

B. Riley Financial, Inc.
Form 10-K/A
April 30, 2015

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K/A

(Mark
One)
x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

or
.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000-54010

B. RILEY FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

27-0223495
(I.R.S. Employer Identification No.)

21860 Burbank Boulevard, Suite 300 South

Woodland Hills, CA

(Address of Principal Executive Offices)

91367

(Zip Code)

(818) 884-3737

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.0001 per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes:
No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes:
No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes: No

The aggregate market value of the registrant's common stock held by non-affiliates, based on the closing price of the registrant's common stock as reported on the OTC Bulletin Board on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$44.9 million. For purposes of this calculation, it has been assumed that all shares of the registrant's common stock held by directors, executive officers and shareholders beneficially owning five percent or more of the registrant's common stock are held by affiliates. The treatment of these persons as affiliates for purposes of this calculation is not conclusive as to whether such persons are, in fact, affiliates of the registrant.

The number of shares outstanding of the registrant's Common Stock as of April 25, 2015 was 16,301,940.

EXPLANATORY NOTE

The undersigned registrant hereby amends in its entirety Part III of its Annual Report on Form 10-K for the fiscal year ended December 31, 2014 as set forth in the pages attached hereto. This Form 10-K/A does not reflect events occurring after the filing of the original Annual Report on Form 10-K and, other than the amendment described above, does not modify or update the disclosures in the original Annual Report on Form 10-K in any way.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We previously had a classified board of directors (the “Board”) whereby the directors were elected to serve for three-year terms that were staggered into three classes. At our 2014 annual meeting of stockholders, the stockholders of the Company approved an amendment to the Company’s Certificate of Incorporation (the “Charter Amendment”), which phases out such three-year, staggered terms and instead provides for the annual election of directors. The Charter Amendment became effective upon its filing with the Secretary of State of the State of Delaware on October 7, 2014. Andrew Gumaer and Matthew J. Hart will serve as directors until our annual meeting of stockholders to be held in 2015, Bryant R. Riley will serve as a director until our annual meeting of stockholders to be held in 2016, and Hugh G. Hilton and Richard L. Todaro will serve as directors until the annual meetings of stockholders to be held in 2017, or until their respective successors are duly elected and qualified. The following table provides the name, age and position(s) of each of our directors as of April 30, 2015:

Name	Age	Committees
Bryant R. Riley	48	None
Andrew Gumaer	54	None
Matthew J. Hart	63	Audit Committee*, Compensation Committee, Corporate Governance Committee*
Hugh G. Hilton	64	Audit Committee, Compensation Committee*, Corporate Governance Committee
Richard L. Todaro	43	Audit Committee

*Chairman
of the
respective
committee.

Bryant R. Riley has served as our Chief Executive Officer and Chairman since the initial closing of the acquisition of B. Riley & Co., LLC and certain related entities in June 2014 (the “BRC Acquisition”) and as a director since August

2009. Mr. Riley also serves as the Chairman and Chief Executive Officer of B. Riley & Co., LLC, and Chief Executive Officer of B. Riley Capital Management, LLC, wholly owned subsidiaries of the Company. Mr. Riley has served as Chairman and Chief Executive Officer of B. Riley & Co., LLC since founding the stock brokerage firm in 1997. He has served as Chief Executive Officer of B. Riley Capital Management, LLC since April 2015. He also previously served on the boards of Aldila, Inc. from 2003 to February 2010, Alliance Semiconductor Corp. from July 2005 to February 2012, Cadiz Inc. from April 2013 to June 2014, DDI Corp. from May 2007 to May of 2012, National Holdings Corporation from April 2012 to October 2012, Strasbaugh from July 2010 to August 2013, STR Holdings, Inc. from March 2014 to August 2014, and Trans World Entertainment Corp. from January 2009 to July 2012. He also served on the board of directors for several private companies. Mr. Riley received his B.S. in Finance from Lehigh University. Mr. Riley's experience and expertise in the investment banking industry provides our Board with valuable insight into the capital markets. Mr. Riley's extensive experience serving on other public company boards is an important resource for our Board.

Andrew Gumaer has served as the Chief Executive Officer of Great American Group, LLC ("GAG, LLC"), a wholly owned subsidiary of the Company, since we acquired such entity in July 2009 and as a director of the Company since July 2009. Mr. Gumaer also served as our Chief Executive Officer from July 2009 until the initial closing of the BRC Acquisition in June 2014, and as our Chairman from March 2012 until June 2014. Prior to July 2009, Mr. Gumaer was a co-founder of GAG, LLC, had served as GAG, LLC's Chief Executive Officer since May 2007 and previously served as GAG, LLC's President from June 2006 to May 2007. Prior to assuming such role, Mr. Gumaer was the President of The Pride Capital Group, LLC, predecessor in interest to GAG, LLC, from 2002 to May 2006. Mr. Gumaer also served as the Senior Vice President of Garcel, Inc. from 1997 to 2002 and as a Senior Vice President with the investment banking firm Drexel Burnham Lambert prior to his service with Garcel, Inc. Mr. Gumaer's in depth knowledge of our business and operations, his experience in the investment banking industry, and leadership as GAG, LLC's Chief Executive Officer and/or President since 2006 positions him well to serve as a member of our Board.

Matthew J. Hart has served as a director since July 2009. Mr. Hart was President and Chief Operating Officer of Hilton Hotels Corporation, referred to herein as Hilton, from May 2004 until the buyout of Hilton by a private equity firm in October 2007. Mr. Hart also served as Executive Vice President and Chief Financial Officer of Hilton from 1996 to 2004. Prior to joining Hilton in 1996, Mr. Hart was Senior Vice President and Treasurer of The Walt Disney Company and was Executive Vice President and Chief Financial Officer for Host Marriot Corp. Mr. Hart received his Bachelor of Arts in Economics and Sociology from Vanderbilt University in 1974 and earned a Master of Business Administration in Finance and Marketing from Columbia University in 1976. Mr. Hart currently serves on the board of directors of American Airlines, Air Lease Corporation and American Homes 4 Rent. Mr. Hart formerly served on the board of directors of Kilroy Realty Corp. from 1997 to 2007 and America West Holdings Corp. from 2005 to 2006. Mr. Hart's extensive experience and expertise with public companies is well suited for his role as the designated financial expert and chairman of our Audit Committee. He also brings extensive experience serving on other public company boards which provide important resources in his service on our Board.

Hugh G. Hilton has served as a director since July 2009. Mr. Hilton has served as the Chief Executive Officer of Alvarez & Marsal Capital Real Estate, LLC, which he co-founded in December 2008, the real estate and investment management arm of Alvarez & Marsal. From 2003 to December 2008, Mr. Hilton served as the founding Managing Director of Catalyst, LLC, a restructuring and turnaround firm. Mr. Hilton has been involved in over 25 corporate restructuring and turnaround engagements, during which he provided financial advisory services and/or filled interim senior management roles, such as Chairman, Chief Executive Officer, President, and/or Chief Restructuring Officer at both public and private middle market companies. Prior to 2003, Mr. Hilton served as a Managing Director of Alvarez & Marsal, President of HVK, Inc., President First Interstate Bancorp's real estate fund advisory arm, and Vice President of BankAmerica Investment Real Estate. Mr. Hilton holds a Bachelor of Business Administration and a Master of Business Administration from the University of Michigan as well as a Juris Doctor from the University of Colorado. Mr. Hilton is a member of the American Bankruptcy Institute. Mr. Hilton's financial experience and expertise in the real estate and restructuring industries is particularly relevant to the Board as we expand our current service offerings. He provides the Board with important insight into corporate restructuring.

Richard L. Todaro, CFA, has served as a director since July 2014. Mr. Todaro is President of Todaro Capital. Mr. Todaro previously spent 20 years at Kennedy Capital Management, managing the Small Cap Growth portfolio there for the past 10 years. He held several positions at Kennedy Capital Management, including Analyst, Assistant Director of Research, Assistant Portfolio Manager, Portfolio Manager, and Vice President and served as a member of its board of directors. Mr. Todaro spent three years as a board member of the University of Missouri – St. Louis Finance Department. He currently serves as an advisory board member for Gateway Greening. Mr. Todaro also served in the Air National Guard as a staff sergeant from 1991 to 1997. Mr. Todaro received a BSBA in Finance from the University of Missouri – St. Louis and a Master of Finance degree from Saint Louis University. Mr. Todaro has also passed the Uniform Investment Advisor Law examination. Mr. Todaro's financial experience and expertise in the asset management industry provides our Board valuable insight into the capital markets industry.

Executive Officers

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Executive officers are elected by our Board and serve at its discretion. There are no family relationships between any director or executive officer and any other directors or executive officers. Set forth below is information regarding our executive officers as of April 30, 2015.

Name	Position	Age
Bryant R. Riley	Chairman and Chief Executive Officer	48
Thomas J. Kelleher	President	47
Phillip J. Ahn	Chief Financial Officer and Chief Operating Officer	45
Andrew Gumaer	Chief Executive Officer of GAG, LLC	54

Messrs. Riley and Gumaer's biographical information is included with those of the other members of our Board.

Thomas J. Kelleher has served as our President since August 2014. Mr. Kelleher also serves as Chief Executive Officer of our wholly owned subsidiary B. Riley & Co., LLC. Prior to our acquisition of such entity in June 2014, Mr. Kelleher served as Chief Executive Officer of B. Riley & Co., LLC since 2006. From 1997 to 2006, Mr. Kelleher held other senior management positions with B. Riley & Co., LLC, including Chief Financial Officer and Chief Compliance Officer. He received his Bachelor of Science in Mechanical Engineering from Lehigh University.

Phillip J. Ahn has served as our Chief Financial Officer and Chief Operating Officer since April 2013 and previously served as our Senior Vice President, Strategy and Corporate Development from February 2010 to April 2013. Prior to joining the Company, Mr. Ahn served as Vice President of Altpoint Capital Partners from June 2009 to February 2010 and as Vice President of Stone Tower Equity Partners from June 2007 to June 2009. Prior to 2007, Mr. Ahn served as Senior Investment Officer at the NY State Common Retirement Fund and also held investment banking positions at both Salomon Smith Barney and CIBC World Markets. Prior to starting his investment banking career, Mr. Ahn was a research analyst at Standard & Poor's J.J. Kenny division. Mr. Ahn received his Bachelor of Arts in Economics from the University of Michigan in 1992 and his MBA in Finance from Columbia University in 1997, graduating with Beta Gamma Sigma honors. Mr. Ahn is a CFA charterholder and member of the NY Society of Security Analysts.

Significant Employees

Set forth below is information regarding our significant employees as of April 30, 2015.

Name	Position	Age
Scott K. Carpenter	Executive Vice President, Retail Services	59
Lester M. Friedman	Managing Director, Great American Group Advisory and Valuation Services, LLC	55
Howard E. Weitzman	Senior Vice President, Chief Accounting Officer	53

Scott K. Carpenter has served as our Executive Vice President, Retail Services since July 2009 and as GAG, LLC's Executive Vice President and Director of Operations, Retail Services since June 2006. Prior to assuming his current responsibilities, Mr. Carpenter was the Senior Vice President of Operations of The Pride Capital Group, LLC, predecessor in interest to GAG, LLC, from 2001 to May 2006 and the Vice President of Operations of Garcel, Inc. from 1997 to 2000. From 1995 to 1997, Mr. Carpenter was responsible for operations in 155 Office Depot stores in 17 states as Regional Operations Manager. Prior to his service with Office Depot, Mr. Carpenter served as a Buyer and as Director of Store Operations of Hechinger stores in both domestic and international operations from 1987 to 1995. Mr. Carpenter also previously worked for Booz, Allen and Hamilton and McDonnell Aircraft Company. Mr. Carpenter received his Bachelor of Science in Economics from George Mason University in 1978 and earned a Master of Arts from George Mason University in 1982. As a result of the BRC Acquisition, our Board has determined that, effective as of October 2014, Mr. Carpenter no longer satisfies the requirements to be deemed an executive officer as that term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended.

Lester M. Friedman is founder and Managing Director of Great American Advisory and Valuation Services, LLC since April 2009 and previously served as the Chief Executive Officer of Great American Advisory and Valuation Services, LLC from 2002 to April 2009 and as the Chief Operating Officer of such entity from 2000 to 2002. Prior to assuming his current responsibilities, Mr. Friedman was the Chief Operating Officer of the Garcel, Inc. Appraisal Division from 1996 to 2000 and the Chief Financial Officer of Garcel, Inc. from 1994 to 1996. Mr. Friedman was also the Controller and Director of Inventory Appraisal and Valuations for Gordon Brothers Partners. Mr. Friedman received his Bachelor of Business Studies in Accounting from the University of Massachusetts – Amherst in 1982 and was a Certified Public Accountant licensed in Massachusetts from 1982 to 1990 while he worked for Laventhol Horwath.

Howard E. Weitzman has served as Senior Vice President, Chief Accounting Officer since December 2009. Prior to December 2009, Mr. Weitzman worked as a consultant from November 2008 assisting clients with financial reporting, internal controls, and compliance with Section 404 of the Sarbanes Oxley Act of 2002, including consulting for the Company from April 2009 on various accounting and financial reporting matters in connection with the Company's transaction with Alternative Asset Management Acquisition Corp. ("AAMAC"). From December 2006 to October 2008,

Mr. Weitzman served as a Senior Manager in the SEC Services Group in the audit practice at Moss Adams, LLP. Mr. Weitzman also spent 12 years in public accounting at two “Big 4” accounting firms, most recently from 2003 to October 2005 as a Senior Manager in the financial services audit practice of Deloitte & Touche, LLP. Mr. Weitzman also held various senior financial management positions, including from 1994 to 2003, with Banner Holdings, Inc. as the Chief Financial Officer of Central Financial Acceptance Corporation and Controller and Principal Accounting Officer of Central Rents, Inc. Mr. Weitzman also served as a Senior Vice President and Chief Financial Officer of Peoples Choice Financial Corporation from October 2005 to October 2006. Mr. Weitzman received a B.S. in Accounting from California State University, Northridge and is a California licensed Certified Public Accountant.

Committees of the Board of Directors

Our Board currently has three standing committees to facilitate and assist the Board in the execution of its responsibilities: the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

Audit Committee

Our Audit Committee is composed of Messrs. Matthew J. Hart (Chairperson), Hugh G. Hilton and Richard L. Todaro. Our Board has affirmatively determined that each member of the Audit Committee is independent under Nasdaq Marketplace Rule 5605(a)(2), and meets all other qualifications under Nasdaq Marketplace Rule 5605(c) and the applicable rules of the Securities and Exchange Commission (“SEC”). Our Board has also affirmatively determined that Matthew J. Hart qualifies as an “audit committee financial expert” as such term is defined in Regulation S-K under the Securities Act of 1933. During 2014, the Audit Committee held four meetings.

