

From: Raazi, Cactus
Sent: Thursday, August 10, 2006 3:48 PM
To: Shah, Poonam
Cc: Scales, Carly; Swenson, Michael
Subject: Paulson bookings

I've already tried to book this once - didn't stick - need your help now

GS sold 550mm protection on ABX.HE.A.06-2 to Paulson - should be allocated as follows:

Paulson & Co. ABX Ledger

ABX Index

	ABX.HE.A.06-2
Executing Broker	GSCO
CDS Counterparty	GSCO
All Prices Quoted in Basis Points	8/9/06
<u>Account Name</u>	<u>99 31/32</u>
HFR	(8,900,000)
Paulson Partners Enhanced LP	(38,160,000)
Paulson Partners LP	(29,130,000)
Paulson International Ltd	(104,360,000)
Lyxor Paulson International	(37,420,000)
Paulson Enhanced Ltd.	(329,715,000)
PGS Focus	(2,315,000)
TOTAL =	(550,000,000.00)

— = Redacted by the Permanent Subcommittee on Investigations

Cactus Raazi
 212.902.3943 direct
 917. mobile

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From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 9:06 PM
To: Montag, Tom
Subject: RE: More thorough response

Life to date now is basically flat to down a bit.
Have been to big, stubborn and provided too much liquidity.
But they are very good and I have confidence they will do well once we get through this.

-----Original Message-----

From: Montag, Tom
Sent: Thursday, December 07, 2006 8:59 PM
To: Sparks, Daniel L
Subject: RE: More thorough response

what is LTD now? how well are they really trading it

-----Original Message-----

From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 8:58 PM
To: Montag, Tom
Subject: RE: More thorough response

Pushing and squeezing is definitely working. The head guy - John Paulsen - makes all the calls.
Our guys will trade it well - just need to get square.
Fitch putting Amerquest on servicer watch observation could cause some early pain Friday.
Amerquest is the monster in the space.

-----Original Message-----

From: Montag, Tom
Sent: Thursday, December 07, 2006 8:48 PM
To: Sparks, Daniel L
Subject: RE: More thorough response

seems with big move like this they would take some off the table--unless the nature of this lends itself to squeezing and pushing--maybe we should hire there guy who is doing this

-----Original Message-----

From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 8:06 PM
To: Montag, Tom
Subject: RE: More thorough response

They appear to have dedicated funds raised specifically for this trade - short resi subprime

They have it levered

We have on with them something like (these were done prior to the last few months when we have not done much with them):

\$3 billion BBB flat
\$2 billion A
\$2 billion of tranching protection CDS

We have heard they have a total of \$15-20 billion on

They had asked us to do another tranching protection trade for them, and seem fine with it being pushed to January

-----Original Message-----

From: Montag, Tom
Sent: Thursday, December 07, 2006 7:48 PM
To: Sparks, Daniel L
Subject: RE: More thorough response

how big is paulsen and what are they doing

-----Original Message-----

From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 7:08 AM
To: Montag, Tom
Subject: More thorough response

I was e-mailing while driving

After moore there were not other follow-on short-coverers or outright buyers at those levels

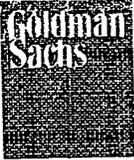
Structured exits are complicated and take time

And we didn't push hard enough

Market has repriced so there are starting to be some outright buyers, and team is pushing hard on structured outs

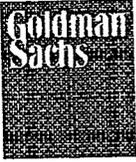
Biggest/quickest issue is whether to approach the monster who is shorting non-stop - paulsen

Could result in quick reduction, or they could use it against us in a very significant way



Mortgage Department Update

January 9, 2007

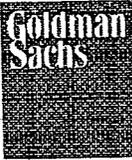


Agenda

1. P&L Review
2. ABX / ABS CDS Risk
3. Subprime Risk
4. Competitors
5. Opportunities, Challenges & People

Appendix

Subprime Recent History
CDO Pipeline
Growth Opportunities
Challenges
People



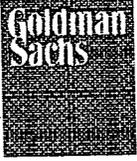
Mortgage Department P&L

\$mm Business Unit	2004	2005	2006	2007 Budget	YTD 2007
Resi Prime	108	73	42	75	14
CMO & Derivatives	78	18	1	30	4
Hybrids & Subs.	30	55	41	45	10
Resi Credit	133	204	269	300	26
CRE Loan Trading	99	197	167	200	22
ABS Loans & Finance	28	45	40	52	4
SPG Trading	68	99	179	200	(62)
ABS	29	44	61	75	(62)
CMBS	41	46	53	50	-
Correlation *	(2)	9	65	75	-
CDO	50	146	222	265	23
SP CDO	27	87	122	120	3
US CLO	23	48	70	75	10
Euro CLO	-	11	30	70	10
Tax Residuals	7	2	12	15	-
Warehouse Lending	17	26	24	35	2
Gross Structured Products	510	757	955	1,143	24
Transfers out	(71)	(156)	(140)	(173)	(16)
Net Structured Products	439	636	815	970	13
European CMBS JV	23	35	41	50	4
Acquisition Finance JV	57	22	11	-	-
Advisory	16	12	19	22	2
PFG / SSG JV	51	35	39	20	-
Manager's/Other	(10)	(11)	(36)	-	-
Mortgages	576	729	889	1,062	19

Results have been restated to include Liquid Products revenues in IRP.

