REGULATORY CIRCULAR #RG99-217

November 18, 1999

TO: Members and Member Organizations

ATTENTION: Chief Executive Officers/Managing Partners/
Compliance Officers/Senior Registered Options Principals

FROM: Capital Markets Division

SUBJECT: The Goldman Sachs Group, Inc.
Medium-Term Notes Series B
Callable Index-Linked Notes
Due __*__, 2003
(Linked to the GSTI™ Internet Index)

The aforementioned Notes are the subject of a Preliminary Prospectus Supplement dated November 8, 1999 and will commence trading at a date to be announced (Trading Symbol: GII.A, CUSIP: 38141GAF1).

GENERAL DESCRIPTION:

As more fully explained in the Preliminary Prospectus Supplement, the Notes constitute Debt Securities of The Goldman Sachs Group, Inc. (hereinafter the "Issuer") and will be issued in denominations of $1,000 and multiples thereof. The Notes will not bear interest prior to maturity.

The Notes are payable solely in cash at maturity or the earlier redemption dates. Noteholders do not have any right to receive any common shares or other securities. The prices of the GSTI™ Internet Index ("GIN") components serve solely as a benchmark to determine the amount payable on any Note.

PAYMENT AT MATURITY:

Unless Goldman Sachs exercises the call right, on the stated maturity date, the Issuer will pay the Holder of the Note cash equal to 90% of the outstanding face amount of the Note plus an additional amount, if any, if the final GIN Index level exceeds the reference GIN Index level as follows:

Outstanding Face Amount times (Final GIN Index Level - Reference GIN Index Level)*
Reference GIN Index Level*

The purpose of this circular is to provide basic information to Members and Member Organizations regarding the subject securities and to advise of certain compliance responsibilities when handling transactions in these securities. This is not a sales document and is not intended to be distributed to customers.

* To be announced.

CALL PROVISION

Goldman Sachs may redeem the offered Notes in whole, but not in part, on the one business day following the anniversary of the original issue date in the year 2001 and 2002 at a redemption price (percentage of face amount) of 160% and 190%, respectively.

THE INDEX

The GSTI™ Internet Index (symbol "GIN") is one of the sub-indexes of the Goldman Sachs Technology Indexes. The Index is calculated by CBOE, the Index Calculator, on a real-time basis using last-sale prices and is disseminated every 15 seconds by CBOE during regular CBOE trading hours. The Index is maintained by CBOE and the GSTI Committee.

The Index is calculated on a modified-capitalization-weighted method and rebalanced semi-annually, January and July. The maximum weight for any stock will be "capped" at 12.5% of the total Index weight on each rebalancing date. The method is implemented as follows: the Index is capitalization-weighted using the shares outstanding and the closing prices in the primary market of each stock on the relevant rebalancing date; the weight of any stock that is above 12.5% of the weight of the Index is reduced to 12.5%, and the aggregate excess weight, as a result of the "capping", is redistributed across the remaining uncapped stocks, while retaining the relevant weighting of those remaining uncapped stocks.

The Index divisor was initially calculated to yield a benchmark value of 100 at the close of trading on April 30, 1996. The divisor for the Index is adjusted as needed to ensure continuity whenever there are additions or deletions from the Index, share changes, or adjustments to a component's price to reflect rights offerings, spin-offs, and special cash dividends.

CERTAIN RISK FACTORS

- If the final GIN Index level does not exceed the reference GIN Index level by at least 10%, Noteholders will receive less than the outstanding face amount of the Note on the stated maturity date.

- Noteholders will not receive any periodic interest payments on the Note. Even if the final GIN Index level exceeds the reference GIN Index level by at least 10%, the over-all return on the Note may be less than would have been earned by investing in a debt security that bears interest at a prevailing market rate.

- The market value of the Note may be influenced by many factors that are unpredictable and interrelated in complex ways such as: the GIN Index level, changes in interest rates, changes in the volatility of the Index, the time remaining to maturity, and changes in the Issuer's credit ratings.

- The market value of the Note may not have a one-to-one relationship with the level of the GIN Index.

- The return on the Note will not reflect the return on the GIN Index stocks because the GIN Index Calculator calculates the level of the GIN Index by reference to the prices of the common stocks included in the GIN Index without taking account of the value of any dividends paid on those stocks.

- At various times after the second anniversary of the original issue date, the Issuer is entitled to redeem the Notes at their option determined by reference to a pre-established schedule. The amount paid to redeem the Notes may be substantially less than the principal amount that would have been paid on the stated maturity date.

- As GIN Index sponsor and calculation agent, Goldman, Sachs & Co. will have the authority to make determinations that could materially affect the Notes in various ways and create conflicts of interest.

- If Goldman, Sachs & Co., the calculation agent, determines that, on the determination date, a market disruption event has occurred or is continuing, the determination date will be postponed until the first business day on which no market disruption event occurs or is continuing. As a result, the stated maturity date for the Note will also be postponed, although not by more than five business days.

- Trading and other transactions by Goldman Sachs & Co., and other affiliates, in securities linked to the GIN Index stocks may impair the market value of the Note.

- The market value of the Note may be influenced by factors specifically related to internet stocks.

OTHER IMPORTANT INFORMATION:

- Investors should consider the tax consequences of investing in the Notes. See the Prospectus Supplement for a discussion of the tax considerations, including the tax paid on deemed interest amounts even though Notes do not bear periodic interest.

- Ownership of the Notes will be maintained in book entry form with DTC.

The foregoing information has been excerpted from the Preliminary Prospectus Supplement, and the Exchange assumes no responsibility for the accuracy or completeness of such information. Members and associated persons of member organizations are advised to read both the Prospectus and the Prospectus Supplement.

REGULATORY CONSIDERATIONS:

MARGIN AND CAPITAL REQUIREMENTS

For margin and capital purposes, GII.A will be considered an equity security. A long GII.A position will have an initial and maintenance margin requirement equal to 50% and 25% of market value, respectively.

For GSTI Internet Index options market-makers, GII.A qualifies as an options hedge (permitted offset) under Exchange Rule 12.3(f)(3)(A)(vii). Members should be aware that making markets in or trading GII.A, or any structured product, other than to hedge market-maker transactions in GSTI Internet Index options, does not qualify as an options hedge and will subject the Member to the provisions of the Net Capital Rule. Members should refer to Regulatory Circular RG 97-40 for further information regarding capital requirements and structured products.

For capital purposes, GII.A positions will be subject to a haircut equal to 15% of market value. Haircut offsets for related derivative securities will be available at such time as the Options Clearing Corporation incorporates GII.A into its theoretical pricing program. For status updates, contact the Department of Financial and Sales Practice Compliance.

SALES PRACTICES

The Notes are considered debt securities and subject to the provisions of Rule 30.50. A customer's account is not required to be options approved. Members and associated persons of member organizations should take such steps as may be reasonably necessary to assure that prospective Note purchasers reach an investment decision only after carefully considering the suitability of the Notes in light of their particular financial circumstances and objectives.

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Questions regarding customer suitability of these securities should be directed to Barry Szurgot (312) 786-7756 and margin questions should be directed to Jim Adams (312) 786-7718. General product questions should be directed to Nick Parcharidis of the Capital Markets Division (212) 803-1411.

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