The Audit Committee acts pursuant to a written charter, which is available for review on our website at <http://ir.brileyfin.com/governance.cfm>. The responsibilities of the Audit Committee include overseeing, reviewing and evaluating our financial statements, accounting and financial reporting processes, internal control functions and the audits of our financial statements. The Audit Committee is also responsible for the appointment, compensation, retention, and as necessary, the termination of our independent auditors.

Compensation Committee

Our Compensation Committee is composed of Messrs. Hugh G. Hilton (Chairperson) and Matthew J. Hart. Former director Mark D. Klein served on our Compensation Committee in 2014 until his resignation from the Board in August 2014. Our Board has affirmatively determined that each member of the Compensation Committee during 2014 was independent as such term is defined under Nasdaq Marketplace Rule 5605(a)(2) and the applicable rules of the SEC, and that each current member is independent as such term is defined under Nasdaq Marketplace Rule 5605(a)(2) and the applicable rules of the SEC. During 2014, the Compensation Committee met three times. Our Board has adopted a charter for the Compensation Committee which is available for review on our website at <http://ir.brileyfin.com/governance.cfm>. The Compensation Committee reviews and makes recommendations to our Board concerning the compensation and benefits of our executive officers, including the Chief Executive Officer, and directors, oversees the administration of our stock incentive and employee benefits plans, and reviews general policy relating to compensation and benefits.

Corporate Governance Committee

Our Corporate Governance Committee is composed of Messrs. Matthew J. Hart (Chairperson) and Hugh G. Hilton. Former director Mark D. Klein served on our Corporate Governance Committee in 2014 until his resignation from the Board in August 2014. Our Board has affirmatively determined that each member of the Corporate Governance Committee during 2014 was independent as such term is defined under Nasdaq Marketplace Rule 5605(a)(2), and that each current member is independent as such term is defined under Nasdaq Marketplace Rule 5605(a)(2). The Corporate Governance Committee evaluates and recommends to the Board nominees for each election of directors. The Corporate Governance Committee met one time in 2014. Our Board has adopted a charter for the Corporate Governance Committee and a copy of that charter is available for review on our website at <http://ir.brileyfin.com/governance.cfm>. The responsibilities of the Corporate Governance Committee include making recommendations to the Board with respect to the nominations or elections of directors and providing oversight of our corporate governance policies and practices.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and persons who beneficially own more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such person.

Based solely on our review of such forms furnished to us and written representations from such reporting persons, we believe that all filing requirements applicable to our executive officers, directors and more than 10% stockholders were met in a timely manner except with respect to a late Form 4 filing by Thomas J. Kelleher, an executive officer of the Company.

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. The Code of Business Conduct and Ethics is available for review on our website at <http://ir.brileyfin.com/governance.cfm>, and is also available in print, without charge, to any stockholder who requests a copy by writing to us at B. Riley Financial, Inc., 21860 Burbank Boulevard, Suite 300 South, Woodland Hills, California, 91367, Attention: Investor Relations. Each of our directors, employees and officers, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, and all of our other principal executive officers, are required to comply with the Code of Business Conduct and Ethics. There have not been any waivers of the Code of Business Conduct and Ethics relating to any of our executive officers or directors in the past year.

Corporate Governance Documents

Our corporate governance documents, including the Audit Committee Charter, Compensation Committee Charter, Corporate Governance Committee Charter and Code of Ethics, are available, free of charge, on our website at <http://ir.brileyfin.com/governance.cfm>. Please note, however, that the information contained on the website is not incorporated by reference in, or considered part of, this Form 10-K. We will also provide copies of these documents, free of charge, to any stockholder upon written request to B. Riley Financial, Inc., 21860 Burbank Boulevard, Suite 300 South, Woodland Hills, California, 91367, Attention: Investor Relations.

Item 11. Executive Compensation.**Summary Compensation Table**

The following table shows information concerning the annual compensation for services provided to us by our named executive officers during fiscal 2014 and 2013.

Name and Principal Position (1)	Year	Salary (\$)	Nonqualified Deferred Compensation Earnings (\$)(2)	Nonequity Incentive Compensation (\$)(3)	All Other Compensation (\$)(4)	Total Compensation (\$)
Bryant R. Riley Chairman and Chief Executive Officer (5)	2014	152,308	—	—	33,416	185,724
	2013	—	—	—	—	—
Andrew Gumaer Chief Executive Officer of GAG, LLC (6)	2014	462,462	—	—	29,411	491,873
	2013	627,000	—	—	41,500	662,803
Harvey M. Yellen Former Vice Chairman and President (7)	2014	462,462	—	—	23,078	485,540
	2013	627,000	—	—	35,803	662,803
Phillip J. Ahn Executive Vice President, Chief Financial and Chief Operating Officer (8)	2014	325,000	—	75,000	31,811	431,811
	2013	300,092	—	140,000	29,763	469,855
Scott K. Carpenter Executive Vice President, Retail Services (9)	2014	278,801	7,334	—	32,092	318,227
	2013	265,575	46,000	126,800	31,900	470,275
Thomas J. Kelleher President (10)	2014	199,782	—	100,000	3,846	303,628
	2013	—	—	—	—	—

(1)

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The table above summarizes the total compensation earned by each of our named executive officers for the fiscal years ended December 31, 2014 and 2013.

(2) The amounts listed in this column include nonqualified deferred compensation earnings which represents the above market earnings on the deferred compensation from the GAG, LLC Phantom Stock Plan. Earnings are for the fiscal years ended December 31, 2014 and 2013. Above market earnings is the amount earned at 12.0% that exceeds 120% of the applicable federal tax long-term rate.

(3) The amounts listed in this column include nonequity incentive compensation earned by each of our named executive officers for the fiscal years ended December 31, 2014 and 2013.

(4) The amounts listed in this column include other compensation detailed in the following table:

Name	Year	Auto	Company-paid	Life and	Director	Total
		Allowance	Medical/Dental	Disability	Fees Earned Or paid in Cash	
		(\$)	(\$)	(\$)	(\$)(11)	(\$)
Bryant R. Riley	2014	—	3,416	—	30,000	33,416
	2013	—	—	—	—	—
Andrew Gumaer	2014	12,000	17,020	391	—	29,411
	2013	24,000	15,967	1,533	—	41,500
Harvey M. Yellen	2014	12,000	10,687	391	—	23,078
	2013	24,000	10,270	1,533	—	35,803
Phillip J. Ahn	2014	14,400	17,020	391	—	31,811
	2013	12,600	15,966	1,197	—	29,763
Scott K. Carpenter	2014	14,400	17,301	391	—	32,092
	2013	14,400	15,967	1,533	—	31,900
Thomas J. Kelleher	2014	—	3,846	—	—	3,846
	2013	—	—	—	—	—

Mr. Riley was appointed as the Chief Executive Officer and Chairman of the Company following the BRC Acquisition in June 2014. Mr. Riley has served as a director of the Company since August 2009. Compensation (5) information in the table above for Mr. Riley reflects compensation for his services as a director in 2014 during the period prior to the initial closing of the BRC Acquisition, and as an employee of the Company following the initial closing of the BRC Acquisition.

Mr. Gumaer served as Chief Executive Officer and Chairman of the Company until June 2014. Following the (6) BRC Acquisition in June 2014, Mr. Gumaer continues to serve as the Chief Executive Officer of GAG, LLC and no longer serves as the Company's Chief Executive Officer or Chairman.

Mr. Yellen served as Vice Chairman and President of the Company until June 2014. Following the BRC (7) Acquisition in June 2014, Mr. Yellen served as the President of GAG, LLC and no longer served as the Company's President or Vice-Chairman. Mr. Yellen also previously served as Chief Operating Officer until April 2013. Mr. Yellen's service to the Company as an employee ceased on February 17, 2015.

(8) Mr. Ahn was appointed Executive Vice President, Chief Financial and Chief Operating Officer on April 15, 2013.

Mr. Carpenter has served as our Executive Vice President, Retail Services since July 2009. As a result of the (9) BRC Acquisition, our Board has determined that, effective as of October 2014, Mr. Carpenter no longer satisfies the requirements to be deemed an executive officer as that term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended.

(10) Mr. Kelleher has served as our President since August 2014 and has served as Chief Executive Officer of our wholly owned subsidiary B. Riley & Co., LLC since the BRC Acquisition in June 2014.

Mr. Riley, our Chief Executive Officer and Chairman, received the compensation indicated in the column Director Fees Earned or Paid in Cash for his services as a director of the Company in 2014 during the period prior to the initial closing of the BRC Acquisition in June 2014, at which time he became an employee of the (11) Company and received no further compensation for his services as a director. Messrs. Gumaer and Yellen were also directors of the Company in 2013 and 2014. Mr. Yellen resigned as a director of the Company in August 2014. Messrs. Gumaer and Yellen received no additional compensation for services as directors for 2013 or 2014.

Outstanding Equity Awards at December 31, 2014

There are no outstanding equity awards for our named executive officers as of December 31, 2014.

Employment Agreements

On July 31, 2009, we entered into employment agreements with Messrs. Carpenter, Gumaer and Yellen.

The employment agreement with Mr. Carpenter has no defined length of employment. Either party may terminate the employment relationship at any time, subject to possible severance payments as set forth below. Pursuant to the employment agreement, Mr. Carpenter is entitled to receive (i) an annual base salary of at least \$260,465 for the period from July 31, 2012 to July 31, 2013, \$273,488 for the period from July 31, 2013 to July 31, 2014 and \$287,163 for the period from July 31, 2014 to July 31, 2015, (ii) annual increases to his annual base salary of no less than five percent, (iii) an annual discretionary bonus, (iv) a monthly automobile allowance of \$1,200, (v) indemnification, and an agreement from the Company to hold Mr. Carpenter harmless, to the fullest extent permitted by law against any and all liabilities incurred by Mr. Carpenter in connection with employment by us and (vi) severance payments if his employment relationship is terminated by us without "Cause" or by Mr. Carpenter with "Good Reason," or upon the death or disability of Mr. Carpenter. For purposes of such severance, "Good Reason" is defined as (a) a material diminution in Mr. Carpenter's base salary, authority, duties, or responsibilities; (b) a material diminution in the budget over which Mr. Carpenter retains authority; (c) a material change in the geographic location at which Mr. Carpenter must perform services; or (d) any other action or inaction that constitutes a material breach of the terms of the employment agreement. Such severance will consist of payment of a lump sum equal to one year of base salary, a lump sum equal to the highest annual bonus paid during the term of employment or the first target bonus in the event of termination prior to any bonus being paid, and a lump sum equal to 12 times the monthly COBRA premiums for Mr. Carpenter and Mr. Carpenter's spouse and dependents. Severance will not be owed if Mr. Carpenter terminates the employment relationship without Good Reason or if we terminate the relationship for "Cause." "Cause" exists if Mr. Carpenter: (1) engages in gross misconduct or gross negligence in the performance of Mr. Carpenter's duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of Mr. Carpenter's employment consistent with Mr. Carpenter's position with us; (2) engages in fraud, dishonesty, or any other improper conduct that causes material harm to the Company or its business or reputation; (3) materially breaches the employment agreement; or (4) is convicted of, or pleads guilty or no contest to, a felony or crime involving dishonesty or moral turpitude (excluding traffic offenses). In addition to the benefits set forth in his employment agreement, in accordance with a bonus plan approved by the Company's Compensation Committee, Mr. Carpenter was entitled to nonequity incentive compensation for fiscal 2013 and 2014, and will be entitled to nonequity incentive compensation for fiscal 2015, based on the (A) financial performance of the Company's retail and international divisions reflecting percentages of divisional profit ranging from 2% to 4% depending on the division and level of profit achieved and subject to conditions relating to minimum divisional profit and (B) overall profitability of the Company, subject to the discretion of management, the approval of the Compensation Committee and a maximum annual ceiling. The foregoing bonus program is subject to an aggregate annual ceiling of five times Mr. Carpenter's annual base salary, which ceiling is currently \$1,435,815. Pursuant to the foregoing, Mr. Carpenter received nonequity incentive compensation for fiscal 2013 totaling \$126,800, which was received based on the financial performance of the Company's retail and international divisions. Mr. Carpenter was not entitled to receive any nonequity incentive compensation for fiscal 2014.

The employment agreements of Messrs. Gumaer and Yellen were amended and restated in their entirety on May 19, 2014, in connection with the BRC Acquisition, with changes effective as of June 18, 2014, the date of the initial closing of the BRC Acquisition. Prior to such amendment and restatement of such agreements, such agreements provided that, among other things, Messrs. Gumaer and Yellen were each entitled to receive (i) annual base salaries of at least \$694,675 for the period from July 31, 2012 to July 31, 2013 and \$729,303 for the period from July 31, 2013 to July 31, 2014; however, each of Messrs. Gumaer and Yellen accepted a reduced base salary of \$500,000 for fiscal 2012, \$627,000 for fiscal 2013 and \$630,000 for fiscal 2014, (ii) annual increases to their the annual base salaries of no less than five percent, (iii) an annual discretionary bonus, (iv) monthly automobile allowances of \$2,000 and (v) indemnification and severance consistent with the provisions described above for Mr. Carpenter.

On June 18, 2014, we entered into an employment agreement with Mr. Riley and the amended and restated employment agreements referenced above with Messrs. Gumaer and Yellen. Pursuant to the terms of the such employment agreements, from and after June 18, 2014, Messrs. Gumaer, Riley and Yellen are entitled to receive an annual base salary of \$300,000, subject to adjustment in the sole discretion of the Compensation Committee and, solely with respect to Mr. Yellen, decreasing to \$200,000 on the first anniversary of the initial closing of the BRC Acquisition and \$100,000 on the second anniversary of the initial closing of the BRC Acquisition. Such employment agreements also provide for the award of an annual discretionary bonus and the reimbursement of certain business expenses. Each such employment agreement also contains an indemnification provision wherein the Company promises to defend, indemnify, and hold the respective employee harmless to the fullest extent permitted by law against any and all liabilities incurred by such employee in connection with employment by the Company. The term of each such employment agreement is three years from June 18, 2014, which term shall be automatically extended for one year terms, unless either party gives the other party not less than 90 days' prior written notice of the intention to not extend such amendment and restated employment agreement automatically. Mr. Yellen's employment with the Company ceased on February 17, 2015.

The Company has not entered into an employment agreement with Mr. Ahn or Mr. Kelleher.

Director Compensation

We use cash and equity based compensation to attract and retain qualified candidates to serve on our Board. In setting director compensation, we consider the significant amount of time that our directors expend in fulfilling their duties to our Company, the skill level required by our members of the Board and other relevant information. The Compensation Committee and our Board have the primary responsibility for reviewing, considering any revisions to, and approving director compensation. The Company does not pay its management directors for Board service in addition to their regular employee compensation.

Prior to August 1, 2014, each of our non-employee directors received annual fees of \$60,000, payable in quarterly installments, and the chairperson of our Audit Committee, Compensation Committee and Corporate Governance

Committee received annual fees of \$18,000, \$12,000 and \$6,000, respectively. In addition, each of our non-employee directors that is a member of our Audit Committee, Compensation Committee and Corporate Governance Committee received annual fees of \$9,000, \$6,000 and \$3,000, respectively.