* Correlation revenues are net of EITF in the amounts of 0, 54 and 53. Current reserve is 98.

3



ABX / ABS CDS Risk

Insert risk report



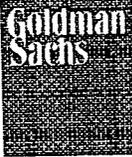
Subprime Risk Areas

	Loans	Residual Interest	ABX	Loan Warehouse	CDO Warehouse	Platforms
Current Position	Long \$7B subprime loans (to be securitized: \$4B Jan, \$2B Feb, \$1B Mar)	Long \$289mm	Long \$1.4mm/bp ABX	\$798mm loans funded vs. \$842mm market value \$221mm resid and bonds funded vs. \$344mm market value	\$2.5B High Grade \$2.2B mezzanine	\$10mm minority equity investment (Senderra & LownHome)
Primary Risk	LIQUIDITY & COUNTER-PARTY ✓Spreads widen pre-deal ✓Counterparty failure - EPDs ✓Liquidity dries up, can't issue bonds	REALIZED LOSSES ✓Losses exceed estimates	MARKET SPREADS ✓ABX/single name CDS basis widens	COUNTER-PARTY CREDIT ✓Counterparty defaults and misses margin calls	MARKET SPREADS ✓CDO liabilities widen making deal uneconomic and assets in warehouse widen	REPUTATIONAL & COUNTER-PARTY
Mitigant	✓Largest exposures generally to better capitalized counterparties ✓Short \$8B of CDS/ABX	✓Seasoning of book (\$6mm '02, \$2mm '03, \$45mm '04, \$63mm '05 and \$173mm '06)	✓Short \$1.4mm/bp single name CDS ✓Directionally flat	✓Mark-to-market rights ✓All margin lending ✓Ability to trap cash and offset	✓Risk Sharing ✓CDS on CDOs ✓Pre-placement	✓Board Seats ✓Additional oversight ✓Loan due diligence



Residential Loan Competitors

	Origination		Servicing	International Presence	Platform Name	Servicer Name
	Direct	Conduit				
Bear Stearns	X	X	X	X	Encore	EMC
Credit Suisse		X	X	X		Select
Deutsche Bank	X	X		X	Chapel / MortgageIT	
Goldman Sachs		X	X			Avelo
RBS Greenwich						
Lehman Brothers	X	X	X	X	BNC Mortgage	Aurora
Merrill Lynch	X		X	X	First Franklin	Home Loan Services
Morgan Stanley	X	X	X	X	Saxon	Saxon



Competitive Benchmarking

	GS	LEH
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Relative Impact (2005 YE)

Gross Revenue	\$885 mm	\$2,025 mm (est.)
Balance Sheet (Net) ¹	\$31.4 bn	\$48.5 bn
Headcount ²	293	4,500-5,500 (est.)
Pro Forma Revenue ³	\$1,860 mm (adj.)	\$2,025 mm (est.)
% of FICC Revenue (PF)	21.9%	27.7%
% of Firmwide Revenue (PF)	11.4%	13.8%

Business Lines

Liquid Products	via IRP	IRP JV
Warehouse Lending	Yes	Yes
Structured Products Trading	Yes	Yes
CDOs / CLOs	Credit JV	Credit JV
Residential Conduit	Yes	Yes
Retail Mortgage Orig.	In Process	Yes
Residential Servicer	Yes	Yes
Commercial Mortgage Orig.	IBD JV	Yes
Real Estate Principal	via REPIA/Whitehall	Yes
Special Situations	via GSSG	Yes
International	Small	Yes

¹ Excludes pass-throughs and agencies, as per external reporting.

² Aggregates Mortgages (215), CMBS origination (Archon Financial) (51), and Loan Servicing (Avelo Mortgage) (27).

³ Adds back IBD portion of CMBS JV, Euro CMBS, the US PFG effort, and REPIA.



Opportunities, Challenges and People

Opportunities

Platforms

New Products

CDOs & CLOs

Securitization Finance

International

Challenges

Environment

Competitors

Distribution

Systems

Internal structural issues & conflicts

Key People & Moves



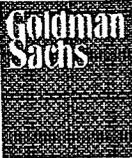
Appendix

- 1. Subprime Recent History**
- 2. CDO Pipeline**
- 3. Growth Opportunities**
- 4. Challenges**
- 5. People**



Subprime Recent History

	Year	Annual Volume	Loan Prices	Pre-tax Lender Margin	Cum. Loss of Loans	EPD Frequency	EPD Losses	Street Loan Buyers
	2002	\$225B	104	150 bps	2%	1%	10-15 bps	5
<i>New lenders enter</i>	2003	\$350B	105	250 bps	2.5%	1%	10-20 bps	8
<i>Rapid market & CDO growth</i>	2004	\$550B	103 1/2	150 bps	3%	2%	15-25 bps	10
<i>Credit loosened as rates rise</i>	2005	\$650B	103	100 bps	4.5%	2.5%	25-35 bps	15
<i>HPA down & credit pain</i>	2006	\$650B	102	0 bps	6%	4%	40-60 bps	12



