributions during 2019.

12. Disclosure About Fair Value of Financial Instruments

Financial instruments, other than those discussed in Note 11, mainly consist of accounts receivable. 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 instruments is observable. The carrying amount of accounts receivable approximates fair value due to the short-term nature of the instruments.

13. Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally and continued into the first quarter. The extent of the impact of COVID-19 on the Partnership's operational and financial performance, or that of Group Inc., will depend on future developments, including the duration and continued spread of the outbreak. Management is unable to estimate the projected impact, based on currently available information; however, it is possible that the outcomes could be material.

The Partnership evaluated subsequent events through March 20, 2020, the date the balance sheet was issued, and determined that there were no other material events or transactions that would require recognition or additional disclosure in the balance sheet.