Since August 1, 2014, each of our non-employee directors has received annual fees of \$15,000 in cash, payable in quarterly installments, and \$15,000 in equity in the form of restricted stock units under the Company's Amended and Restated 2009 Stock Incentive Plan. Such restricted stock units are subject to vesting and, for the restricted stock units issued in 2014, will vest in full on July 31, 2015, contingent upon continued service of the applicable non-employee director on the Board through such date. In addition to the foregoing, the chairpersons of our Audit Committee, Compensation Committee and Corporate Governance Committee each receive additional annual fees of \$2,000 in cash as compensation for such service.

The following table summarizes the total compensation that our directors (other than directors who are named executive officers) earned during the fiscal year ended December 31, 2014 for services rendered as members of our Board.

Name (1)	Fees Earned or Stock		Total (\$)
	Paid in Cash (\$)	Awards (\$) ⁽⁴⁾	
Matthew J. Hart	72,250	15,000	87,250
Hugh G. Hilton	67,250	15,000	82,250

The hedging activity discussed above may adversely affect the market value of your notes from time to time and the value of the consideration that we will deliver on your notes at maturity. See "Additional Risk Factors Specific to Your Notes" above for a discussion of these adverse effects.

Table of Contents

THE INDEX

The Motif Capital Aging of America 7 ER Index (the “index”) tracks the U.S. exchange-listed common equity securities (including American Depositary Receipts, or “ADRs”) of companies concentrated in the healthcare and real estate sectors that may benefit from the long-term demographic shift towards an older population in the United States (the “aging of America”) and the resulting demand for products and services geared towards managing the health and lifestyle of an aging population. The index is calculated by measuring the extent to which (a) (i) such U.S. exchange-listed common equity securities and (ii) in certain circumstances, a money market position outperform (b) the sum of (i) the return on a notional cash deposit at a notional interest rate of 3-month USD LIBOR plus (ii) 0.75% per annum (accruing daily). Each U.S. exchange-listed common equity security included in the index generally will be subject to a maximum and a minimum weight constraint. In addition, the index is subject to a 7.0% volatility control. As explained in more detail below, if with respect to any index business day (as defined below) the volatility of the equity securities over a look-back period is greater than 7.0%, the weight assigned to the equity securities within the index will be rebalanced into the money market position in order to comply with the volatility control. Historically, a very significant portion (up to approximately 90%) of the index consistently has been allocated to the money market position.

The index was first launched on June 1, 2016 and based on an initial value for the base index (as defined below under “Base Index Composition”) of 100 on June 20, 2006. The level of the index is calculated and published by Solactive AG (the “index calculation agent”) and is reported by Bloomberg under the symbol “MCAER Index”. The index is sponsored by Motif Capital Management, Inc. (the “index sponsor”). Additional information about the index may be obtained from the index calculation agent’s website at solactive.com/?s=motif&index=DE000SLA2DZ0. We are not incorporating by reference the website or any material it includes in this document.

As of December 7, 2018, there were 121 constituent stocks in the index and the top ten constituent stocks, by weight, were: Johnson & Johnson (3.49%); UnitedHealth Group Incorporated (2.95%); Amgen Inc. (2.31%); Novartis AG (2.13%); Abbvie Inc. (1.97%); Pfizer Inc. (1.90%); Eli Lilly & Co. (1.50%); Bristol-Myers Squibb Co. (1.44%); Novo Nordisk A/S (1.36%) and Medtronic PLC (1.24%). As of that same date, 61.35% of the index was comprised of the money market position. For hypothetical and historical data regarding the index’s monthly average exposure to the money market position, see “– Average Allocation Between the Base Index and the Money Market Position for Each Month” below. A full list of index constituents as of the last calendar day of each month is available on the index sponsor’s website. We are not incorporating by reference the website or any materials it includes in this document. The index sponsor divides the companies included in the base index into two sectors based on the Thomson Reuters Business Classification. The sectors are (with the approximate percentage of underlying stocks in the base index included in such sectors as of December 7, 2018 indicated in parentheses) (percentages may not sum to 100% due to rounding): healthcare (93.2%) and financials (6.8%) (companies within the real estate sector are included in the financials category). Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of different sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

Base Index Composition

On the third Friday of each June (the “base index observation day”), the index sponsor determines the U.S. exchange listed common equity securities (including ADRs) included in the base index (the “underlying stocks”) and their exposure to the aging of America (as discussed below), and the index calculation agent determines the target weight of each of the underlying stocks (as defined below under “Determining the weight of each underlying stock in the base index – Target weights”). If the limited circumstance described under “Determining the weight of each underlying stock in the base index – Short-term treasury bond ETF position” below applies, on that date the index calculation agent will also determine the target weight of the iShares Short-Term Treasury Bond ETF (the “underlying ETF”) in the index. The rebalancing of the underlying stocks and the underlying ETF, if applicable, and their weights by changing the respective number of shares will be implemented over a five day period (the “base index rebalancing period”) beginning on the day that is three index business days after the applicable base index observation day and including the four following index business days (each a “base index rebalancing day”). The underlying stocks and, if applicable, the underlying ETF together comprise the “base index”.

Table of Contents

Determining the underlying stocks

Identify the underlying stock universe

The index sponsor identifies companies that (i) develop therapies for medical conditions that disproportionately affect those citizens who are 65 years of age or older (“senior citizens”) and (ii) provide age-restricted services used by senior citizens.

Identifying therapy developing companies

In order to identify the companies that develop therapies for medical conditions that disproportionately affect senior citizens, the index sponsor references the most recent Tables of Summary Health Statistics (the “CDC report”) from the Centers for Disease Control and Prevention (the “CDC”) website. From those diseases included in the CDC report, the index sponsor determines the specific health conditions that disproportionately affect senior citizens. The determination is made by establishing (i) that a health condition is not uncommon, which for this purpose means that the condition affects more than 1% of the total U.S. population who are 18 years of age or older, and (ii) that the percentage of senior citizen patients relative to all patients who are 18 years of age or older with such condition is greater than 30%. The data from the most recent CDC report identifies the following conditions as disproportionately affecting senior citizens: cancer; heart disease (including hypertension and stroke); diabetes; arthritis; kidney disease; chronic obstructive pulmonary disease; and hearing loss.

Each condition identified as described in the paragraph above is paired with specific keywords. Semantic searches are then conducted over the most recent annual regulatory filings (i.e., Forms 10-K, 40-F and 20-F) of all companies with U.S. exchange-listed common equity filed with the Securities and Exchange Commission (the “SEC”) in order to identify companies with a positive match for one or more keyword(s). All companies with a positive match are added to the underlying stock universe for potential inclusion in the base index.

The conditions and keywords associated with each condition are:

·Cancer: “Cancer”, “Oncology”, “Malignancy”, “Neoplasm”

·Heart Disease: “Heart Disease”, “Hypertension”, “Stroke”, “Cardiovascular Disease”, “Atherosclerosis”, “Arrhythmia”, “Coronary Artery Disease”

·Diabetes: “Diabetes”, “Insulin”, “Hypoglycemia”, “Hyperglycemia”

·Arthritis: “Arthritis”, “Osteoarthritis”, “Rheumatoid Arthritis”

·Kidney Disease: “Kidney Disease”, “Dialysis”, “Renal Disease”, “Acute Renal Failure”

·Chronic Obstructive Pulmonary Disease: “Chronic Obstructive Pulmonary Disease”, “COPD”, “Bronchitis”, “Emphysema”, “Lung Inflammation”, “Bronchodilators”, “Lung Disease”, “Chronic Obstructive Lung Disease”, “Chronic Obstructive Airway Disease”

·Hearing Loss: “Hearing Loss”, “Deafness”, “Presbycusis”

Fifteen index business days (as defined below) prior to each base index observation day, the index committee (as defined below) will determine if a new CDC report has been released. If a new CDC report has been released, the index committee will make any necessary updates to the list of specific health conditions that disproportionately affect senior citizens using the criteria identified above and determine a set of keywords relevant to such conditions to be used in the semantic searches effective with such base index observation day.

Identifying age-restricted services companies

In order to identify the companies that provide age-restricted services that are used by senior citizens, the index sponsor identifies services used by senior citizens. Currently, the index sponsor has identified two such services for this purpose: Senior Housing Facilities and Medicare Insurance.

Each age-restricted service identified as described in the paragraph above is paired with specific keywords and semantic searches are conducted over the most recent annual regulatory filings of all companies with U.S. exchange-listed common equity filed with the SEC in order to identify companies with a positive match for one or more keyword(s). All companies with a positive match are added to the underlying stock universe for potential inclusion in the base index.

The services and keywords associated with each service are:

Table of Contents

·Senior Housing Facilities: “Independent Living Facilities”, “Retirement Communities”, “Assisted Living”, “Senior Housing”
·Medicare Insurance: “Medicare”, “Medicare Advantage”, “Medicare Supplement”, “Medicare Part D”

Fifteen index business days prior to each base index observation day, the index committee will determine if there are additional age-restricted services used by for senior citizens. If a service is identified, the index committee will add it to the list and determine a set of keywords relevant to such services to be used in the semantic searches effective with such base index observation day.

Apply underlying stock screens

Any stock that fails any of the following screens is removed from the underlying stock universe:

Average daily dollar volume: stocks having an average daily dollar volume (“ADDV”) of less than \$1,000,000 over the most recent 30-day period are removed from the underlying stock universe. ADDV for a stock on a given day is equal to the 30-day average of such stock’s daily dollar value from (but excluding) such day to (and including) the day which is the 30th calendar day prior thereto. For each trading day during the 30-calendar day period, the daily dollar value is equal to such stock’s trading volume for such day multiplied by such stock’s last available price as of the close of trading for such day. A stock’s trading volume may be equal to zero on a trading day. In addition, while the ADDV period consists of 30 calendar days, only trading days within such period are used for purposes of the ADDV calculation and the actual number of trading days varies from period to period.

Market capitalization: stocks of companies whose market capitalization is less than \$500 million are removed from the underlying stock universe. Market capitalization for a company stock on a given day is calculated by multiplying the total number of outstanding shares on such day by the closing price of a share of such stock on such day. In the event that an index market disruption event (determined with respect to a stock subject to this market capitalization screen as specified in the “Index Market Disruptions” section below) occurs or is continuing on such day with respect to such stock, the market capitalization will be equal to the market capitalization on the immediately prior index business day on which no index market disruption event occurs or is continuing with respect to such stock. (For purposes of determining whether an index market disruption event occurs or is continuing with respect to a stock in the context of this market capitalization screen, any references in the “Index Market Disruptions” section to “underlying stock” shall mean any stock subject to this market capitalization stock screen.)

Closing price: stocks having a closing price of less than \$1 at any point over the most recent thirty day period are removed from the underlying stock universe.

Revenue: stocks of companies having total revenue of less than \$25 million over the previous twelve month period as of their most recent annual regulatory filing are removed from the underlying stock universe.

Return data: stocks having less than 60 days of historical return data over the most recent 90 day period are removed from the underlying stock universe.

Apply Thomson Reuters Business Classification screen

The Thomson Reuters Business Classification (the “TRBC”) for each company included in the underlying stock universe is obtained. Any company that has an Economic Sector classification of “Healthcare” or a Business Sector classification of “Real Estate” is retained in the underlying stock universe. All other stocks are removed from the underlying stock universe.

Calculate exposure to the aging of America

For each company included in the underlying stock universe, such company’s “exposure to the aging of America” is equal to the quotient of (i) such company’s total theme revenue (calculated as described below) divided by (ii) such company’s total revenue.

In order to determine a company’s total theme revenue, the most recent annual regulatory filing for such company is reviewed to determine all revenue streams that contain revenue derived from a “senior product” or a “senior service” (each a “theme revenue stream”). A “senior product” is a drug or therapy that the index sponsor determines is used to treat a health condition that disproportionately affects senior citizens, as identified under Identifying therapy developing companies above. A “senior service” is a service that the index sponsor determines is used by senior citizens, as identified under Identifying age-restricted services companies above. This review is not limited to searches for the

Table of Contents

keywords described above, and additional company information and third party information may be, and often is, consulted to determine if a specific product or service is a senior product or senior service.

For example, the index sponsor generally will classify a drug used to treat melanoma as a senior product, as melanoma is a type of cancer, even though “melanoma” is not one of the keywords associated with cancer used to identify companies for potential inclusion in the underlying stock universe. Further, the index sponsor generally will classify a nursing home as a senior service, as it is a type of senior housing facility, even though “nursing home” is not one of the keywords associated with senior housing facility used to identify companies for potential inclusion in the underlying stock universe.

With respect to a company, the sum of the theme revenue from each theme revenue stream is such company’s total theme revenue.

The theme revenue for each theme revenue stream is determined by calculating the senior revenue therein and applying the applicable adjustments, as follows:

1. Determine Senior Revenue

For each theme revenue stream of a company, the index sponsor determines the amount of revenue that is derived from senior products or senior services (“senior revenue”).

If a theme revenue stream includes only revenue derived from one or more senior products and/or senior services, all i. revenue reported by that theme revenue stream will be considered senior revenue and the senior revenue from each senior product and senior service will be adjusted as set forth under “Adjust Senior Revenue” below.

If a theme revenue stream includes a combination of revenue derived from senior products and/or senior services and non-senior products and/or non-senior services, and the index sponsor has determined that appropriate company data (either within or outside of the annual regulatory filing) exists that sets forth the amount of revenue included in ii. the theme revenue stream that is senior revenue, such data will be used as the amount of senior revenue in such theme revenue stream and such senior revenue from each senior product and senior service will be adjusted as set forth under “Adjust Senior Revenue” below.

If a theme revenue stream includes a combination of revenue derived from senior products and/or senior services and non-senior products and/or non-senior services, and the index sponsor has determined that no appropriate iii. company data (either within or outside of the annual regulatory filing) sets forth the amount of revenue included in the theme revenue stream that is senior revenue, the revenue in such theme revenue stream will be equally allocated and adjusted as described under “Equal Allocation” below.

2. Adjust Senior Revenue

Once the senior revenue has been identified for a theme revenue stream, such senior revenue will be subject to the following adjustment, as applicable, and the resulting total will be such theme revenue stream’s theme revenue:

Senior revenue derived from a single senior product (“senior product adjustment”): The senior revenue amount will be multiplied by (a) if the index sponsor determines that it is available and appropriate for use, the percentage of senior citizen use of such product as provided in company data (either within or outside of the annual regulatory filing), or i. (b) if the preceding percentage is not available or appropriate for use, the percentage of new cases of the medical condition the senior product is used to treat that is attributable to senior citizens, as identified by the most recent CDC report.

In instances where a single senior product is used to treat more than one medical condition, the senior revenue attributed to such product will be adjusted by (a) if the index sponsor determines that it is available and appropriate 1. for use, the percentage of senior citizen use of such product as provided in company data (either within or outside of the annual regulatory filing), or (b) if the preceding percentage is not available or appropriate for use, the percentage of new cases of the medical condition the product is primarily

Table of Contents

used to treat that is attributable to senior citizens, as identified by the most recent CDC report.