GS CDO Pipeline

— = Redacted by the Permanent Subcommittee on Investigations

Deal Name	Collateral Type	Manager	Mgmt Type	Expected Pricing
Camber 7	Struct Prod CDO	Cambridge Place Coll. Mgmt	Managed	Q1 2007
Fort Denison Funding	Struct Prod CDO	Basis Capital	Def Mngd	Q1 2007
Charles Funding	Struct Prod CDO	GS (Liquidation Agent)	Static	Q1 2007
Timberwolf CDO	Struct Prod CDO	Greywolf Capital Management	Def Mngd	Q1 2007
JPMIM	Struct Prod CDO	JP Morgan Investment Mgmt	Managed	Q1 2007
Point Pleasant CDO	Struct Prod CDO	Dillon Read Capital Mgmt	Static	Q1 2007
Madison Park IV	U.S. CLO	[REDACTED]	Managed	Q1 2007
Harch III CLO	U.S. CLO	[REDACTED]	Managed	Q1 2007
GSAM CLO	U.S. CLO	[REDACTED]	Managed	Q1 2007
Westwood CDO II, Ltd.	U.S. CLO	[REDACTED]	Managed	Q1 2007
Katonah X CLO	U.S. CLO	[REDACTED]	Managed	Q1 2007
Nob Hill CLO II	U.S. CLO	[REDACTED]	Managed	Q2 2007
Halcyon CLO	U.S. CLO	[REDACTED]	Managed	Q2 2007
ACA CLO 2007-1, Ltd.	U.S. CLO	[REDACTED]	Managed	Q2 2007
Dalradian Europ. CLO III	European CLO	[REDACTED]	Managed	Q1/Q2 2007
[Malin] CLO	European CLO	[REDACTED]	Managed	Q1/Q2 2007
CELF Loan Partners IV	European CLO	[REDACTED]	Managed	Q1/Q2 2007
Harbourmaster ProRataIII	European CLO	[REDACTED]	Managed	Q1/Q2 2007
HSAM Europ. CLO 2007	European CLO	[REDACTED]	Managed	Q1/Q2 2007
GSMS 2007 - NCM1	CRE CDO	[REDACTED]	Static	Q1 2007
Sandelman Realty 2007-1	CRE CDO	[REDACTED]	Managed	Q1 2007
Aladdin Synthetic CDO II	US Corp Mngd Synth CDO	[REDACTED]	Managed	Q1 2007
Millennium Park CDO	Corp Cashflow CDO	[REDACTED]	Managed	Q1 2007
ORCA Funding	CDO Equity Sponsorship Vehicle			



Opportunities for Growth

Platforms

Residential platform vertical integration & product expansion (conduit, Alt A, prime, servicer, asset management)

Build / acquire resi origination platform in US – long-term payoff

Build / acquire other platforms – REIT, multi-family loans, student loans, auto loans, international

New Products

Property derivatives – commercial and residential

Distressed trading – Resi Credit and SP CDO

Synthetic products – managed synthetics, CPDO, CPPI, residual synthetics

Reverse mortgages, small balance commercial loans and synthetic hybrids

Bank balance sheet restructurings

Prop investing & prop desk

CDOs & CLOs

Combine SP CDOs, correlation, secondary CDOs and tranching index trading

Growth of CDOs & CLOs globally

CRE CDOs

Asia sponsored SP Deals

Secondary CDO trading

Alternative capital raising – CDO, REIT, Credit opp funds

Portfolio credit integration – with corps and globally

Securitization Finance

LBO & esoteric secured financing opportunities – including whole business

CRE product expansion – LBO, construction, healthcare, non-US, esoteric, ARCs-like acquisition

Infrastructure finance

International

Europe expansion – secondary trading, securitization, CMBS, resi platform, warehouse lending, SP/CRE CDOs, correlation, loan pricipalling

Other locations – Asia and Latin America



Risks, Challenges and Structural Issues

Environment	<p>Very rough going in Resi Credit world – p&l will be challenging</p> <p>Housing price & loan volume declines</p> <p>Investing in business in difficult environment</p> <p>Performance of GS Resi deals</p> <p>Flat yield curve</p> <p>Tight spreads and low vol in non-subprime sector</p> <p>Event and headline risk in subprime</p>
Competitors	<p>Competition – driving margins down & risk up</p> <p>Vertically integrated originators controlling product flows</p> <p>People</p> <p>Financing and super-senior risk</p> <p>Portfolio Lenders</p>
Distribution	<p>Global & middle market distribution</p> <p>Mezz distribution – especially CDO</p> <p>Marketing tools and support</p>
Systems	<p>SecDB</p> <p>Relative value tools with strats</p> <p>Operations</p>
Internal structural issues & conflicts	<p>IBD R.E.</p> <p>Financing Group</p> <p>SSG & REPIA</p> <p>Non-US opportunities</p> <p>Dealing with small counterparties</p>



Key People Issues

People moves – strategic allocation of talent:

- Bunty Bohra to manage ABS Finance & lead coordination with Financing Group

Separation of origination function from management of residual/equity

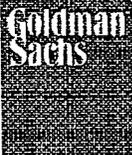
- Cyrus Pouraghabagher
- Ben Case to trade SP CDO (secondary and equity)

