

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

HARVEY A. LAPIN, Individually, and On Behalf  
of All Others Similarly Situated,

Plaintiff,

-against-

GOLDMAN, SACHS & CO., and  
GOLDMAN SACHS GROUP, INC.,

Defendants.

04 Civ. 02236 (RJS)

**NOTICE OF PROPOSED SETTLEMENT OF CLASS  
ACTION, MOTION FOR ATTORNEYS' FEES AND  
SETTLEMENT FAIRNESS HEARING**

IF YOU PURCHASED OR ACQUIRED THE GOLDMAN SACHS GROUP, INC. COMMON STOCK BETWEEN JULY 1, 1999 AND MAY 7, 2002, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.

*A federal court authorized this Notice. This is not a solicitation from a lawyer.*

Your legal rights are affected whether you act, or don't act.  
Read this Notice carefully.

**Security and Time Period:** The Goldman Sachs Group, Inc. ("GS Group") common stock (stock symbol: GS; cusip no: 38141G104) purchased or acquired between July 1, 1999 and May 7, 2002 (the "Class Period"). During the Class Period, the stock symbol for GS Group on the New York Stock Exchange was "GS".

**Settlement Fund:** \$29,000,000 in cash. Your recovery will depend on the number of shares of GS Group common stock you, and other Class Members who file claims, purchased and sold and the prices at which you, and the other Class Members who file claims, purchased and sold those shares. The estimated average recovery per share of common stock, based on the 230,500,000 GS Group common shares which were available to be traded during the Class Period, will be approximately \$0.126 per share before deduction of Court-approved fees and expenses and costs of notice and claims administration. The number of shares claimed in the Settlement is likely to be different than 230,500,000 shares because some Class Members may not file claims on shares they purchased during the Class Period, and certain shares may have traded more than once during the Class Period and more than one Class Member may file claims on those shares.

**Reasons for Settlement:** This action (the "Action") arises from investigations, announced in April 2002, by government entities into the independence of the firm's research analysts. The Plaintiff alleges that, during the Class Period, GS Group's stock price was artificially inflated as a result of untrue or materially misleading statements concerning the research activities of Goldman, Sachs & Co. ("Goldman Sachs"), including statements about the objectivity and independence of the firm's investment research. Plaintiff further contends that Defendants made these statements knowing them to be false or misleading, or recklessly disregarding their false or misleading nature, and that investors suffered injury as a result of the alleged inflation. The case has been litigated since July 2003, for almost 7 years. Dispositive pre-trial summary judgment and other motions were to be filed on June 15, 2010. The Lead Plaintiff and Lead Counsel believe that the Settlement provides the Class with a benefit now instead of years of further uncertain litigation, including disposition of the summary judgment motions, a contested trial and likely appeals, with the possibility of no recovery at all.

The Defendants have denied and continue to deny each and all of the claims and contentions alleged in the Second Amended Class Action Complaint and believe that they have meritorious defenses to those claims and contentions. The Settlement shall in no event be construed as, or deemed to be evidence of, an admission or concession by any of Defendants with respect to any claim of any fault or liability or wrongdoing or damage to the Class Members in this Action.

Nevertheless, Defendants have concluded that further defense of the Action would be protracted and expensive, and also have taken into account the uncertainty, risks and distractions inherent in any litigation.