For example, if a company reports earnings of \$1 million in a theme revenue stream where the revenue is attributed to a chronic obstructive pulmonary disease (“COPD”) therapy, and the company does not provide data on the percentage of senior citizen use of such therapy, the revenue attributed to the COPD therapy would be adjusted by the percentage of new cases of COPD attributable to seniors, as identified by the most recent CDC report (the applicable senior product adjustment). If the applicable senior product adjustment was 33.5%, the theme revenue related to that theme revenue stream would be calculated as 33.5% of \$1 million, or \$335,000.

Senior revenue derived from a single senior service (“senior service adjustment”): The senior revenue amount will be multiplied by (a) if the index sponsor determines that it is available and appropriate for use, the percentage of use of such service attributable to senior citizens provided in company data (either within or outside of the annual regulatory filing) or (b) if the preceding percentage is not available or appropriate for use and the index sponsor determines that appropriate government data on the incidence of senior use of such service exists, the percentage of use of such service attributable to senior citizens, as identified by such government data.

For example, if a company reports earnings of \$2 million in a theme revenue stream where the revenue is attributed to providing senior housing facilities, and the company does not provide data on the percentage of senior citizen use of such service, the revenue attributed to senior housing facilities generally would be adjusted by the percentage of senior citizen use of senior housing facilities, as identified by government data (the applicable senior service adjustment). If the applicable senior service adjustment was 92%, the theme revenue related to that theme revenue stream would be calculated as 92% of \$2 million, or \$1,840,000.

In instances where the senior revenue for a theme revenue stream is derived from more than one senior product or senior service, the index sponsor will look to (a) appropriate company data (either within or outside of the annual regulatory filing) or (b) if the index sponsor determines that such company data is not available, appropriate government data available that sets forth, or can be used as a proxy in order to estimate, the amount of such senior revenue that can be attributed to each senior product or senior service included in the theme revenue stream. If the index sponsor determines that such data exists, it will be applied to the senior revenue as, or as a proxy in order to estimate, the amount of senior revenue that should be allocated to each senior product and/or senior service. The revenue as allocated to each senior product or senior service then will be adjusted by the applicable senior product adjustment or senior service adjustment.

For example, if a company reports senior revenue of \$2 million in a theme revenue stream where revenue is attributed to both a cancer treatment drug and a diabetes therapy, and the company specifies on its website (but perhaps not in its annual regulatory filing) that \$1 million in revenue is attributed to such cancer treatment drug, the revenue attributed to the cancer treatment drug would be adjusted by the percentage of new cases of cancer attributable to senior citizens, as identified by the most recent CDC report (the applicable senior product adjustment) and the revenue attributed to the diabetes therapy would be adjusted by the percentage of new cases of diabetes attributable to senior citizens, as identified by the most recent CDC report (the applicable senior product adjustment). If the senior product adjustment for the cancer treatment drug was 51.1% and the senior product adjustment for diabetes was 42.1%, the theme revenue for the theme revenue stream would be calculated as the sum of 51.1% of \$1 million and 42.1% of \$1 million, or \$932,000.

In instances where the senior revenue for a theme revenue stream is derived from more than one senior product or senior service, and the index sponsor has determined that no appropriate company data (either within or outside of the annual regulatory filing) or appropriate government data is available that sets forth, or can be used as a proxy in order to estimate, the amount of such senior revenue that can be attributed to each senior product or senior service included in the theme revenue stream, the total revenue in the theme revenue stream will be adjusted by the lowest of the applicable senior product adjustment(s) or senior service adjustment(s).

Table of Contents

For example, if a company reports senior revenue of \$2 million in a theme revenue stream where revenue is attributed to both a cancer treatment drug and a diabetes therapy, but the company does not specify, either in its annual filing or in additional company data, the amount of revenue allocated to each therapy, and the index sponsor has determined that no appropriate government data is available as a proxy to estimate the amount of revenue that should be allocated to each product, the total senior revenue will be further adjusted by the lowest of the applicable senior product adjustments. If the senior product adjustment for cancer was 51.1% and the senior product adjustment for diabetes was 42.1%, the theme revenue for the theme revenue stream would be calculated as 42.1% of \$2 million, or \$842,000.

3. Equal Allocation

Where senior revenue is included in a theme revenue stream where revenue is derived from a combination of senior products and/or senior services and non-senior products and/or non-senior services, but the index sponsor has determined that no appropriate company data (either within or outside of the annual regulatory filing) is available that sets forth the amount of revenue included in the theme revenue stream that is senior revenue, the total amount of revenue in such theme revenue stream is equally allocated to each product and/or service included in the theme revenue stream by dividing the total revenue in such theme revenue stream by the number of products and/or services in such theme revenue stream (as set forth in the description of such revenue stream in the company's annual filing). The revenue allocated to each senior product and/or senior service included in the theme revenue stream then will be adjusted by the applicable senior product adjustment or senior service adjustment. If the total of the as adjusted revenue attributable to each senior product or senior service in the theme revenue stream is greater than 10% of such theme revenue stream, only 10% of the total revenue from such theme revenue stream will be included in the company's theme revenue calculation.

For example, the theme revenue for a company that has only one revenue stream, which is a theme revenue stream, which reports revenue from (a) oncology solutions, (b) vaccines, and (c) diabetes care in such theme revenue stream, but does not break down revenues earned from each of the three sources, will be calculated by dividing the total revenue from such revenue stream by the total number of products and services reported in the revenue stream (in this case, three). The resulting percentage of the revenue stream attributable to each product and/or service used by senior citizens (33.3% for oncology solutions and 33.3% for diabetes care) will then be adjusted by the applicable data obtained from the CDC on the percentage of new cases of such medical condition attributable to senior citizens. If the sum of the adjusted revenue numbers for oncology solutions and diabetes care exceeds 10% of the revenue reported in the theme revenue stream, then 10% of the company's total revenue will be the total theme revenue for the company. Stocks of companies with less than 10% of exposure to the aging of America are removed from the underlying stock universe.

All remaining stocks are included in the base index and become the underlying stocks.

A summary flow chart of the total theme revenue determination, entitled "Summary Flow Chart II: Total Theme Revenue" can be found at the end of this discussion of the index.

Determining the weight of each underlying stock in the base index

Initial weights

For each underlying stock, the index calculation agent determines the company's market capitalization derived from its exposure to the aging of America. The "adjusted market capitalization" is equal to a company's exposure to the aging of America multiplied by such company's total market capitalization.

A company's "total market capitalization" is equal to the total outstanding shares of such company on the base index observation day multiplied by the closing price of such shares on the base index observation day. In the event that an index market disruption event occurs or is continuing on a base index observation day with respect to an underlying stock that was included in the base index on the index business day prior to such base index observation day, the market capitalization of such underlying stock on the immediately prior index business day on which no index market disruption event occurs or is continuing with respect to such underlying stock will be the market capitalization used to calculate such underlying stock's adjusted market capitalization. In the event that an index market disruption event occurs or is continuing on a base index observation day with respect to a stock that was not included in the base index on the index

Table of Contents

business day prior to such base index observation day, the theme adjusted market capitalization for such stock will be set to zero, and such stock will not be included in the base index.

The adjusted market capitalization of an underlying stock is then divided by the aggregate of the adjusted market capitalization for all underlying stocks. The result is the initial weight for such underlying stock and a thematically weighted portfolio.

Target weights

The initial weight for each stock will then be adjusted by the index calculation agent, as necessary, to comply with the weight constraints. The resulting adjusted weight is the target weight for the underlying stock.

The weight constraints apply to each underlying stock so that each underlying stock must have a minimum weight of not less than 0.1% and a maximum weight of not more than the lesser of (i) 10% and (ii) ADDV (as defined under “Base Index Components” above, and expressed as a numerical value) x 10 expressed as a percentage. Negative weights are not permitted.

For any underlying stock with an initial weight of less than 0.1%, the target weight for such underlying stock will be adjusted to 0.1% prior to any additional adjustment to such underlying stock’s target weight that is made to comply with the underlying stock maximum weight constraint of any other underlying stock.

For any underlying stock with an initial weight greater than the maximum weight for such underlying stock, the target weight for such underlying stock will be set to such underlying stock’s maximum weight. The difference in the weight between the underlying stock’s initial weight and the underlying stock’s target weight will be proportionally redistributed to the rest of the underlying stock target weights, subject to the maximum weight constraint for each underlying stock. This is an iterative process and is performed repeatedly, until no underlying stock violates its maximum weight constraint.

The sum of the weights of the underlying stocks (and, in the limited circumstance described under “Short-term treasury bond ETF position” below, the underlying ETF) is always equal to 1.0.

If the sum of the target weights for the underlying stocks is less than 1.0, the base index will also include exposure to the underlying ETF, such that the sum of the target weights for the underlying stocks and the weight of the underlying ETF will equal 1.0, as described under “Short-term treasury bond ETF position” below.

Short-term treasury bond ETF position

If on any base index observation day, the sum of the target weights for the underlying stocks is less than 1.0, the base index will also include exposure to the underlying ETF. The underlying ETF will have a weight in the base index equal to the difference between 1.0 and the sum of the target weights for all underlying stocks (the “underlying ETF target weight”).

The short-term treasury bond ETF position is intended to express the notional returns accruing to a hypothetical investor from an investment in the underlying ETF, which is comprised of publicly-issued U.S. Treasury securities that have a remaining maturity of greater than one month and less than or equal to one year. The underlying ETF seeks investment results that correspond generally to the price and yield performance before fees and expenses, of public obligations of the U.S. Treasury that have a minimum term to maturity of greater than one month and less than or equal to one year, as measured by the ICE U.S. Treasury Short Bond Index. The underlying ETF’s shares trade on the NYSE Arca under the ticker symbol SHV. We obtained the following fee information from the iShares® website without independent verification. The underlying ETF investment advisor, BlackRock Fund Advisors (“BFA”) is entitled to receive a management fee from the underlying ETF based on a percentage of the ETFs average daily net assets, at an annual rate of 0.15%. BFA is responsible for substantially all expenses of the ETF, except interest expenses, taxes, brokerage expenses, future distribution fees or expenses and extraordinary expenses.

If for any reason the underlying ETF ceases to exist, is delisted, terminated, wound up, liquidated or files for bankruptcy, is combined with another exchange traded fund that has a different investment objective, or changes its currency of denomination, then the index committee, in its sole discretion, can choose to replace the underlying ETF with a successor exchange traded fund that in the determination of the index committee most closely replicates the underlying ETF. Any such changes or actions taken with respect to the underlying ETF by the index committee are publicly announced as promptly as is reasonably practicable and normally at least five index business days prior to the effective date of the change or actions.

Base index rebalancing period

The target weight of each underlying stock and the underlying ETF target weight, if applicable, for each annual

S-32

Table of Contents

rebalancing will be determined on the applicable base index observation day regardless of whether an index market disruption event, as described below under “Index Market Disruptions”, occurs.

The annual rebalancing of the underlying stocks based on their target weights will be implemented over the base index rebalancing period. The base index rebalancing period is comprised of five index rebalancing days, beginning on the day that is three index business days after the applicable base index observation day and including the four following index business days, subject to adjustment as described below under “Index Market Disruptions”. Following each base index observation day, any change in the number of shares of an underlying stock in the base index from the prior base index observation day based on such underlying stock’s target weight will be implemented incrementally on each day during the applicable base index rebalancing period. While the number of shares of each underlying stock will be rebalanced incrementally based on its target weight over the base index rebalancing period, because of price movements of the underlying stocks, the weights of the underlying stocks at the end of the base index rebalancing period and thereafter will be greater than or less than (but not equal to) the applicable underlying stock target weights set on the corresponding base index observation date.

If, on a base index observation day, the base index includes exposure to the underlying ETF, the number of shares of the underlying ETF will be rebalanced, as necessary, based on the underlying ETF target weight along with the number of shares of the underlying stocks incrementally on each day in such base index rebalancing period.

A summary flow chart of the annual base index rebalancing process, entitled “Summary Flow Chart I: Rebalancing” can be found at the end of this discussion of the index.

Total Return Index Rebalancing

In order to control volatility, on each total return index rebalancing day, which is each index business day, the exposure of the index to the base index may be partially rebalanced into the money market position if the realized volatility of the base index exceeds 7.0% (the “volatility cap”). The base index as controlled for volatility is the “total return index”.

An “index business day” is a day on which the New York Stock Exchange is open for its regularly trading session. To operate the volatility control, the annualized historical realized volatility of the base index (the “annualized base index realized volatility”) is calculated over the relevant volatility cap period with respect to each total return index rebalancing day. Annualized base index realized volatility is the degree of variation in the daily closing prices of the underlying stocks and the underlying ETF, if applicable, over the relevant volatility cap period. The “volatility cap period” is the period from (and including) the day which is 21 index business days before the given total return index rebalancing day to (but excluding) the day that is 1 index business day prior to the given total return index rebalancing day. As long as with respect to any given total return index rebalancing day such calculated volatility is equal to or less than the volatility cap, the weight of the base index in the total return index will be set to 100%, meaning that none of the base index weight will be rebalanced into the money market position. However, if with respect to any given total return index rebalancing day such calculated volatility exceeds the volatility cap, the exposure of the total return index to the base index will be partially rebalanced into the money market position for that total return index rebalancing day, done through a reduction of the base index weight to the percentage that is equal to the volatility cap divided by such calculated volatility. As a result, the total return index’s exposure to the respective underlying stock weights and the underlying ETF weight, if applicable, within the index will be ratably reduced.

The money market position

The money market position is intended to express the notional returns accruing to a hypothetical investor from an investment in a notional money market account denominated in U.S. dollars that accrues interest at a rate determined by reference to the notional interest rate, which equals 3-month USD LIBOR, as described below. The money market position will have a positive notional return if the notional interest rate is positive.

On any calendar day, the value of the money market position (the “money market position value”) will equal the product of the money market position value on the notional interest rate reset date immediately preceding the given calendar day multiplied by 1 plus the product of (i) the notional interest rate on the notional interest rate reset date immediately preceding the given calendar day multiplied by (ii) the day count fraction for the period from (but excluding) the notional interest rate reset date immediately preceding the given calendar day to (and including) the given calendar day, determined by using the day count fraction of actual/360.

Table of Contents

The notional interest rate will be reset quarterly, on each January 2, April 2, July 2, and October 2 or, if one of those dates is not an index business day, on the index business day immediately following such date. Each such date is referred to herein as a “notional interest rate reset date”.