Full time systems person to work with desks, ops, strats, technology and controllers

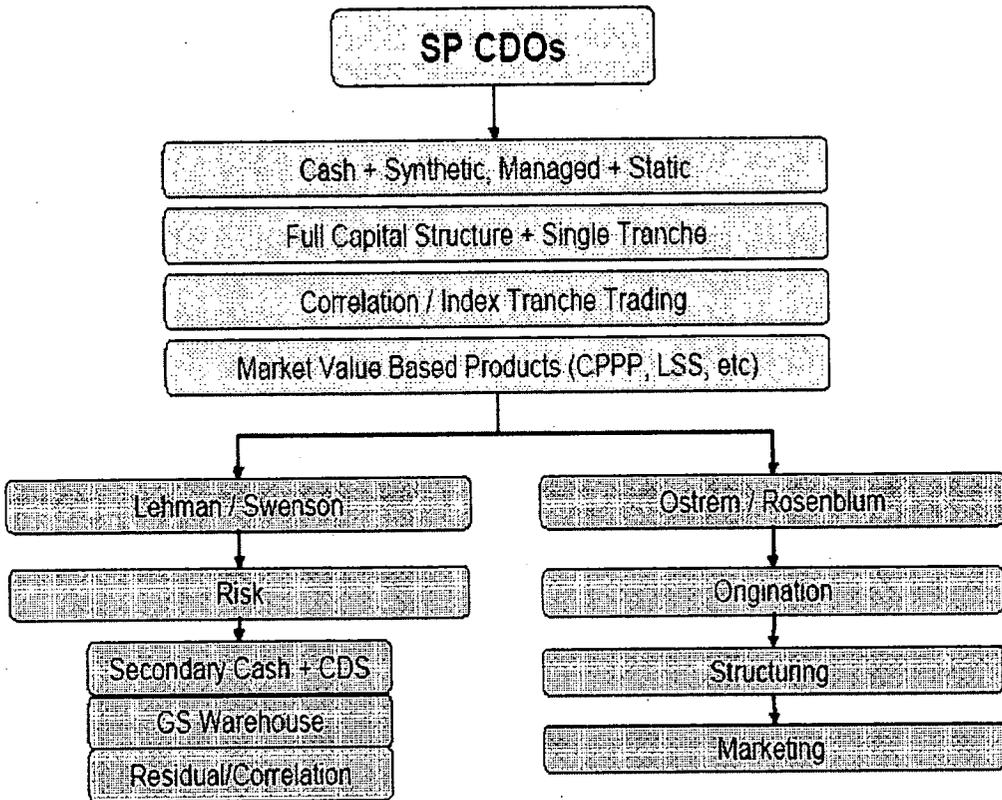
- Suok Noh

Key people & potential moves:

- Clay DeGiacinto
- Genevieve Nestor
- Janet Bell
- Chris Creed
- Scott Wisenbaker & Mitch Resnick
- Brian Snyder
- Matt Nichols
- Michael Cawthon
- Omar Chaudhary
- Roger Boone
- Rajiv Kamilla
- Jon Egol



Cash & Synthetic SP CDOs Combination



From: Krausz, Amy
Sent: Thursday, November 02, 2006 10:15 AM
To: ficc-abstrading; ficc-wicredit
Cc: Cohen, Jennifer L.; Nikodem, Paul
Subject: Q3 Mortgage Investor Survey Results: PLEASE COMMENT

Attachments: mortgage survey oct06 v2.doc

Hello -

Attached is the draft of the results of the Q3 Mortgage Investor Survey. **Please review and send comments by the end of today.** (Note that all graphs will be gstyled appropriately).

Thank you!
Amy



mortgage survey
oct06 v2.doc

Amy Krausz

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Fixed Income, Currencies, and Commodities
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Sachs

Goldman

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1625

Structured Products Strategies

Alan Brazil (212) 902-4822
 Jennifer Cohen (212) 357-2280
 Eric Splaver (212) 357-9673
 Paul Nikodem (212) 357-5048
 Amy Krausz (212) 357-4794

November 1, 2006

Clients expect a downturn in housing in 2007, investors worried about high LTV, low/no doc loans, and pay option ARMs, origination volumes to be down 10% in 2007

Housing Market

Investors are predominantly bearish on the housing market (almost 70% think that home prices will decrease by at least 5%). This is significantly more bearish than investor views from our previous survey, where 38% of investors thought that prices would remain flat, and 30% thought that prices would drop by 5% next year.

In the case of a nationwide downturn in the housing market, most investors (90%) anticipate that losses on Subprime collateral will range between 4% and 8%. This figure is slightly lower than what many research departments are projecting. Most investors think that these collateral losses would cause partial losses on the lower rated tranches.