**If the Case Had Not Settled:** The Settlement must be compared to the risk of no recovery after contested dispositive motions, trial and likely appeals. A trial is a risky proposition and Lead Plaintiff may not prevail. The claims in the Action involve numerous complex legal and factual issues, many of which would require expert testimony. The Parties disagree on most key issues affecting liability in the Action, including (1) whether Defendants made any materially false or misleading statements during the Class Period, (2) in the event that Plaintiff can establish that Defendants made any false or misleading statements, whether Plaintiff can also prove that Defendants acted with scienter in so doing, and (3) the impact, if any, that any alleged false or misleading statements had on the market price of GS Group common stock during the relevant period. The Parties also disagree on the amount of damages that Class Members could have recovered in the event that Lead Plaintiff were to establish liability at trial. Among the issues on which the Parties disagree are (1) whether the Class must prove that GS Group's common stock price increased in response to the alleged false or misleading statements, (2) whether Plaintiff must and can demonstrate that there were corrective disclosures at the end of the Class Period that revealed the inaccuracy of Defendants' prior statements, (3) whether Plaintiff can demonstrate that the price of GS Group common stock declined in a statistically significant manner in response to the alleged corrective disclosures of the alleged fraud, and (4) whether any such declines can be attributed to factors that are unrelated to the claims in this Action. Lead Plaintiff believes that, if

the Class were to establish liability, and if the Class were to prevail at trial on all of the issues on which the Parties disagree with respect to damages, the average amount of damages per share (depending on the prices and dates at which the shares were purchased and sold) would be \$3.88. Defendants believe that no liability would be established and that the Class would not be entitled to any damages in this Action even if liability were proven. The Parties also continue to disagree on previous rulings in the Action, which could be subject to review on an appeal, including (1) whether Plaintiff's claims are barred by the statute of limitations, and (2) whether a class was properly certified in this Action.

**Attorneys' Fees and Expenses:** Lead Counsel have not received any payment for their work or expenses incurred in investigating the facts, conducting this litigation and negotiating the Settlement on behalf of the Lead Plaintiff and the Class. Lead Counsel will ask the Court for attorneys' fees not to exceed one-third (1/3) of the Settlement Fund and expenses not to exceed \$1,050,000 to be paid from the Settlement Fund. Lead Plaintiff will also request reimbursement of his actual costs and expenses (including lost wages) directly related to his representation of the Class, not to exceed \$12,400.

If the above amounts are requested and approved by the Court, the average cost per share of common stock (based on the estimated 230,500,000 damaged GS Group shares) will be approximately \$0.046 per share, making the estimated recovery per share after fees and expenses \$0.079.

**Dismissal and Releases:** If the proposed Settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice (the "Judgment"). The Judgment will dismiss the Released Claims with prejudice as to the Released Persons, which include the Defendants and their Related Parties (including, but not limited to, their parents, subsidiaries and affiliates, and all of their employees, directors and officers). The Judgment will provide that all Class Members shall be deemed to have released and forever discharged all Released Claims (to the extent Members of the Class have such claims) against all Released Persons. The terms of the releases, including the meaning of the term "Released Claims," are set forth in the Proof of Claim and Release form that is enclosed.

**Deadlines:**

Submit Claim:	January 14, 2011
File Objection:	November 24, 2010
Request Exclusion	November 24, 2010
<b>Court Hearing on Fairness of Settlement:</b>	December 15, 2010 at 4:30 p.m.

**More Information:** [www.gardencitygroup.com](http://www.gardencitygroup.com)

Claims Administrator:	Lead Counsel:
<i>Goldman Sachs Securities Litigation</i>	Peter A. Binkow, Esq.
Claims Administrator	Glancy Binkow & Goldberg LLP
c/o The Garden City Group, Inc.	1801 Avenue of the Stars #311
P.O. Box 9652	Los Angeles, California 90067
Dublin, OH 43017-4952	(310) 201-9150
1-866-682-1768	settlements@glancylaw.com

- Your legal rights are affected whether you act, or don't act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
<b>SUBMIT A CLAIM</b>	The only way to receive a payment.
<b>OBJECT</b>	You may write to the Court if you do not like this Settlement.
<b>EXCLUDE YOURSELF</b>	Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants relating to the class claims being released in this case.
<b>GO TO A HEARING</b>	You may ask to speak in Court about the fairness of the Settlement.
<b>DO NOTHING</b>	Receive no payment.