The “notional interest rate” on any notional interest rate reset date will equal 3-month USD LIBOR, which is the offered rate for three-month deposits in U.S. dollars, as that rate appears on Reuters screen 3750 page as of 11:00 a.m., London time, as observed two London business days prior to the relevant notional interest rate reset date. Each such date is referred to herein as a “USD LIBOR interest determination date”. “Reuters screen” means the display on the Reuters service, or any successor or replacement service, on the page specified above, or any successor or replacement page on that service. A “London business day” is a day on which commercial banks and foreign currency markets settle payments and are open for general business in London. If the rate described above does not so appear on Reuters screen 3750 page, then 3-month USD LIBOR will be determined on the basis of the rates at which three-month deposits in U.S. dollars are offered by four major banks in the London interbank market selected by the index calculation agent at approximately 12:00 P.M., London time, on the relevant USD LIBOR interest determination date, to prime banks in the London interbank market, beginning on the relevant notional interest rate reset date, and in a representative amount. The index calculation agent will request the principal London office of each of these major banks to provide a quotation of its rate. If at least two quotations are provided, 3-month USD LIBOR for the relevant notional interest rate reset date will be the arithmetic mean of the quotations. If fewer than two of the requested quotations described above are provided, 3-month USD LIBOR for the relevant notional interest rate reset date will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the index calculation agent, at approximately 11:00 A.M., New York City time, on the relevant notional interest rate reset date, for loans in U.S. dollars to leading European banks for a period of three months, beginning on the relevant notional interest rate reset date, and in a representative amount. If no quotation is provided as described in the preceding paragraph, then the index calculation agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate 3-month USD LIBOR or any of the foregoing lending rates, shall determine 3-month USD LIBOR for that notional interest rate reset date in its sole discretion.

The “day count convention” is equal to (actual/360).

A summary flow chart of the daily total index rebalancing process, entitled “Summary Flow Chart I: Rebalancing” can be found at the end of this discussion of the index.

Calculating the Index Value

Index value calculation

The index is calculated on an excess return basis, meaning that the value of the index is equal to the excess return of the total return index over the sum of (i) 0.75% per annum (accruing daily) plus (ii) the return that could be earned on a notional cash deposit at the notional interest rate, compounded daily.

On any given index business day, the “index value” is equal to (i) the product of (a) the index value as of the notional interest rate reset date immediately preceding the given index business day multiplied by (b) the difference of (1) the quotient of (A) the total return index value as of the given index business day divided by (B) the total return index value as of the notional interest rate reset date immediately preceding the given index business day minus (2) the product of (A) the notional interest rate as of the notional interest rate reset date immediately preceding the given index business day multiplied by (B) the day count fraction for the period from (but excluding) the notional interest rate reset date immediately preceding (but not including) the given index business day to (and including) the given index business day, determined using the day count convention reduced by (ii) the product of (a) 0.75% per annum multiplied by (b) the day count fraction for the period from (but excluding) the notional interest rate reset date immediately preceding (but not including) the given index business day to (and including) the given index business day, determined using the day count convention.

Total return index value calculation

On any given index business day, the “total return index value” is equal to the product of (i) the total return index value as of the total return index rebalancing day immediately preceding the given index business day multiplied by (ii) the sum of (a) the product of (1) the quotient of the base index value as of the given index business day divided by the base index value as of the total return index rebalancing day immediately preceding the given index business day

multiplied by (2) the base index weight as of the total return index rebalancing day immediately preceding the given index business day plus (b) the product of (1) the quotient of the money market position value as of the given index business day divided by the money market position value as of the total return index rebalancing day immediately preceding the given index business

S-34

Table of Contents

day multiplied by (2) 1 minus the base index weight as of the total return index rebalancing day immediately preceding the given index business day.

The “base index weight” is equal to the lesser of (i) 100% and (ii) the quotient of (a) the volatility cap divided by (b) the annualized base index realized volatility as of the total return index rebalancing day immediately preceding (but not including) the given index business day.

Base index value calculation

On any given index business day, the “base index value” is equal to the sum of, for each underlying stock and the underlying ETF, if applicable, (a) the number of underlying stock shares or underlying ETF shares, if applicable, as of the given index business day multiplied by (b) the closing price of such underlying stock or the underlying ETF, if applicable, as of the given index business day.

On any given index business day that is a base index rebalancing day, for each underlying stock, the number of “underlying stock shares” for such underlying stock is equal to the product of (i) the weight for such underlying stock calculated as though no index market disruption event occurred or was continuing on the given base index rebalancing day multiplied by (ii) the quotient of (a) the sum of, for each underlying stock and the underlying ETF, if applicable, the product of (I) the number of underlying stock shares or underlying ETF shares, if applicable, as of the index business day immediately preceding the given base index rebalancing day multiplied by (II) the closing price of such underlying stock or the underlying ETF, if applicable, as of the index business day immediately preceding the given base index rebalancing day divided by (b) the closing price of such underlying stock on the index business day immediately preceding the given base index rebalancing day.

On any given index business day that is a base index rebalancing day, for each underlying stock, the “weight for such underlying stock calculated as though no index market disruption event occurred or was continuing on the given base index rebalancing day” is calculated as the sum of (i) the underlying stock weight on the index business day immediately preceding the first base index rebalancing day of the relevant base index rebalancing period plus (ii) the product of (a) the remainder of (I) the underlying stock target weight that was determined on the base index observation day immediately preceding the given base index rebalancing day minus (II) the underlying stock weight on the index business day immediately preceding the first base index rebalancing day of the relevant base index rebalancing period multiplied by (b) the remainder of (I) the number of base index rebalancing days elapsed as of (and including) the given base index rebalancing day in the relevant base index rebalancing period divided by (II) the total number of base index rebalancing days in the relevant base index rebalancing period.

The “underlying stock weight” for each underlying stock on any given index business day is calculated as the quotient of (i) the product of (a) the number of underlying stock shares of such underlying stock on the given index business day multiplied by (b) the closing price of the underlying stock on the given index business day divided by (ii) the sum of, for each underlying stock and the underlying ETF, if applicable, the product of (a) the number of underlying stock shares for such underlying stock or underlying ETF shares, if applicable, on the given index business day multiplied by (b) the closing price of such underlying stock or the underlying ETF, if applicable, on the given index business day.

On any given index business day that is a base index rebalancing day, for the underlying ETF, if applicable, the number of “underlying ETF shares” is equal to the product of (i) the weight for the underlying ETF calculated as though no index market disruption event occurred or was continuing on the given base index rebalancing day multiplied by (ii) the quotient of (a) the sum of, for each underlying stock and the underlying ETF, the product of (I) the number of underlying stock shares or underlying ETF shares as of the index business day immediately preceding the given base index rebalancing day multiplied by (II) the closing price of such underlying stock or the underlying ETF as of the index business day immediately preceding the given base index rebalancing day divided by (b) the closing price of the underlying ETF on the index business day immediately preceding the given base index rebalancing day.

For the underlying ETF, if applicable, the “weight for the underlying ETF calculated as though no index market disruption event occurred or was continuing on the given base index rebalancing day” is calculated as the sum of (i) the underlying ETF weight on the index business day immediately preceding the first base index rebalancing day of the relevant base index rebalancing period plus (ii) the product of (a) the remainder of (I) the underlying ETF target weight that was determined on the base index observation day immediately preceding the given base index rebalancing day minus (II) the underlying ETF weight on the index business day immediately preceding the first base index rebalancing day of the relevant base index rebalancing period multiplied by (b) the remainder of (I) the number

of base index rebalancing days elapsed as of (and including) the given base index rebalancing day in the relevant base index

S-35

Table of Contents

rebalancing period divided by (II) the total number of base index rebalancing days in the relevant base index rebalancing period.

The “underlying ETF weight” on any given index business day is calculated as the quotient of (i) the product of (a) the number of underlying ETF shares on the given index business day multiplied by (b) the closing price of the underlying ETF on the given index business day divided by (ii) the sum of, for each underlying stock and the underlying ETF, the product of (a) the number of underlying stock shares for such underlying stock or underlying ETF shares, if applicable, on the given index business day multiplied by (b) the closing price of such underlying stock or the underlying ETF, if applicable, on the given index business day.

On any given index business day that is a base index rebalancing day, in the event that there is a potential adjustment event affecting the underlying stock or the underlying ETF, if applicable, adjustments to the number of underlying stock shares or underlying ETF shares, if applicable, computed as described above, will be made as described under “Potential Adjustment Events” below.

On any given index business day that is not a base index rebalancing day, the number of underlying stock shares and underlying ETF shares, if applicable, will remain unchanged from the last base index rebalancing day, subject to any potential adjustment events affecting the underlying stock or the underlying ETF, if applicable. In the case of a potential adjustment event affecting an underlying stock or the underlying ETF, if applicable, adjustments to the number of underlying stock shares or underlying ETF shares, if applicable, will be made as described under “Potential Adjustment Events” below.

Index Market Disruptions

Index value calculation

If on any index business day, an index market disruption event occurs or is continuing with respect to any non-zero weighted underlying stock or underlying ETF, if applicable, included in the index, the index calculation agent shall postpone calculation of the index value to the next index business day on which no index market disruption event occurs or is continuing with respect to any non-zero weighted underlying stock or underlying ETF, if applicable, included in the index and an indicative level for the index will be published. Such level will be identified as a “disrupted indicative level”. The index calculation agent shall resume calculating the index value on the first index business day on which no index market disruption event is occurring or continuing with respect to any underlying stock or the underlying ETF, if applicable, by using (i) for the number of underlying stock shares of each underlying stock or the number of underlying ETF shares of the underlying ETF, if applicable, that had not been affected by such index market disruption event, the number of underlying stock shares and underlying ETF shares, if applicable, that would have been used as if the base index rebalancing day(s), if applicable, occurred on each index business day on which such index market disruption event occurred or was continuing and the total return index rebalancing day and subsequent total return index rebalancing day(s) (as applicable) occurred on each index business day on which such index market disruption event occurred or was continuing and (ii) for the number of underlying stock shares of each underlying stock or the number of underlying ETF shares of the underlying ETF, if applicable, that had been affected by such index market disruption event, the number of underlying stock shares and underlying ETF shares, if applicable, on the index business day immediately preceding the first day of such index market disruption event.

On the sixth index business day following the occurrence of an index market disruption event with respect to any underlying stocks or the underlying ETF, if applicable, included in the index, if such index market disruption event is continuing and such underlying stocks or the underlying ETF, if applicable, have not been removed from the index, the index committee may determine in its sole discretion to instruct the index calculation agent to calculate the index, using a price for such underlying stocks or the underlying ETF, if applicable, as determined by the index committee in its sole discretion. In the event the index committee determines on such sixth business day, in its sole discretion, that no such instructions should be given to the index calculation agent, the index committee may revisit such determination on any index business day thereafter on which the index market disruption event is continuing.

Notwithstanding the foregoing, in the event of a force majeure event in which all underlying stocks and the underlying ETF, if applicable, are affected, the calculation and publication of the index will be postponed until, in the determination of the index calculation agent, such force majeure event has been resolved.

Table of Contents

Base index rebalancing day or total return index rebalancing day

Base index rebalancing day

As discussed above, the target weight attributed to each underlying stock and the underlying ETF, if applicable, will be determined on each base index observation day regardless of whether an index market disruption event (as defined below) occurs.

If an index market disruption event affects an underlying stock or the underlying ETF, if applicable, on a base index rebalancing day, the index calculation agent shall then rebalance the base index for that base index rebalancing day and for every subsequent base index rebalancing day within the applicable base index rebalancing period as if (i) for each underlying stock or the underlying ETF, if applicable, that had not been affected by such index market disruption event, the base index rebalancing day occurred on such day and (ii) for each underlying stock or the underlying ETF, if applicable, that had been affected by such index market disruption event, the base index rebalancing day did not occur on such day (i.e., each underlying stock or the underlying ETF, if applicable, that was affected by such index market disruption event is not further rebalanced during such base index rebalancing period).

Therefore, if an underlying stock or the underlying ETF, if applicable, is affected by an index market disruption event on a base index rebalancing day, the number of shares of such underlying stock or the underlying ETF, if applicable, will not be further rebalanced over the remaining base index rebalancing days in the applicable base index rebalancing period. Instead, the number of such underlying stock shares or underlying ETF shares, if applicable, will be held constant over the remaining days in the applicable base index rebalancing period, such that the number of underlying stock shares or underlying ETF shares, if applicable, will remain equal to the number of underlying stock shares or underlying ETF shares, if applicable, after the close on the index business day immediately preceding the base index rebalancing day on which it was first affected by such index market disruption event.

For each underlying stock or the underlying ETF, if applicable, affected by an index market disruption event on a base index rebalancing day, the underlying stock weight or underlying ETF weight, if applicable, for each subsequent base index rebalancing day during the applicable base index rebalancing period will be calculated as the quotient of (i) the product of (a) the number of such underlying stock shares or underlying ETF shares, if applicable, after the close on the index business day immediately preceding the given base index rebalancing day multiplied by (b) the last available traded price of such underlying stock or underlying ETF, if applicable, on the index business day immediately preceding the given base index rebalancing day divided by (ii) the sum of, for each underlying stock and the underlying ETF, if applicable, the product of (a) the number of underlying stock shares or underlying ETF shares, if applicable, on the index business day immediately preceding the given base index rebalancing day multiplied by (b) as applicable, the closing price or the last available traded price of such underlying stock or the underlying ETF, if applicable, as of the index business day immediately preceding the given base index rebalancing day.

If not all underlying stocks and the underlying ETF, if applicable, are affected by an index market disruption event, then the shares of such underlying stocks and the underlying ETF, if applicable, not affected by an index market disruption event will not be rebalanced over the base index rebalancing period based on the underlying stock target weight or underlying ETF target weight, if applicable. Instead, on each subsequent base index rebalancing day, the number of shares of the underlying stock and underlying ETF, if applicable, will be adjusted such that each underlying stock and the underlying ETF, if applicable, will retain a weight within the remaining weight of the base index not allocated to the underlying stock(s) or the underlying ETF, if applicable, affected by an index market disruption event that is proportional to its underlying stock target weight or underlying ETF target weight, if applicable, relative to the underlying stock target weights and underlying ETF target weight, if applicable, of all other underlying stocks and the underlying ETF, if applicable, not affected by an index market disruption event.

Thus, on each base index rebalancing day, the underlying stock weight and the underlying ETF weight, if applicable, for each underlying stock and the underlying ETF, if applicable, not affected by an index market disruption event is calculated as: the product of (i) the quotient of (a) the underlying stock weight or underlying ETF weight, if applicable, calculated as though no index market disruption event occurred or was continuing on any base index rebalancing day in the applicable base index rebalancing period divided by (b) 1 minus the sum of, for each underlying stock or the underlying ETF, if applicable, affected by an index market disruption event, such underlying stock weight or underlying ETF weight, if applicable, calculated as though no index market disruption event occurred or was continuing on any base index rebalancing day in the applicable base index rebalancing period multiplied by (ii)

1 minus the sum of the underlying stock weight(s) and underlying ETF weight, if applicable, for each underlying stock and the underlying ETF, if applicable, affected by an index market disruption event during the applicable base index rebalancing period.