CDS and ABX

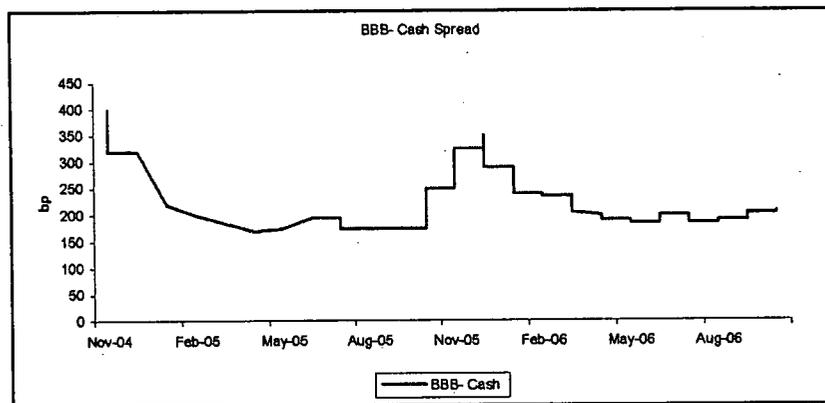
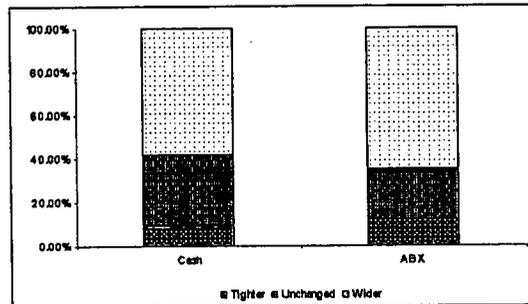
A majority of respondents (73%) have transacted or are planning to transact in ABX and/or CDS. The product is playing a small but growing role in portfolios – 39% of investors expected to have synthetics represent less than 10% of their portfolios, while another 16% of investors expected ABX / CDS to represent 10-25% of their portfolios. Respondents are evenly distributed between using CDS and/or ABX to ramp a CDO and express views on relative value (both at 26%). An additional 21% use CDS and/or ABX to express a view on home prices, up from 15% three months ago. This is in line with the general bearish view on the housing market. Seven investors plan to use ABX/CDS to express a view on home prices. Of those seven, six investors (86%) plan to participate in the housing derivatives market.

Home Price Derivatives

35% of respondents plan to participate in the housing derivatives market in the near future. Of those that plan to participate, most intend to invest in CDS contracts (64%).

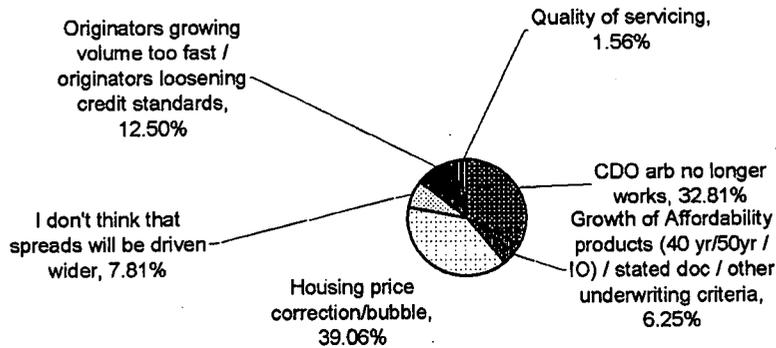
Spreads

In both cash and ABX spreads, investors are generally of the opinion that BBB-s will widen (55% and 62%, respectively), comparable to results of early surveys. Fewer investors think BBB- spreads would tighten (10% now vs. 19% 3 months ago). Investors are still less bearish when compared to historical standards, however, as shown on the graph below. Since the inception of the survey two years ago, investors have been consistently bearish on spreads, although spreads have tightened in for the most part during that time period.



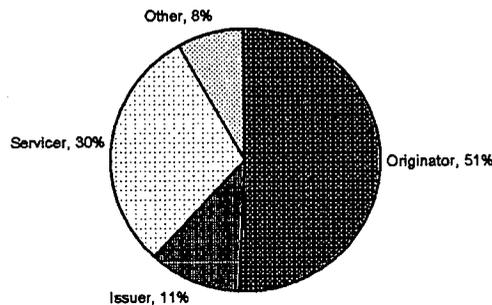
Investor Concerns / Risks to Sector

Overall, a large percentage of respondents are favorable to the Subprime sector, but view it as riskier than other ABS sectors (57% of respondents). Similarly, a large percentage of respondents are favorable to the Alt-A sector; however, they view it as less risky than other ABS sectors (37%). Most investors are worried that a housing price correction (39%) and CDO arb going away (33%) could drive subprime spreads wider, similar to the results of the July survey. Investors in Europe are most worried about a housing correction (44%), but also show concern that origination volumes are growing too fast and that credit standards are loosening (22%).



Investors' greatest concerns in new product risk are high LTV loans (40% of respondents), stated/no doc loans (31%), and Pay Option ARMs (22%).

When investors evaluated similar pools of subprime loans, the characteristic investors focused on most was the originator (51% of respondents), followed by servicer (30%).



Another area of concern amongst investors is Reverse Mortgages (RMs). 43% of investors would not invest in an RM without a GSE wrap. An additional 32% accede that a GSE wrap is important, but would invest nonetheless if the yield was right. Only 12% of investors would buy RMs without HECM government insurance; the remaining 88% would definitely not or are unsure. Majority of investors (56%) would not invest in longer term accrual bonds backed by RMs.