- Unless you timely request exclusion from the Class, or unless the Court rejects the proposed Settlement, you are bound by the Settlement Agreement and its Release, whether or not you submit a claim.
- These rights and options — **and the deadlines to exercise them** — are explained in this Notice.
- The Court presiding over this case must decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

## WHAT THIS NOTICE CONTAINS

### BASIC INFORMATION

1. Why did I receive this notice package? .....	3
2. What is this Action about? .....	3
3. Why is this a class action? .....	4
4. Why is there a Settlement? .....	4

### WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the Settlement? .....	4
6. What are the exceptions to being included? .....	4
7. I'm still not sure if I'm included. ....	4

### THE SETTLEMENT BENEFITS – WHAT YOU GET

8. What does the Settlement provide? .....	4
9. How much will my payment be? .....	4

### HOW YOU OBTAIN A PAYMENT – SUBMITTING A CLAIM FORM

10. How will I obtain a payment? .....	4
11. When will I receive my payment? .....	5
12. What am I giving up to receive a payment? .....	5

### EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT

13. How Do I Get Out of the Class? .....	5
14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later? .....	5
15. If I Exclude Myself, Can I Receive Money from the Class Action Settlement? .....	5

### THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case? .....	5
17. How will the lawyers be paid? .....	5

### OBJECTING TO THE SETTLEMENT

18. How do I tell the Court that I do not like the Settlement? .....	6
--	---

### THE COURT'S SETTLEMENT HEARING

19. When and where will the Court decide whether to approve the Settlement? .....	6
20. Do I have to come to the hearing? .....	6
21. May I speak at the hearing? .....	6

### IF YOU DO NOTHING

22. What happens if I do nothing at all? .....	6
--	---

### GETTING MORE INFORMATION

23. Are there more details about the Settlement? .....	7
--	---

UNDERSTANDING YOUR PAYMENT .....	7
----------------------------------	---

## BASIC INFORMATION

### 1. Why Did I Receive This Notice Package?

You or someone in your family may have purchased or acquired GS Group common stock between July 1, 1999 and May 7, 2002.

This Notice was sent because you have a right to know about a proposed Settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments to those persons who timely submit claims in the manner described below.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Southern District of New York, and the case is known as *Lapin v. Goldman, Sachs & Co., et al.*, Civil Action No. 04-CV-02236. Harvey Lapin, who brought this action, is called Lead Plaintiff, and the companies he sued, Goldman Sachs and GS Group, are collectively called the Defendants. The Parties include Lead Plaintiff and the Defendants.

### 2. What Is This Action About?

This Action alleges violations of the Federal Securities Laws (specifically, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder) against GS Group and Goldman Sachs.

GS Group is a publicly traded bank and financial holding company based in New York, NY. Goldman Sachs is the firm's principal U.S. broker-dealer and investment bank. During the Class Period, GS Group common stock traded on the New York Stock Exchange (NYSE) under the ticker symbol "GS."

The Plaintiff alleges that, during the Class Period, GS Group's stock price was artificially inflated as a result of untrue or materially misleading statements concerning Goldman Sachs' research activities, including statements about the objectivity and independence of the firm's investment research. Plaintiff further contends that Defendants made these statements knowing them to be false or misleading, or recklessly disregarding their false or misleading natures, and that investors suffered injury as a result of the alleged inflation.

### **3. Why Is This a Class Action?**

Class actions are generally used in lawsuits that affect a large number of individuals; in effect, the class action operates to consolidate into a single action all of the claims of individuals allegedly harmed by the same conduct or course of conduct, thus alleviating the need for members of the class to file their own individual lawsuits to recover for the harm alleged. Once the class is certified, the Court is empowered to resolve all issues on behalf of members of the class, except for those members of the class, if any, who specifically choose to exclude themselves from the Class.