S-37

Table of Contents

The number of underlying stock shares or underlying ETF shares, if applicable, for each underlying stock or the underlying ETF, if applicable, not affected by an index market disruption event will then, on each subsequent base index rebalancing day in the applicable base index rebalancing period, be calculated as the product of (i) the weight of the underlying stock or the underlying ETF, if applicable, for the given base index rebalancing day multiplied by (ii) the quotient of (a) the sum of, for each underlying stock or the underlying ETF, if applicable, (I) the number of underlying stock shares or underlying ETF shares, if applicable, after the close on the index business day immediately preceding the given base index rebalancing day multiplied by (II) as applicable, the closing price or the last available traded price if the closing price is not available of such underlying stock or the underlying ETF, if applicable, on the index business day immediately preceding the given base index rebalancing day divided by (b) the closing price of such underlying stock or the underlying ETF, if applicable, on the index business day immediately preceding the given base index rebalancing day.

For example, on a base index observation day, a hypothetical base index with no minimum or maximum weight constraints and no underlying ETF requirement consists of only four underlying stocks (stock A, stock B, stock C and stock D), all four of which were included in the base index on the index business day prior to the base index observation day, at weights of 40%, 20%, 30% and 10%, respectively. For illustrative purposes, the closing price for each underlying stock is assumed to be the same at \$10 per share at the end of each day. With the assumption of a constant closing price of \$10, the number of underlying stock shares on the index business day prior to the base index observation day can be assumed to be 4, 2, 3 and 1 for Stock A, Stock B, Stock C and Stock D, respectively. On the base index observation day, the underlying stock target weight of each underlying stock is determined to be equal to 20%, 50%, 10% and 20%, respectively.

If an index market disruption event affects stock A on the second base index rebalancing day in the applicable base index rebalancing period, the second base index rebalancing day and all subsequent base index rebalancing days in the base index rebalancing period will be deemed to have not occurred with respect to stock A. The number of underlying stock shares for stock A will be held constant at 3.6, which is equal to the number of underlying stock shares for stock A at the end of the first base index rebalancing day (the last index business day without an index market disruption event), as stock A was rebalanced by 1/5 of the decrease on the first base index rebalancing day in the base index rebalancing period. Similarly, the number of underlying stock shares for stock B, stock C and stock D will be 2.6, 2.6 and 1.2, respectively, at the end of the first base index rebalancing day.

The weight for Stock A, given the index market disruption event, will now be 36% for the second base index rebalancing day (compared to a weight of 32% which would have been expected for stock A for such day in the absence of the index market disruption event). The weights for stock B, stock C and stock D will be calculated such that each retains a weight within the remaining weight of the base index not allocated to stock A's weight that is proportional to its underlying stock target weight relative to the other underlying stock target weights. The weight in the base index not allocated to stock A's weight is equal to 64%. The weight in the base index that was to be allocated to stock A on the second base index rebalancing day in the absence of the index market disruption event was 68% for such day. Therefore, the weight for stock B on the second base index rebalancing day will be equal to 30.12% (the product of 32%/68% multiplied by 64%), versus the weight of 32% in the absence of the index market disruption event for stock B on the second base index rebalancing day) and the weight for stock C and stock D will be equal to 20.71% and 13.18%, respectively (versus the weights of 22% and 14%, respectively, on the second base index rebalancing day in the absence of an index market disruption event). Therefore, the underlying stock shares for stock A, stock B, stock C and stock D will be 3.6, 3.012, 2.071 and 1.318, respectively for the second base index rebalancing day.

In contrast, if an index market disruption event does not affect stock A during the base index rebalancing period but an index market disruption event affects stock B on the third base index rebalancing day in the applicable base index rebalancing period, the third base index rebalancing day and all subsequent base index rebalancing days in the base index rebalancing period will be deemed to have not occurred with respect to stock B. The underlying stock shares for stock B will be held at 3.2 shares for the remaining base index rebalancing days (as stock B was rebalanced by a total of 2/5 of the increase over the first and second base index rebalancing days in the base index rebalancing period to a weight of 32%). Therefore, on the fifth and final day of the base index rebalancing period, the weights for stock A, stock C and stock D will be calculated such that each retains a weight within the remaining weight of the base index

not allocated to stock B's weight that is proportional to its underlying stock target weight relative to the others underlying stock target weights. The weight in the base index not allocated to stock B's weight is equal to 68%. Therefore, the weight for stock A on the final rebalancing day in the base index rebalancing period will be equal to 27.2% (versus the underlying stock target weight of 20%). Correspondingly, the underlying stock shares for stock A, stock B, stock C and stock D will be 2.72, 3.2, 1.36 and 2.72, respectively, at the end of the base index rebalancing period (in the absence of the index market

S-38

Table of Contents

disruption event affecting stock B, the underlying stock shares for stock A, stock B, stock C and stock D would have been 2, 5, 1 and 2, respectively).

Total return index rebalancing day

If a total return index rebalancing day must be effected on an index business day on which an index market disruption event affects an underlying stock or the underlying ETF, if applicable, the index calculation agent shall then rebalance the index as if (i) for each underlying stock or the underlying ETF, if applicable, that had not been affected by an index market disruption event, the total return index rebalancing day occurred on such day and (ii) for each underlying stock that had been affected by such index market disruption event, the total return index rebalancing day did not occur on such day, provided that for purposes of calculating the annualized base index realized volatility the alternative calculations set forth in the next paragraph apply (i.e., other than for purposes of calculating the annualized base index realized volatility in the manner set forth in the next paragraph, each underlying stock or the underlying ETF, if applicable, that was affected by such index market disruption event is disregarded for purposes of total return index rebalancing).

Solely for purposes of calculating the annualized base index realized volatility which includes an index business day on which an index market disruption event has occurred or is continuing with respect to any underlying stock or the underlying ETF, if applicable (except if such index market disruption event affects all the underlying stocks and the underlying ETF, if applicable), the base index value will include any underlying stock or the underlying ETF, if applicable, that has been affected by an index market disruption event and will be calculated (i) in the event of a trading disruption related to movements in price that exceed limits established by the relevant exchange, by assuming the closing price of the underlying stock or the closing price of the underlying ETF, if applicable, is equal to such price limit on such index business day or (ii) in the event of an index market disruption event which is not a trading disruption related to movements in price that exceed limits established by the relevant exchange, by multiplying the last traded price of the underlying stock or the underlying ETF, if applicable, on the immediately preceding relevant index business day by the percentage change (whether positive or negative) of the underlying stock or the underlying ETF, if applicable, having the largest absolute total return (expressed in percentage; as adjusted for dividends, splits and spin-offs) from the immediately preceding relevant index business day to the relevant index business day; provided, that if an index market disruption event has occurred and is continuing with respect to more than one underlying stock on an index business day, then the index calculation agent shall consult with the index committee to determine the values to be used for such disrupted underlying stock for purposes of calculating the annualized base index realized volatility, such determination to be made by the index committee in its sole discretion based on its review of such market and other information as it believes relevant to such determination.

An “index market disruption event” with respect to an underlying stock or the underlying ETF, if applicable, will have occurred in any of the following situations (as determined by the index calculation agent in its sole discretion): (i) the official closing price, level or other measure of any underlying stock or the underlying ETF, if applicable, is unavailable on any relevant day on which such measure is scheduled to be published; (ii) a relevant exchange is not open for trading during its regular trading session, or closes prior to its scheduled closing time, on any relevant day or there is an exchange disruption; (iii) upon the occurrence or existence of a trading disruption for more than two hours of trading, or at any time during the one-hour period that ends at the scheduled closing time of the relevant exchange, and which the index calculation agent determines is material; (iv) with respect to the underlying ETF, the net asset value per share is not calculated or is not announced by the underlying ETF or the sponsor of the underlying ETF, and such event has a material impact on the index; (v) with respect to the underlying ETF, the underlying ETF or the sponsor of the Underlying ETF suspends creations or redemptions of shares, and such event has a material impact on the index; (vi) upon the occurrence or existence of an index dislocation; or (vii) upon the occurrence or existence of a force majeure event.

A “trading disruption” means any suspension of or limitation imposed on trading by the relevant exchange or related exchange, and whether by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise, relating to the underlying stock shares, the underlying ETF shares, the index underlying the underlying ETF or futures or options on the underlying stock shares, the underlying ETF shares or the index underlying the underlying ETF.

An “exchange disruption” means any event that disrupts or impairs (as determined by the index calculation agent in its sole discretion) the ability of market participants in general to effect transactions in, or obtain market values for, the shares of the underlying stock or underlying ETF on the relevant exchange or futures or options on the underlying stock shares, underlying ETF shares or the index underlying the underlying ETF, in each case on the relevant related exchange.

An “exchange” means the primary exchange on which shares of an underlying stock or the underlying ETF are listed.

S-39

Table of Contents

A “related exchange” means, in respect of an underlying stock, the underlying ETF or the index underlying the underlying ETF, as the case may be, the primary exchange (or exchanges) or quotation system (or quotation systems) on which futures or options contracts relating to such underlying stock, the underlying ETF or the index underlying the underlying ETF, as the case may be, are traded, if any.

An “index dislocation” means the index calculation agent determines that a market participant, as a result of a market-wide condition relating to the index, any underlying stock or the underlying ETF, would (i) be unable, after using commercially reasonable efforts, to acquire, establish, re-establish, substitute, maintain, unwind, or dispose of all or a material portion of any hedge position relating to the index, an underlying stock or the underlying ETF, or (ii) incur a materially increased cost in doing so, including due to any capital requirements or other law or regulation.

A “force majeure event” means the index calculation agent determines that there has been the occurrence of a systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance that is beyond the reasonable control of the index sponsor, index calculation agent or any of their respective affiliates that index calculation agent determines is likely to have a material effect on a component necessary for the calculation of the index, or on its ability to perform its role in respect of the index.

Potential Adjustment Events

In the event that an underlying stock or the underlying ETF, if applicable, is affected by a “potential adjustment event”, the index calculation agent may make adjustments to the number of shares of such underlying stock or the underlying ETF, if applicable, reflected in the index and/or the weighting of the underlying stock or the underlying ETF, if applicable, if it determines that the event could have a diluting or concentrative effect on the theoretical value of the underlying stock shares or the underlying ETF shares, if applicable, and would not otherwise be accounted for in the index. The table below describes the potential adjustment events for which the index calculation agent may make adjustments. The effective date of any adjustment made will be as of the ex-date for the potential adjustment event with the exception of ad-hoc situations as described below.

Ad-hoc situations are defined as circumstances when either the index calculation agent receives information about the effectiveness of a transaction after the last trading day of an underlying stock or the underlying ETF, if applicable, or the underlying stock or the underlying ETF, if applicable, has been suspended from trading with immediate effect and will not resume trading until its delisting and/or has been delisted from the relevant exchange with immediate effect. In case of ad-hoc situations, the adjustment will be applied with a notice period of two index business days, i.e., the effective date for the adjustment will be the third index business day following the announcement.

If a potential adjustment event is announced prior to an underlying stock being removed from the index, but the ex-date occurs after the underlying stock is removed from the index, the underlying stock will never be adjusted for such adjustment event.

Table of Contents

Potential Adjustment Event	Adjustment	Adjustment Description
Cash Dividends	Yes	The dividend is reinvested in the underlying stock or underlying ETF
Special/Extraordinary Dividends	Yes	The dividend is reinvested in the underlying stock or underlying ETF
Stock Dividend	Yes	Where shareholders receive “B” new shares for every “A” share held, the number of shares is adjusted by multiplying the original number of shares by the quotient of (a) the sum of A and B divided by (b) A.
Stock Split	Yes	Where shareholders receive “B” new shares for every “A” share held, the number of shares is adjusted by multiplying the original number of shares by the quotient of B divided by A.
Stock Cash Acquisition	Yes	Where company X is acquired, proceeds equal to the original number of shares of company X multiplied by the latest available price determined by the calculation agent are reinvested proportionally across the index. If an ad-hoc situation applies, then a notional position in company X, where the valuation of the notional position is exactly equal to the proceeds, will be maintained in the base index during the two index business day notice period prior to the effective date. If company Y, the acquirer, is currently in the index, and irrespective of whether or not an ad-hoc situation applies to the adjustment event, then where shareholders receive “B” new shares of company Y for every “A” share of company X held, the shares of company X are replaced by shares of company Y where the number of shares of company Y is obtained by multiplying the original number of shares of company X by the quotient of B divided by A.
Stock Merger	Yes	If the acquirer is not a current index constituent, then the shares of the acquired company will be removed from the index and the proceeds will be reinvested proportionally across the index. If an ad-hoc situation applies and the acquirer company Z is not a current index constituent, and where shareholders receive “C” shares of company Z for every “A” share of company X held, then for the two index business day notice period, the shares of company X will be replaced by shares of company Z obtained by multiplying the original number of shares of company X by the quotient of C divided by A. The shares of company Z will be removed from the index on the effective date and proceeds will be reinvested proportionally across the index.
Stock Spinoff	Yes	Where shareholders receive “B” new shares of spun-off company Y for every “A” share of parent company X held, a position in company Y is initiated where the number of shares of company Y is obtained by multiplying the original number of shares of company X by the quotient of B divided by A. If the effective date of the spinoff is a base index rebalancing day, the effective proceeds of the spinoff obtained by multiplying the original number of shares of company X by the quotient of B divided by A and that further multiplied by the latest available price of company Y determined by the index calculation agent are reinvested in company X.
Stock Delisting	Yes	

The proceeds received from the sale of the delisted securities are reinvested proportionally across the index. If an ad-hoc situation applies, then a notional cash position equal to the proceeds will be maintained in the base index during the two index business day notice period prior to the effective date.

S-41

Table of Contents

For potential adjustment events not listed in the table above, the index calculation agent may make adjustments if it determines that the event could have a diluting or concentrative effect on the theoretical value of the underlying stock shares or the underlying ETF shares, if applicable, and would not otherwise be accounted for in the index. Any such adjustments are publicly announced in advance wherever practicable.

The Index Committee and Index Calculation Agent

An index committee is responsible for overseeing the index, the methodology and the implementation thereof, while the index calculation agent is responsible for the calculation of the index, including responding to index market disruption events (as defined under “Index Market Disruption Events” above) and potential adjustment events. The index committee will initially be comprised of three full-time employees of Motif Capital Management, Inc. or one or more of its affiliates.

The index committee may exercise limited discretion with respect to the index, as contemplated by the methodology, including in determining the underlying stocks included in the base index and theme revenue. Any such changes or actions are publicly announced as promptly as is reasonably practicable and normally at least five index business days prior to their effective date. The index calculation agent may from time to time consult the index committee on matters of interpretation with respect to the methodology.