New Products

Investors feel differently about the various new mortgage products on the market. 47% of the investors surveyed invest in deals with second lien loans in them, 51% invest in deals with option arms, and 29% in scratch and dent. Additionally, 15% of the investors polled invest in deals with SBC loans, and another 22% are considering this asset class.

While currently there are no investors in reverse mortgages, 10% are actively looking at that sector. Most investors invest in both fixed and floating rate bonds, with a slight weighting towards floating. Depending on the product, different collateral characteristics become important:

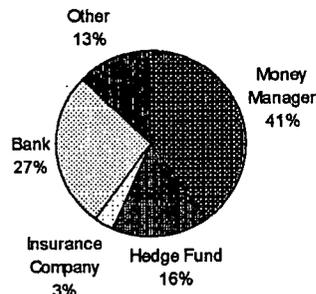
	Most scrutinized factor
Second Liens	CLTV
Option Arms	FICO
S&D	FICO, CLTV, DOC
Reperforming	FICO, CLTV, DOC, OCC

Origination in 2007

A large percentage of investors expected subprime origination volumes to be down 10% in 2007 vs. 2006 (47% of respondents for Alt-A, 43% for Subprime). 21% of respondents thought that volumes would be flat, and 11% thought that volumes would be down more than 20%.

Demographics of Respondents

Of the 66 responses to this investor survey, 27% were banks, 40% were money managers, 16% were hedge funds, 3% were Insurance companies, and the remaining 13% did not fall into the above categories.



Geographically, 6% were from Asia, 14% were from Europe, and 80% were from North America. 39% of respondents were CDO managers, with 17% focusing on high grade and 23% focusing on mezzanine.

	Asia	Europe	N. America	Total
I am a				
Money Manager	0.00%	11.11%	48.98%	40.32%
Hedge Fund	0.00%	11.11%	18.37%	16.13%
Insurance Company	0.00%	0.00%	4.08%	3.23%
Bank	100.00%	66.67%	14.29%	27.42%
Other	0.00%	11.11%	14.29%	12.90%
With regard to Structured Products CDOs				
I am a CDO manager currently focusing primarily on High Grade	25.00%	11.11%	17.02%	16.67%
I am a CDO manager currently focusing primarily on Mezzanine	0.00%	22.22%	25.53%	23.33%
I am not a CDO manager and have no plans to manage a CDO in 2006	75.00%	66.67%	48.94%	53.33%
I will become a CDO manager in 2006	0.00%	0.00%	8.51%	6.67%
With respect to the 'high property value' areas of Los Angeles, San Diego, San Francisco, Miami, Washington DC, New York and Boston, by the end of 2007 I expect home prices to be:				
Down 15 percent or more	25.00%	11.11%	3.85%	6.15%
Down 10 percent	25.00%	11.11%	34.62%	30.77%
Down 5 percent	25.00%	44.44%	38.46%	38.46%
Flat	25.00%	22.22%	7.69%	10.77%
Up 5 percent	0.00%	11.11%	15.38%	13.85%
If Housing on a national level goes down, I think that the impact on low rated Subprime bonds will be:				
Losses will increase to 4-5%	50.00%	55.56%	43.40%	45.45%
Losses will increase to 6-8%	50.00%	33.33%	45.28%	43.94%
Losses will increase to 9-10% or greater	0.00%	0.00%	8.43%	7.58%
Losses will stay the same (2-3%)	0.00%	11.11%	1.89%	3.03%
If Housing on a national level goes down, I think the impact on Subprime lower rated bonds will be:				
Full losses on the lower rated tranches	0.00%	0.00%	9.62%	7.69%
No losses, credit support is sufficient	25.00%	11.11%	3.85%	6.15%
No losses, HPA will not increase collateral losses significantly	0.00%	11.11%	7.69%	7.69%
Partial losses on the lower rated tranches	75.00%	77.78%	78.85%	78.46%
In three months I think cash BBB- will be				
Tighter	0.00%	22.22%	7.69%	9.23%
Unchanged	25.00%	33.33%	32.69%	32.31%
Wider	75.00%	44.44%	59.62%	58.46%
In three months I think ABX BBB- will be:				
Tighter	0.00%	33.33%	9.62%	12.31%
Unchanged	25.00%	33.33%	21.15%	23.08%
Wider	75.00%	33.33%	69.23%	64.62%
I think the biggest factor that could drive Alt-A/Subprime spreads wider is:				
CDO arb no longer works	25.00%	11.11%	37.25%	32.81%
Growth of Affordability products (40 yr/50yr / IO) / stated doc / other underwriting criteria	0.00%	0.00%	7.84%	6.25%
Housing price correction/bubble	75.00%	44.44%	35.29%	39.06%
I don't think that spreads will be driven wider	0.00%	11.11%	7.84%	7.81%
Originators growing volume too fast / originators loosening credit standards	0.00%	22.22%	11.76%	12.50%
Quality of servicing	0.00%	11.11%	0.00%	1.56%