The Action was certified as a class action on behalf of all purchasers of GS Group common stock during the Class Period, other than Defendants and certain persons affiliated with them, pursuant to an Order dated September 15, 2008. All Class Period purchasers of GS Group common stock are Members of the Class, except those persons who timely file a request for exclusion by November 24, 2010. All persons who do not timely exclude themselves from the Class will be bound by the proposed Settlement and its accompanying Release.

### **4. Why Is There a Settlement?**

The Court did not decide in favor of Plaintiff or Defendants. Instead, both sides agreed to a Settlement. This permits them to avoid the cost and uncertainty of a trial, and permits eligible Class Members who submit valid claims to receive compensation. The Lead Plaintiff and his attorneys believe the Settlement is best for all Class Members. The Defendants have concluded that further defense of the Action would be protracted and expensive, and also have taken into account the uncertainty, risks and distractions inherent in any litigation, especially in a complex case such as the Action.

#### **WHO IS IN THE SETTLEMENT**

To see if you will receive money from this Settlement, you first have to determine if you are a Class Member.

### **5. How Do I Know if I Am Part of the Settlement?**

The Class includes **all persons or entities who purchased or acquired shares of GS Group common stock between July 1, 1999 and May 7, 2002.**

### **6. What Are the Exceptions to Being Included?**

You are not a Class Member if you are a Defendant, an officer or director of GS Group or Goldman Sachs, members of their immediate families, and the heirs, successors or assigns of any of the foregoing.

### **7. I'm Still Not Sure if I Am Included.**

If you are still not sure whether you are included, you can ask for free help. You can call Peter A. Binkow of Glancy Binkow & Goldberg LLP at 1-888-773-9224 for more information. Or you can fill out and return the claim form described in question 10, to see if you qualify.

#### **THE SETTLEMENT BENEFITS — WHAT YOU GET**

### **8. What Does the Settlement Provide?**

The Settlement will result in a fund of \$29 million in cash. The balance of this fund after payment of Court-approved attorneys' fees and expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing the newspaper notice (the "Net Settlement Fund"), will be divided among all eligible Class Members who send in valid claim forms.

### **9. How Much Will My Payment Be?**

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members send in, the number of GS Group common shares you purchased or acquired during the relevant period, and the timing of your purchases and sales.

You can calculate your Recognized Claim in accordance with the formula shown below in the Plan of Allocation. After all Class Members have sent in their Proof of Claim and Release forms, the payment you receive will reflect your Recognized Claim in relation to the Recognized Claims of all persons submitting Claim Forms. The Recognized Claim is not the amount of the payment that you can expect, but is used to determine how the Net Settlement Fund is allocated among all persons submitting claims.

#### **HOW YOU OBTAIN A PAYMENT — SUBMITTING A CLAIM FORM**

### **10. How Will I Obtain a Payment?**

To qualify for payment, you must be an eligible Class Member, send in a valid Proof of Claim and Release form, and properly document your claim as requested in the Claim Form. A Proof of Claim and Release form is enclosed with this Notice. You may also get a Proof of Claim and Release form on the internet at [www.GardenCityGroup.com](http://www.GardenCityGroup.com). Read the instructions carefully, fill out the Proof of Claim and Release form, include the documents the form asks for, sign it, and mail it postmarked no later than January 14, 2011.

**11. When Will I Receive My Payment?**

The Court will hold a hearing on December 15, 2010, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. Even if no appeals are filed, it will take several months for the Claims Administrator to process all of the Proof of Claim and Release forms and determine the ultimate distribution amounts.

**12. What Am I Giving Up to Receive a Payment?**

As a Class Member, you will not be giving up any rights that you currently have by submitting a Proof of Claim and Release form to receive a payment. Unless you timely exclude yourself from the Class by the November 24, 2010 deadline, you are a Member of the Class and will be bound by the Release of claims against the Defendants. That means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants about the Released Claims in this case. It also means that all of the Court's Orders will apply to you and legally bind you and you will release your claims in this case against the Defendants. The terms of the Release are included in the claim form that is enclosed.

**EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT**

If you do not want a payment from the class action Settlement, but you want to keep the right to sue or continue to sue the Defendants on your own for the Released Claims in the class action then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as opting out of the Class.

**13. How Do I Get Out of the Class?**

To exclude yourself from the Class, you must send a letter by mail stating that you want to be excluded from *Lapin v. Goldman, Sachs & Co., et al.*, Civil Action No. 04-CV-02236. You must include your name, address, telephone number, your signature, and the number of shares of GS Group common stock you purchased between July 1, 1999 and May 7, 2002, the number of shares sold during this time period, if any, and the dates of such purchases and/or sales. You must mail your exclusion request postmarked no later than November 24, 2010 to:

*Goldman Sachs Securities Litigation*  
Claims Administrator  
c/o The Garden City Group, Inc.  
P.O. Box 9652  
Dublin, OH 43017-4952  
1-866-682-1768

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any settlement payment, and you cannot object to the class action Settlement. You will not be legally bound by anything that happens in the class action lawsuit.

**14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?**

No. Unless you exclude yourself from the Class, you give up any right to sue the Defendants or their Released Persons for the Released Claims in the class action Settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is November 24, 2010.

**15. If I Exclude Myself, Can I Receive Money from the Class Action Settlement?**

No. If you exclude yourself, do not send in a Claim Form. But, you may sue, continue to sue, or be part of a different lawsuit involving the Released Claims against the Defendants.

**THE LAWYERS REPRESENTING YOU**

**16. Do I Have a Lawyer in This Case?**

The Court appointed the law firms of Glancy Binkow & Goldberg LLP and Kirby McInerney LLP to represent you and other Class Members. These lawyers are called Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

**17. How Will the Lawyers Be Paid?**

Lead Counsel will ask the Court for attorneys' fees of up to one-third of the Settlement Fund and for expenses up to \$1,050,000, which were advanced in connection with the Action. Lead Plaintiff will also request reimbursement of his actual costs and expenses (including lost wages) directly related to his representation of the Class, not to exceed \$12,400. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. Since the case began in 2003, Lead

Counsel have conducted all of the investigation, document review, depositions, briefing and motions practice necessary to prepare the case for trial, and employed experts to testify on behalf of the Class. To date, Lead Counsel have not been paid for their services in conducting this litigation on behalf of the Lead Plaintiff and the Class, nor for their substantial expenses. Lead Counsel have expended to date more than 28,000 hours of attorney and paralegal time in prosecuting the Class's claims and have incurred almost \$1,000,000 in out of pocket expenses in prosecuting the Action. The fee requested will compensate Lead Counsel for their work in achieving the Settlement Fund.

Lead Counsel shall file a formal motion with the District Court for approval of the Settlement, the Plan of Allocation, and the request for attorneys' fees and reimbursement of expenses not later than 35 days prior to the Settlement Hearing. That motion will argue that Lead Counsel's requested fees are well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court determines what counsel should receive from the Settlement Fund for fees and expenses, and may award less than this amount.

## **OBJECTING TO THE SETTLEMENT**

You can tell the Court that you do not agree with the Settlement or some part of it.

### **18. How Do I Tell the Court that I Do Not Like the Settlement?**

If you are a Class Member, you can object to the Settlement if you do not like any part of it, including the Plan of Allocation and the request for attorneys' fees. You can state the reasons why you think the Court should not approve it, and the Court will consider your views. To object, you must send a letter saying that you object to the Settlement in *Lapin v. Goldman, Sachs & Co., et al.*, Civil Action No. 04-CV-02236. Be sure to include your name, address, telephone number, your signature, the number of shares of GS Group common stock purchased and/or acquired between July 1, 1999 and May 7, 2002, and the reasons you object. Any objection must be mailed or delivered such that it is received by *each* of the following no later than, November 24, 2010:

<i>Court:</i>	<i>Lead Counsel Designee:</i>	<i>Defendants' Counsel Designee:</i>
Clerk of the Court UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK Daniel Patrick Moynihan U.S. Courthouse 500 Pearl Street New York, NY 10007-1312	Peter A. Binkow, Esq. Glancy Binkow & Goldberg LLP 1801 Avenue of the Stars #311 Los Angeles, California 90067 (310) 201-9150	Stephanie G. Wheeler, Esq. Sullivan & Cromwell LLP 125 Broad Street New York, New York 10004 (212) 558-4000

## **THE COURT'S SETTLEMENT HEARING**

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but you do not have to.

### **19. When and Where Will the Court Decide Whether to Approve the Settlement?**

The Court will hold a Settlement Hearing at 4:30 p.m., on December 15, 2010, at the Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, Courtroom 21C, New York, New York, 10007. At this hearing the Court will consider whether the Settlement is fair, reasonable and adequate. If there are objections, the Court will consider them. The Court will also consider how much to pay to Lead Counsel and whether the Plan of Allocation is fair, reasonable and adequate. The Court may decide these issues at the hearing or take them under consideration for a later decision.

### **20. Do I Have to Come to the Hearing?**

No. Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

### **21. May I Speak at the Hearing?**

You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter saying that it is your intention to appear in *Lapin v. Goldman, Sachs & Co., et al.*, Civil Action No. 04-CV-02236. Be sure to include your name, address, telephone number, your signature, and the number of shares of GS Group common stock purchased or acquired between July 1, 1999 and May 7, 2002. Your notice of intention to appear must be received no later than November 24, 2010, by the Clerk of the Court, Lead Counsel Designee and Defendants' Counsel Designee, at the three addresses listed in question 18.

## **IF YOU DO NOTHING**

### **22. What Happens if I Do Nothing at All?**

If you do nothing, all of your claims against the Defendants will be released, but you will not receive any money from this Settlement because it is necessary to submit a Proof of Claim and Release form.

## GETTING MORE INFORMATION

### 23. Are There More Details About the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Settlement Agreement dated as of July 12, 2010. You can obtain a copy of the Settlement Agreement or more information about the Settlement by contacting Lead Counsel:

Peter A. Binkow, Esq.  
Glancy Binkow & Goldberg LLP  
1801 Avenue of the Stars, #311  
Los Angeles, California 90067  
settlements@glancylaw.com  
1-888-773-9224

or the Claims Administrator:  
  
*Goldman Sachs Securities Litigation*  
Claims Administrator  
c/o The Garden City Group, Inc.  
P.O. Box 9652  
Dublin, OH 43017-4952  
1-866-682-1768

or by visiting [www.gardencitygroup.com](http://www.gardencitygroup.com)

You can also obtain a copy from the Clerk's office during regular business hours:

Clerk of the Court  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
Daniel P. Moynihan U.S. Courthouse  
500 Pearl Street  
New York, New York 10007-1312

## UNDERSTANDING YOUR PAYMENT

The Net Settlement Fund shall be distributed to Class Members who submit acceptable Proofs of Claim ("Authorized Claimants") in the following manner:

- a. The Claims Administrator shall determine each Authorized Claimant's share of the Net Settlement Fund based upon the recognized loss formula (the "Recognized Loss") described below. The Recognized Loss formula is intended to equitably apportion the Net Settlement Fund among Class Members. The Recognized Loss formula is not an estimate of what a Class Member would have recovered after trial; nor is it the amount that the Authorized Claimant will be paid pursuant to the Settlement.
- b. A Class Member's actual share of the Net Settlement Fund will be determined by the ratio of the Class Member's Recognized Loss divided by the aggregate of the Recognized Loss of all Class Members.
- c. This Plan of Allocation is based on the following principles applicable to Class Members if the Action had gone to trial:
  - i. Lead Plaintiff asserted claims pursuant to Section 10(b) of the Securities Exchange Act of 1934 ("Section 10(b)"). Damages under Section 10(b) are calculated, among other things, by determining the stock price drop caused by the disclosure of information correcting prior materially false and misleading statements or reflecting materializations of risks which were a foreseeable consequence of the alleged concealment. Lead Plaintiff contended in the Action, among other things, that the first corrective disclosure or materialization of the risk of materially false and misleading statements complained of occurred on April 10, 2002.
- d. Accordingly, a Class Member's Recognized Loss shall be the lesser of:

For shares of GS Group common stock purchased between July 1, 1999 and May 7, 2002:

A. For shares sold between July 1, 1999 and May 7, 2002, the Recognized Loss shall be that number of shares multiplied by the lesser of:

- (1) the applicable purchase date artificial inflation per share figure less the applicable sales date artificial inflation per share figure, as found in Table A; or
- (2) the difference between the purchase price per share and the sales price.

B. For shares sold between May 8, 2002 and August 5, 2002, the Recognized Loss shall be the lesser of:

- (1) the applicable purchase date artificial inflation per share figure, as found in Table A; or
- (2) the difference between the purchase price per share and the average closing price of GS Group common stock between May 8, 2002 and the date of sale.<sup>1</sup>

C. For shares held at the end of trading on August 5, 2002, the Recognized Loss shall be that number of shares multiplied by the lesser of:

- (1) the applicable purchase date artificial inflation per share figure, as found in Table A; or

<sup>1</sup> Pursuant to Section 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff's damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security."

- (2) the difference between the purchase price per share and \$74.117.<sup>2</sup>

Table A	
<u>Purchase or Sale Date Range</u>	<u>Artificial Inflation Per Share</u>
07/01/1999 – 04/09/2002	\$4.365
04/10/2002	\$3.365
04/11/2002 – 04/22/2002	\$2.070
04/23/2002	\$0.451
04/24/2002 – 05/07/2002	\$0.283

- e. A purchase or sale of GS Group common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date.
- f. The receipt or grant by gift, devise or operation of law of GS Group common stock during the Class Period shall not be deemed a purchase or sale of GS Group shares for the calculation of an Authorized Claimant’s Recognized Loss nor shall it be deemed an assignment of any claim relating to the purchase of such securities. The grantor of the gift or devise, who purchased GS Group common stock during the Class Period, shall retain the right to file a claim in this Action unless that right to file a claim was specifically transferred in the instrument of gift or assignment.
- g. The receipt of GS Group common stock during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of GS Group common stock.
- h. Any gains on sales of GS Group common stock shall be offset against losses in calculating the Recognized Loss. To the extent a Claimant had an overall gain from transactions in GS Group common stock during the Class Period, the value of the Recognized Loss will be zero.
- i. No Authorized Claimant whose proportionate share of the Net Settlement Fund is less than \$20.00 shall receive a distribution from the Net Settlement Fund. Rather, that Claimant’s proportionate share of the Net Settlement Fund shall be redistributed among all remaining Authorized Claimants.
- j. Class Members who do not submit a timely request for exclusion and do not submit an acceptable Proof of Claim by the deadline for submitting claims, will not share in the recovery, but nevertheless will be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action.
- k. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement.

**DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE  
SPECIAL NOTICE TO NOMINEES**

The Court has ordered that if you held any GS Group common stock purchased or acquired between July 1, 1999 and May 7, 2002 as nominee for a beneficial owner, then, within twenty (20) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

*Goldman Sachs Securities Litigation*  
Claims Administrator  
c/o The Garden City Group, Inc.  
P.O. Box 9652  
Dublin, OH 43017-4952  
1-866-682-1768

If you choose to mail the Notice and Proof of Claim and Release yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for administrative costs actually incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

<sup>2</sup> Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated.” \$74.117 was the mean closing price of GS Group common stock during the 90-day period beginning on May 8, 2002 and ending on August 5, 2002.