Data Error

If the index calculation agent determines that the price made available by the relevant exchange reflects a manifest error for an underlying stock or the underlying ETF, if applicable, with a non-zero weighting in the index (or the published level of the notional interest rate) reflects a manifest error, the calculation of the index shall be delayed until such time as a corrected price or level is made available. In the event a corrected price or level is not made available on a timely basis or in the event that the price made available for an underlying stock or the underlying ETF, if applicable (or the published level of a notional interest rate), is subsequently corrected and such correction is published, then the index calculation agent may, if practicable and if the index calculation agent determines, acting in good faith, that such error is material, adjust or correct the relevant calculation or determination, including the price of the underlying stock or the underlying ETF, if applicable, as of any index business day to take into account such adjustment or correction.

On any index business day during which the price of for an underlying stock or the underlying ETF, if applicable, reflects such an error (and such error has not been corrected), the underlying stock target weights, underlying ETF target weight, if applicable, and the base index weight will be calculated using the price made available by the relevant exchange (notwithstanding any manifest error). If the calculation agent determines that any such error is material (as described above) and if the relevant exchange subsequently corrects such price it has made available, the index value may be calculated using such corrected price, but the quantities of the underlying stocks and the underlying ETF, if applicable, implied by the underlying stock target weights and the underlying ETF weight, if applicable, and the base index weight (each prior to the error being corrected) will not be adjusted.

Non-Data Error

If there is a missed potential adjustment event (as described under “Potential Adjustment Events” above) (a “missed potential adjustment event”) or a deviation from the index methodology as described in this document (a “missed index methodology event”), and a correction can be made within 2 days or fewer after such missed potential adjustment event or missed index methodology event, the index calculation agent will recalculate the index value for the index business day on which such event occurred and each following index business day on which the index value was affected by such missed potential adjustment event or missed index methodology event, using the corrected potential adjustment event adjustment or index methodology. If such a correction occurs more than 2 days after such missed corporate event or missed index methodology event, the index will not be recalculated.

Table of Contents

The following summary flow chart is provided for purposes of illustration only and should be read together with, and not as a substitute for, the preceding disclosure regarding the index.

SUMMARY FLOW CHART I: REBALANCING

S-43

Table of Contents

The following summary flow chart is provided for purposes of illustration only and should be read together with, and not as a substitute for, the preceding disclosure regarding the index.

SUMMARY FLOW CHART II: TOTAL THEME REVENUE

S-44

Table of Contents

Closing Levels of the Index

The closing level of the index has fluctuated in the past and may, in the future, experience significant fluctuations. Any upward or downward trend in the historical or hypothetical closing level of the index during the period shown below is not an indication that the index is more or less likely to increase or decrease at any time during the life of your notes.

We cannot give you any assurance that the future performance of the index or the underlying stocks will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date.

Neither we nor any of our affiliates make any representation to you as to the performance of the index. Before investing in the offered notes, you should consult publicly available information to determine the index levels between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the index over the life of the offered notes, as well as the cash settlement amount on a call payment date or at maturity, may bear little relation to the historical index performance information or hypothetical performance data shown below.

The graph below shows the daily closing levels of the index from December 7, 2008 through December 7, 2018 (using hypothetical performance data and historical closing levels). Since the index was launched on June 1, 2016 and has a limited operating history, the graph includes hypothetical performance data for the index prior to its launch on June 1, 2016. The hypothetical performance data prior to June 1, 2016 was obtained from the index sponsor's website, without independent verification. The index sponsor advises that such hypothetical performance data was derived using the index rules as of June 1, 2016, but applied retroactively using historical underlying stock and notional interest rate levels. The historical closing levels from June 1, 2016 to December 7, 2018 were obtained from Bloomberg Financial Services, without independent verification. (In the graph, historical closing levels can be found to the right of the vertical solid line marker.) You should not take the hypothetical performance data or historical closing levels of the index as an indication of the future performance of the index.

Table of Contents

Average Allocation Between the Base Index and the Money Market Position for Each Month

Historically, a very significant portion (up to approximately 90%) of the index consistently has been allocated to the money market position. The graph below shows the average allocation between the base index (consisting of the underlying stocks) and the money market position for each month from November 2008 through November 2018.

This graph uses hypothetical performance data for the index prior to its launch on June 1, 2016 using the index rules as of June 1, 2016, but applied retroactively using historical underlying stock and notional interest rate levels. (In the graph below, this hypothetical information can be found to the left of the vertical solid line marker.) You should not take the historical information or hypothetical data as an indication of the future performance of the index.

S-46

Table of Contents

Performance of the Notional Interest Rate (3-Month USD LIBOR) Reflected in the Money Market Position

The money market position reflects the returns accruing on a hypothetical cash investment in a notional money market account denominated in U.S. dollars that accrues interest at the notional interest rate, which is equal to 3-month USD LIBOR.

The graph below illustrates the historical levels of the 3-month USD LIBOR rate from December 7, 2008 through December 7, 2018. The level of the 3-month USD LIBOR rate has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the level of the 3-month USD LIBOR rate during the period shown below is not an indication that the level of the 3-month USD LIBOR rate is more or less likely to increase or decrease at any time during the life of the notes. See “U.K. Regulators Will No Longer Persuade or Compel Banks to Submit Rates for Calculation of LIBOR After 2021; Interest Rate Benchmark May Be Discontinued” and “Additional Risk Factors Specific to Your Notes — Regulation and Reform of “Benchmarks”, Including LIBOR and Other Types of Benchmarks, May Cause such “Benchmarks” to Perform Differently Than in the Past, or to Disappear Entirely, or Have Other Consequences Which Cannot Be Predicted” for more information about 3-month USD LIBOR. You should not take the historical level of the 3-month USD LIBOR rate as an indication of future levels of the 3-month USD LIBOR rate.

Neither we nor any of our affiliates make any representation to you as to the performance of the 3-month USD LIBOR rate. The actual levels of the 3-month USD LIBOR rate during the term of the notes may bear little relation to the historical levels of the 3-month USD LIBOR rate shown below.

We obtained the 3-month USD LIBOR rates shown in the graph below from Reuters, without independent verification.

S-47

Table of Contents

Comparative Performance of the Index and Two Broad-Based Stock Indices

For comparative purposes, the graph below shows the performance, from December 7, 2008 through December 7, 2018, of the index (in blue, and using historical information and hypothetical performance data, as explained below) and two broad-based equity indices, the Russell 3000[®] Index (in red) and the S&P 500[®] Index (in green). The Russell 3000[®] Index seeks to measure the largest 3,000 companies by total market capitalization in the U.S. equity market. The S&P 500[®] Index seeks to track a representative sample of 500 companies in leading industries of the U.S. economy. Unlike the index, neither the Russell 3000[®] Index nor the S&P 500[®] Index seeks to track the performance of companies in specified sectors that may benefit from the long-term demographic shift towards an older population in the United States and the resulting demand for products and services geared towards managing the health and lifestyle of an aging population.

For comparative purposes, each of the index, the Russell 3000[®] Index and the S&P 500[®] Index have been adjusted to have a closing level of 100 on December 7, 2008 by dividing the applicable closing level on each day by that index's closing level on December 7, 2008 and multiplying the quotient by 100.00. The historical closing levels of the index from June 1, 2016 to December 7, 2018 used to create this graph reflect the actual performance of the index and were obtained from Bloomberg Financial Services, without independent verification. (In this graph, the historical closing levels of the index can be found to the right of the vertical solid line marker.) The index sponsor of the index advises that the hypothetical performance data from December 7, 2008 through May 31, 2016 used to create this graph was derived using the index rules as of June 1, 2016, but applied retroactively using historical underlying stock and notional interest rate levels. The daily historical closing levels of the Russell 3000[®] Index from December 7, 2008 through December 7, 2018 used to create this graph were obtained from Bloomberg Financial Services, without independent verification. Although the official closing levels of the Russell 3000[®] Index are published to six decimal places by FTSE Russell, the sponsor of the Russell 3000[®] Index, Bloomberg Financial Services reports the levels of the Russell 3000[®] Index to fewer decimal places. The daily historical closing levels of the S&P 500[®] Index from December 7, 2008 through December 7, 2018 used to create this graph were obtained from Bloomberg Financial Services, without independent verification. You should not take this graph, or the hypothetical performance data or historical closing levels of the index, or the historical closing levels of the Russell 3000[®] Index or the S&P 500[®] Index, used to create this graph, as an indication of the future performance of the index or the correlation (if any) between the level of the index and the level of the Russell 3000[®] Index or the level of the S&P 500[®] Index.

S-48

Table of Contents

Additional Selected Performance Information for the Index

The following table provides additional selected hypothetical data and historical performance information for the index as of December 7, 2018. The data prior to June 1, 2016 reflected in this table is hypothetical and was derived using the index rules as of June 1, 2016, but applied retroactively using historical underlying stock and notional interest rate levels. We obtained all of the hypothetical data and historical performance information in this table from the index sponsor, without independent verification. You should not take the historical information or hypothetical data as an indication of the future performance of the index.

Effective Performance (1M)	-0.7%
Effective Performance (6M)	4.5%
Effective Performance (1Y)	8.0%
Effective Performance (3Y)	19.6%
Effective Performance (5Y)	31.4%
Effective Performance (10Y)	87.8%
Annualized Performance (since June 2011)*	6.3%
Annualized Volatility (since June 2011)*	7.8%
Return over risk (since June 2011)**	0.81
Maximum Peak-to-Trough Drawdown (since June 2011)***	10.2%

* Calculated on an annualized basis since June 1, 2011.

** Calculated by dividing the annualized performance by the annualized volatility since June 1, 2011.

*** The largest percentage decline in the index level from any previously occurring level since June 1, 2011.

Table of Contents

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THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN MOTIF CAPITAL AND GOLDMAN.

Table of Contents

SUPPLEMENTAL DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus.

The following section is the opinion of Sidley Austin LLP, counsel to GS Finance Corp. and The Goldman Sachs Group, Inc. It applies to you only if you hold your notes as a capital asset for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank;
- a regulated investment company;
- a life insurance company;
- a tax-exempt organization;
- a partnership;
- a person that owns the notes as a hedge or that is hedged against interest rate risks;
- a person that owns the notes as part of a straddle or conversion transaction for tax purposes; or
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect.

These laws are subject to change, possibly on a retroactive basis.

You should consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the notes, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

United States Holders

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of notes and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this section does not apply to you and you should refer to “— United States Alien Holders” below.

Your notes will be treated as debt instruments subject to special rules governing contingent payment debt instruments for U.S. federal income tax purposes. Under those rules, the amount of interest you are required to take into account for each accrual period will be determined by constructing a projected payment schedule for your notes and applying rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the yield at which we would issue a noncontingent fixed rate debt instrument with terms and conditions similar to your notes (the “comparable yield”) and then determining as of the issue date a payment schedule that would produce the comparable yield. These rules will generally have the effect of requiring you to include amounts in income in respect of your notes, even though you generally will not receive any payments from us until maturity.

It is not entirely clear how, under the rules governing contingent payment debt instruments, the maturity date for debt instruments (such as your notes) that provide for the possibility of early redemption should be determined for purposes of computing the comparable yield and projected payment schedule. It would be reasonable, however, to compute the comparable yield and projected payment schedule for your notes (and we intend to make the computation in such a manner) based on the assumption that your notes will remain outstanding until the stated maturity date.

We have determined that the comparable yield for the notes is equal to 4.4633% per annum, compounded semi-annually with a projected payment at maturity of \$1,425.47 based on an investment of \$1,000.

Table of Contents

Based on this comparable yield, if you are an initial holder that holds a note until maturity and you pay your taxes on a calendar year basis, we have determined that you would be required to report the following amounts as ordinary income, not taking into account any positive or negative adjustments you may be required to take into account based on the actual payments on the notes, from the note each year:

Accrual Period	Interest Deemed to Accrue During Accrual Period (per \$1,000 note)	Total Interest Deemed to Have Accrued from Original Issue Date (per \$1,000 note) as of End of Accrual Period
December 12, 2018 through December 31, 2018	\$2.23	\$2.23
January 1, 2019 through December 31, 2019	\$45.24	\$47.47
January 1, 2020 through December 31, 2020	\$47.28	\$94.75
January 1, 2021 through December 31, 2021	\$49.40	\$144.15
January 1, 2022 through December 31, 2022	\$51.64	\$195.79
January 1, 2023 through December 31, 2023	\$53.97	\$249.76
January 1, 2024 through December 31, 2024	\$56.40	\$306.16
January 1, 2025 through December 31, 2025	\$58.94	\$365.10
January 1, 2026 through December 23, 2026	\$60.37	\$425.47

You are required to use the comparable yield and projected payment schedule that we compute in determining your interest accruals in respect of your notes, unless you timely disclose and justify on your U.S. federal income tax return the use of a different comparable yield and projected payment schedule.

The comparable yield and projected payment schedule are not provided to you for any purpose other than the determination of your interest accruals in respect of your notes, and we make no representation regarding the amount of contingent payments with respect to your notes.

If you purchase your notes at a price other than their adjusted issue price determined for tax purposes, you must determine the extent to which the difference between the price you paid for your notes and their adjusted issue price is attributable to a change in expectations as to the projected payment schedule, a change in interest rates, or both, and reasonably allocate the difference accordingly. The adjusted issue price of your notes will equal your notes' original issue price plus any interest deemed to be accrued on your notes (under the rules governing contingent payment debt instruments) as of the time you purchase your notes. The original issue price of your notes will be the first price at which a substantial amount of the notes is sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. Therefore, you may be required to make the adjustments described above even if you purchase your notes in the initial offering if you purchase your notes at a price other than the issue price.

If the adjusted issue price of your notes is greater than the price you paid for your notes, you must make positive adjustments increasing (i) the amount of interest that you would otherwise accrue and include in income each year, and (ii) the amount of ordinary income (or decreasing the amount of ordinary loss) recognized upon maturity by the amounts allocated under the previous paragraph to each of interest and the projected payment schedule; if the adjusted issue price of your notes is less than the price you paid for your notes, you must make negative adjustments, decreasing (i) the amount of interest that you must include in income each year, and (ii) the amount of ordinary income (or increasing the amount of ordinary loss) recognized upon maturity by the amounts allocated under the previous paragraph to each of interest and the projected payment schedule. Adjustments allocated to the interest amount are not made until the date the daily portion of interest accrues.

Because any Form 1099-OID that you receive will not reflect the effects of positive or negative adjustments resulting from your purchase of notes at a price other than the adjusted issue price determined for tax purposes, you are urged to consult with your tax advisor as to whether and how adjustments should be made to the amounts reported on any Form 1099-OID.

You will recognize income or loss upon the sale, exchange, redemption or maturity of your notes in an amount equal to the difference, if any, between the cash amount you receive at such time and your adjusted basis in your notes. In general, your adjusted basis in your notes will equal the amount you paid for your notes, increased by the amount of

S-52

Table of Contents

interest you previously accrued with respect to your notes (in accordance with the comparable yield and the projected payment schedule for your notes), and increased or decreased by the amount of any positive or negative adjustment, respectively, that you are required to make if you purchase your notes at a price other than the adjusted issue price determined for tax purposes.