	Asia	Europe	N. America	Total
_____ concern me the most from a credit perspective, all else being equal:				
50-year Loans	0.00%	0.00%	1.92%	1.54%
High (100+) LTV loans	25.00%	22.22%	44.23%	40.00%
IO loans	50.00%	11.11%	1.92%	6.15%
Pay Option ARMs	25.00%	33.33%	19.23%	21.54%
Stated/no-doc loans	0.00%	33.33%	32.69%	30.77%
I think Alt-A (including Option ARMs) origination volume in 2007 will be _____ relative to 2006:				
Down 10 percent	0.00%	22.22%	50.98%	43.75%
Down 20 percent or greater	25.00%	0.00%	7.84%	7.81%
Flat	75.00%	55.56%	23.53%	31.25%
Up 10 percent or greater	0.00%	22.22%	17.65%	17.19%
I think Subprime origination volume in 2007 will be _____ relative to 2006:				
Down 10 percent	75.00%	33.33%	38.46%	40.00%
Down 20 percent or greater	0.00%	0.00%	13.46%	10.77%
Flat	25.00%	22.22%	38.46%	35.38%
Up 10 percent or greater	0.00%	44.44%	9.62%	13.85%
I view the Subprime sector vs. other ABS classes as:				
I like it LESS than other ABS sectors, and I believe that the Subprime sector is LESS risky than other ABS sectors	0.00%	0.00%	0.00%	0.00%
I like it LESS than other ABS sectors, and I believe that the Subprime sector is MORE risky than other ABS sectors	0.00%	66.67%	21.15%	26.15%
I like it MORE than other ABS sectors, and I believe that the Subprime sector is LESS risky than other ABS sectors	25.00%	22.22%	15.38%	16.92%
I like it MORE than other ABS sectors, and I believe that the Subprime sector is MORE risky than other ABS sectors	75.00%	11.11%	63.46%	56.92%
I view the Alt-A sector vs. other ABS classes as:				
I like it LESS than other ABS sectors, and I believe that the Alt-A sector is LESS risky than other ABS sectors	0.00%	11.11%	2.04%	3.23%
I like it LESS than other ABS sectors, and I believe that the Alt-A sector is MORE risky than other ABS sectors	0.00%	44.44%	26.53%	27.42%
I like it MORE than other ABS sectors, and I believe that the Alt-A sector is LESS risky than other ABS sectors	75.00%	33.33%	34.69%	37.10%
I like it MORE than other ABS sectors, and I believe that the Alt-A sector is MORE risky than other ABS sectors	25.00%	11.11%	36.73%	32.26%
When choosing between various Alt-A/Subprime pools with similar credit characteristics, the following factor is most important to me in tiering the different pools:				
Originator	25.00%	55.56%	52.00%	50.79%
Issuer	25.00%	0.00%	12.00%	11.11%
Servicer	50.00%	44.44%	26.00%	30.16%
Other	0.00%	0.00%	10.00%	7.94%
If credit enhancement levels increase:				
I would be more likely to buy lower rated tranches, but only at the same spread	25.00%	11.11%	7.84%	9.38%
I would be more likely to buy lower rated tranches, even at a wider spread	25.00%	44.44%	50.98%	48.44%
I would not change my investing habits	50.00%	44.44%	41.18%	42.19%
My current involvement in CDS and/or ABX could be described as follows:				
Have already transacted in CDS and/or ABX	0.00%	33.33%	45.10%	40.63%
Have not transacted in CDS and/or ABX, but am considering it	0.00%	33.33%	27.45%	26.56%
Will probably not transact in CDS and/or ABX	100.00%	33.33%	27.45%	32.81%

	Asia	Europe	N. America	Total
I use CDS and/or ABX in the following way:				
Express a view on home prices (macro view)	100.00%	0.00%	20.69%	20.59%
Express views on relative value	0.00%	50.00%	24.14%	26.47%
Hedge against spread widening in credit products	0.00%	0.00%	17.24%	14.71%
Pick up spread by selling protection	0.00%	25.00%	10.34%	11.76%
To Ramp a CDO	0.00%	25.00%	27.59%	26.47%
As a percentage of my total portfolio, by the mid of 2007 CDS and/or ABX will represent:				
10-25 percent	0.00%	11.11%	17.65%	15.63%
25-50 percent	0.00%	11.11%	9.80%	9.38%
Less than 10 percent	25.00%	33.33%	41.18%	39.06%
More than 50 percent	0.00%	11.11%	5.88%	6.25%
None	75.00%	33.33%	25.49%	29.69%
On the Housing Derivative Market:				
I don't plan to participate	75.00%	77.78%	61.22%	64.52%
I plan to participate	25.00%	22.22%	38.78%	35.48%
I plan to participate in the housing derivatives market by:				
2nd generation products (options, structured paper, etc.)	100.00%	50.00%	21.05%	27.27%
CDS contracts	0.00%	0.00%	73.68%	63.64%
Forwards	0.00%	50.00%	5.26%	9.09%
For bond backed by RMs, I feel it is ___ to have a GSE wrap				
Not important if yield is right	0.00%	0.00%	28.21%	23.91%
Somewhat important, but would still invest if the yield is right	0.00%	50.00%	30.77%	32.61%
Would not invest without a GSE wrap	100.00%	50.00%	41.03%	43.48%
I would consider buying bonds backed by RMs without HECM government insurance:				
Maybe	0.00%	66.67%	39.53%	40.38%
No	100.00%	33.33%	46.51%	48.08%
Yes	0.00%	0.00%	13.95%	11.54%
I would invest in longer term accrual bonds backed by RMs:				
Maybe, but I don't really understand	0.00%	33.33%	34.88%	32.69%
Maybe, but I prefer current pay	0.00%	33.33%	4.65%	7.69%
No	100.00%	33.33%	55.81%	55.77%
Yes	0.00%	0.00%	4.65%	3.85%
I have invested in a CMBS deal with weighted average loan balance of less than \$2 million:				
No	0.00%	42.86%	43.18%	40.74%
Not invested in CMBS	100.00%	14.29%	38.64%	38.89%
Yes	0.00%	42.86%	18.18%	20.37%