Any income you recognize upon the sale, exchange, redemption or maturity of your notes will be ordinary interest income. Any loss you recognize at such time will be ordinary loss to the extent of interest you included as income in the current or previous taxable years in respect of your notes, and, thereafter, capital loss. If you are a noncorporate holder, you would generally be able to use such ordinary loss to offset your income only in the taxable year in which you recognize the ordinary loss and would generally not be able to carry such ordinary loss forward or back to offset income in other taxable years.

Pursuant to recently enacted legislation, for taxable years beginning after December 31, 2018, with respect to a debt instrument issued with original issue discount, such as the notes, an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. For this purpose, an “applicable financial statement” generally means a financial statement certified as having been prepared in accordance with generally accepted accounting principles or that is made on the basis of international financial reporting standards and which is used by the taxpayer for various specified purposes. This rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the notes prior to the time such income would be recognized pursuant to the rules described above. Potential investors in the notes should consult their tax advisors regarding the potential applicability of these rules to their investment in the notes.

United States Alien Holders

If you are a United States alien holder, please see the discussion under “United States Taxation — Taxation of Debt Securities — United States Alien Holders” in the accompanying prospectus for a description of the tax consequences relevant to you. You are a United States alien holder if you are the beneficial owner of the notes and are, for U.S. federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from the notes.

We will not attempt to ascertain whether any underlying stock issuer would be treated as a “United States real property holding corporation” (“USRPHC”), within the meaning of Section 897 of the Internal Revenue Code. If any underlying stock issuer was so treated, certain adverse U.S. federal income tax consequences could possibly apply to a United States alien holder. You should refer to information filed with the SEC with respect to each underlying stock issuer and consult your tax advisor regarding the possible consequences to you, if any, if the issuer of a particular underlying stock is or becomes a USRPHC.

In addition, the Treasury Department has issued regulations under which amounts paid or deemed paid on certain financial instruments (“871(m) financial instruments”) that are treated as attributable to U.S.-source dividends could be treated, in whole or in part depending on the circumstances, as a “dividend equivalent” payment that is subject to tax at a rate of 30% (or a lower rate under an applicable treaty), which in the case of amounts you receive upon the sale, exchange, redemption or maturity of your notes, could be collected via withholding. If these regulations were to apply to the notes, we may be required to withhold such taxes if any U.S.-source dividends are paid on any underlying stocks or on the underlying ETF included in the index during the term of the notes. We could also require you to make certifications (e.g., an applicable Internal Revenue Service Form W-8) prior to the maturity of the notes in order to avoid or minimize withholding obligations, and we could withhold accordingly (subject to your potential right to claim a refund from the Internal Revenue Service) if such certifications were not received or were not satisfactory. If withholding was required, we would not be required to pay any additional amounts with respect to amounts so withheld. These regulations generally will apply to 871(m) financial instruments (or a combination of financial instruments treated as having been entered into in connection with each other) issued (or significantly modified and treated as retired and reissued) on or after January 1, 2021, but will also apply to certain 871(m) financial instruments

(or a combination of financial instruments treated as having been entered into in connection with each other) that have a delta (as defined in the applicable Treasury regulations) of one and are issued (or significantly modified and treated as retired and reissued) on or after January 1, 2017. In addition, these regulations will not apply to financial instruments that reference a “qualified index” (as defined in the regulations). We have determined that, as of the issue date of your notes, your notes will not be subject to withholding under these rules. In certain limited circumstances, however, you should be aware that it is possible for United States

S-53

Table of Contents

alien holders to be liable for tax under these rules with respect to a combination of transactions treated as having been entered into in connection with each other even when no withholding is required. You should consult your tax advisor concerning these regulations, subsequent official guidance and regarding any other possible alternative characterizations of your notes for U.S. federal income tax purposes.

Foreign Account Tax Compliance Act (FATCA) Withholding

Pursuant to Treasury regulations, Foreign Account Tax Compliance Act (FATCA) withholding (as described in “United States Taxation—Taxation of Debt Securities—Foreign Account Tax Compliance Act (FATCA) Withholding” in the accompanying prospectus) will generally apply to obligations that are issued on or after July 1, 2014; therefore, the notes will generally be subject to FATCA withholding. However, according to published guidance, the withholding tax described above will not apply to payments of gross proceeds from the sale, exchange, redemption or other disposition of the notes made before January 1, 2019.

S-54

Table of Contents

EMPLOYEE RETIREMENT INCOME SECURITY ACT

This section is only relevant to you if you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh Plan) proposing to invest in the notes.

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the U.S. Internal Revenue Code of 1986, as amended (the “Code”), prohibit certain transactions (“prohibited transactions”) involving the assets of an employee benefit plan that is subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code (including individual retirement accounts, Keogh plans and other plans described in Section 4975(e)(1) of the Code) (a “Plan”) and certain persons who are “parties in interest” (within the meaning of ERISA) or “disqualified persons” (within the meaning of the Code) with respect to the Plan; governmental plans may be subject to similar prohibitions unless an exemption applies to the transaction. The assets of a Plan may include assets held in the general account of an insurance company that are deemed “plan assets” under ERISA or assets of certain investment vehicles in which the Plan invests. Each of The Goldman Sachs Group, Inc. and certain of its affiliates may be considered a “party in interest” or a “disqualified person” with respect to many Plans, and, accordingly, prohibited transactions may arise if the notes are acquired by or on behalf of a Plan unless those notes are acquired and held pursuant to an available exemption. In general, available exemptions are: transactions effected on behalf of that Plan by a “qualified professional asset manager” (prohibited transaction exemption 84-14) or an “in-house asset manager” (prohibited transaction exemption 96-23), transactions involving insurance company general accounts (prohibited transaction exemption 95-60), transactions involving insurance company pooled separate accounts (prohibited transaction exemption 90 1), transactions involving bank collective investment funds (prohibited transaction exemption 91-38) and transactions with service providers under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code where the Plan receives no less and pays no more than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code). The person making the decision on behalf of a Plan or a governmental plan shall be deemed, on behalf of itself and the plan, by purchasing and holding the notes, or exercising any rights related thereto, to represent that (a) the plan will receive no less and pay no more than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the purchase and holding of the notes, (b) none of the purchase, holding or disposition of the notes or the exercise of any rights related to the notes will result in a nonexempt prohibited transaction under ERISA or the Code (or, with respect to a governmental plan, under any similar applicable law or regulation), and (c) neither The Goldman Sachs Group, Inc. nor any of its affiliates is a “fiduciary” (within the meaning of Section 3(21) of ERISA) or, with respect to a governmental plan, under any similar applicable law or regulation) with respect to the purchaser or holder in connection with such person's acquisition, disposition or holding of the notes, or as a result of any exercise by The Goldman Sachs Group, Inc. or any of its affiliates of any rights in connection with the notes, and neither The Goldman Sachs Group, Inc. nor any of its affiliates has provided investment advice in connection with such person’s acquisition, disposition or holding of the notes.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a government plan, an IRA or a Keogh plan) and propose to invest in the notes, you should consult your legal counsel.

Table of Contents

DEFAULT AMOUNT ON ACCELERATION

If an event of default occurs and the maturity of your notes is accelerated, the company will pay the default amount in respect of the principal of your notes at the maturity, instead of the amount payable on the stated maturity date as described earlier. We describe the default amount under “Terms and Conditions” above.

For the purpose of determining whether the holders of our Series E medium-term notes, which include your notes, are entitled to take any action under the indenture, we will treat the outstanding face amount of your notes as the outstanding principal amount of that note. Although the terms of the offered notes differ from those of the other Series E medium-term notes, holders of specified percentages in principal amount of all Series E medium-term notes, together in some cases with other series of our debt securities, will be able to take action affecting all the Series E medium-term notes, including your notes, except with respect to certain Series E medium-term notes if the terms of such notes specify that the holders of specified percentages in principal amount of all of such notes must also consent to such action. This action may involve changing some of the terms that apply to the Series E medium-term notes, accelerating the maturity of the Series E medium-term notes after a default or waiving some of our obligations under the indenture. In addition, certain changes to the indenture and the notes that only affect certain debt securities may be made with the approval of holders of a majority in principal amount of such affected debt securities. We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification of the Debt Indentures and Waiver of Covenants”.

S-56

Table of Contents

SUPPLEMENTAL PLAN OF DISTRIBUTION

GS Finance Corp. has agreed to sell to GS&Co., and GS&Co. has agreed to purchase from GS Finance Corp., the aggregate face amount of the offered notes specified on the front cover of this prospectus supplement. GS&Co. proposes initially to offer the notes to the public at the original issue price set forth on the cover page of this prospectus supplement, and to certain securities dealers at such price less a concession not in excess of 1.05% of the face amount. GS&Co. will pay a fee of 0.8% from the concession to Axio Financial LLC in connection with its marketing efforts related to the offered notes.

In the future, GS&Co. or other affiliates of GS Finance Corp. may repurchase and resell the offered notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. GS Finance Corp. estimates that its share of the total offering expenses, excluding underwriting discounts and commissions, will be approximately \$20,000. For more information about the plan of distribution and possible market-making activities, see “Plan of Distribution” in the accompanying prospectus.

We will deliver the notes against payment therefor in New York, New York on December 12, 2018. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required to specify alternative settlement arrangements to prevent a failed settlement.

We have been advised by GS&Co. that it intends to make a market in the notes. However, neither GS&Co. nor any of our other affiliates that makes a market is obligated to do so and any of them may stop doing so at any time without notice. No assurance can be given as to the liquidity or trading market for the notes.

Any notes which are the subject of the offering contemplated by this prospectus supplement, the accompanying prospectus and the accompanying prospectus supplement may not be offered, sold or otherwise made available to any retail investor in the European Economic Area. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. For the purposes of this provision:

(a) the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”); and

the expression an “offer” includes the communication in any form and by any means of sufficient information on the (b) terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), GS&Co. has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this prospectus supplement, the accompanying prospectus and the accompanying prospectus supplement to the public in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer of such notes may be made to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

Table of Contents

provided that no such offer of notes referred to above shall require us or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to GS Finance Corp. or The Goldman Sachs Group, Inc.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the notes in, from or otherwise involving the United Kingdom.

The notes may not be offered or sold in Hong Kong by means of any document other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

This prospectus supplement, along with the accompanying prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, along with the accompanying prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation’s securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (“Regulation 32”).

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in

Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

S-58

Table of Contents

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

The notes are not offered, sold or advertised, directly or indirectly, in, into or from Switzerland on the basis of a public offering and will not be listed on the SIX Swiss Exchange or any other offering or regulated trading facility in Switzerland. Accordingly, neither this prospectus supplement nor any accompanying prospectus supplement, prospectus or other marketing material constitute a prospectus as defined in article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus as defined in article 32 of the Listing Rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland. Any resales of the notes by the underwriters thereof may only be undertaken on a private basis to selected individual investors in compliance with Swiss law. This prospectus supplement and accompanying prospectus and prospectus supplement may not be copied, reproduced, distributed or passed on to others or otherwise made available in Switzerland without our prior written consent. By accepting this prospectus supplement and accompanying prospectus and prospectus supplement or by subscribing to the notes, investors are deemed to have acknowledged and agreed to abide by these restrictions. Investors are advised to consult with their financial, legal or tax advisers before investing in the notes.

The notes will not be listed on any securities exchange or interdealer quotation system.

Conflicts of Interest

GS&Co. is an affiliate of GS Finance Corp. and The Goldman Sachs Group, Inc. and, as such, will have a “conflict of interest” in this offering of notes within the meaning of Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121. Consequently, this offering of notes will be conducted in compliance with the provisions of FINRA Rule 5121. GS&Co. will not be permitted to sell notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

S-59

Table of Contents

VALIDITY OF THE NOTES AND GUARANTEE

In the opinion of Sidley Austin LLP, as counsel to GS Finance Corp. and The Goldman Sachs Group, Inc., when the notes offered by this prospectus supplement have been executed and issued by GS Finance Corp., the related guarantee offered by this prospectus supplement has been executed and issued by The Goldman Sachs Group, Inc., and such notes have been authenticated by the trustee pursuant to the indenture, and such notes and the guarantee have been delivered against payment as contemplated herein, (a) such notes will be valid and binding obligations of GS Finance Corp., enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above and (b) such related guarantee will be a valid and binding obligation of The Goldman Sachs Group, Inc., enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above. This opinion is given as of the date hereof and is limited to the laws of the State of New York and the General Corporation Law of the State of Delaware as in effect on the date hereof. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated July 10, 2017, which has been filed as Exhibit 5.6 to the registration statement on Form S-3 filed with the Securities and Exchange Commission by GS Finance Corp. and The Goldman Sachs Group, Inc. on July 10, 2017.

S-60

Table of Contents

We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement, the accompanying prospectus supplement or the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement, the accompanying prospectus supplement and the accompanying prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement, the accompanying prospectus supplement and the accompanying prospectus is current only as of the respective dates of such documents.

TABLE OF CONTENTS

Prospectus Supplement

	<u>Page</u>
<u>Terms and Conditions</u>	S-3
<u>Hypothetical Examples</u>	S-6
<u>Additional Risk Factors Specific to Your Notes</u>	S-10
<u>Use of Proceeds</u>	S-25
<u>Hedging</u>	S-25
<u>The Index</u>	S-26
<u>The Notional Interest Rate</u>	S-47
<u>Supplemental Discussion of Federal Income Tax Consequences</u>	S-51
<u>Employee Retirement Income Security Act</u>	S-55
<u>Default Amount on Acceleration</u>	S-56
<u>Supplemental Plan of Distribution</u>	S-57
<u>Conflicts of Interest</u>	S-59
<u>Validity of the Notes and Guarantee</u>	S-60

Prospectus Supplement dated July 10, 2017

Use of Proceeds	S-2
Description of Notes We May Offer	S-3
Considerations Relating to Indexed Notes	S-15
United States Taxation	S-18
Employee Retirement Income Security Act	S-19
Supplemental Plan of Distribution	S-20
Validity of the Notes and Guarantees	S-21

Prospectus dated July 10, 2017

Available Information	2
Prospectus Summary	4
Risks Relating to Regulatory Resolution Strategies and Long-Term Debt Requirements	8
Use of Proceeds	11
Description of Debt Securities We May Offer	12
Description of Warrants We May Offer	45
Description of Units We May Offer	60

GS Finance Corp.	65
Legal Ownership and Book-Entry Issuance	67
Considerations Relating to Floating Rate Debt Securities	72
Considerations Relating to Indexed Securities	73
Considerations Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency	74
United States Taxation	77
Plan of Distribution	92
Conflicts of Interest	94
Employee Retirement Income Security Act	95
Validity of the Securities and Guarantees	95
Experts	96
Review of Unaudited Condensed Consolidated Financial Statements by Independent Registered Public Accounting Firm	96
Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995	96

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GS Finance Corp.

Autocallable Motif Capital Aging of America 7
ER Index-Linked Notes due 2026

guaranteed by
The Goldman Sachs Group, Inc.

Goldman Sachs & Co. LLC