	2nd Lien Loans	Option ARMs	S&D	Re-performing
I participate in the following part of the capital structure in:				
AAA	30.77%	31.11%	22.95%	28.36%
AA or A	17.95%	20.00%	13.11%	14.93%
BBB or BBB-	8.97%	11.11%	8.20%	5.97%
BB+ or BBB-	5.13%	6.67%	4.92%	4.48%
Residuals	3.85%	4.44%	3.28%	2.99%
None	33.33%	26.67%	47.54%	43.28%
I invest in pools backed by				
Yes	46.88%	50.79%	28.57%	0.00%
No	42.19%	41.27%	57.14%	70.73%
No, but considering	10.94%	7.94%	14.29%	29.27%
I buy the following products in _____ deals.				
Fixed rate only	10.34%	1.85%	2.04%	9.62%
Floating rate only	24.14%	38.89%	18.37%	15.38%
A combination of fixed and floating rate	18.97%	14.81%	14.29%	19.23%
None	46.55%	44.44%	65.31%	55.77%
When I look at _____ pools, the credit variable that I give greatest scrutiny to is:				
CLTV	25.81%	14.29%	20.51%	25.64%
Allowable Neg Am	4.84%	24.29%	10.26%	7.69%
Documentation Level	19.35%	18.57%	23.08%	23.08%
Credit Score	35.48%	27.14%	28.21%	23.08%
Occupancy Type	14.52%	15.71%	17.95%	20.51%
Total	100.00%	100.00%	100.00%	100.00%
Relative to subprime, I think _____ are trading:				
Cheap	29.79%	46.51%	21.88%	20.00%
In-line	31.91%	18.60%	53.13%	50.00%
Rich	38.30%	34.88%	25.00%	30.00%
	RM s	SBC s		
For Reverse Mortgages (RM s), Small Balance Commercial (SBC):				
I have bonds backed by _____ in my portfolio	0.00%	14.55%		
I am planning to add bonds backed _____ to my portfolio	10.87%	21.82%		
I am not planning to add bonds backed _____ to my portfolio	89.13%	63.64%		
I would characterize my knowledge of RM, SBC product as:				
I have sufficient know ledge to make an investment	26.00%	32.08%		
I would have to become more familiar with the product before making an investment	74.00%	67.92%		

From: Sparks, Daniel L
Sent: Thursday, August 10, 2006 7:26 PM
To: Ostrem, Peter L; Rosenblum, David J.
Subject: Re: Leh CDO Fund

Next week, in the meantime calm the blank down

**Redacted by the Permanent
 Subcommittee on Investigations**

----- Original Message -----

From: Ostrem, Peter L
To: Rosenblum, David J.; Sparks, Daniel L
Sent: Thu Aug 10 19:23:57 2006
Subject: Re: Leh CDO Fund

P.S. Ricciardi has done nothing. He is lost in "tax" ideas which is a worthless route in my opinion. We have sold to High Net Worth without any discussion on this point by the way.

I need real leverage. Got some structured ideas too. When can we talk strategy for an hour or so?

----- Original Message -----

From: Ostrem, Peter L
To: Rosenblum, David J.; Sparks, Daniel L
Sent: Thu Aug 10 19:07:43 2006
Subject: Re: Leh CDO Fund

Let's do our own fund. SP CDO desk. Big time. GS commits to hold proportion of equity outright. This could be big. Of course, after Orca closes! I need orca orders. We are slipping here and I need both your help!

----- Original Message -----

From: Rosenblum, David J.
To: ficc-clo; ficc-spgsyn
Cc: Ostrem, Peter L; Sparks, Daniel L
Sent: Thu Aug 10 19:02:32 2006
Subject: Fw: Leh CDO Fund

Fyi
 D

 Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Hornback, Joseph
To: Wisenbaker, Scott; Rosenblum, David J.
Cc: Raz, Shlomi; Ricciardi, Steven
Sent: Thu Aug 10 18:57:54 2006
Subject: Leh CDO Fund

David and Scott,

Steve and I wanted to post you on the current status and plans at the LEH CDO fund. In the way of background, the Leh CDO Fund 1 (██████████) consists of ██████████ equity of predominately ██████████ risk (they have bought equity in a couple of ██████████ deals). Their performance to date has been well received by their investors. They are currently raising their 2nd fund and already have indications north of ██████████ without any OC or marketing

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materials (including [redacted] from the [redacted] that Steve tee'd up before he left). Their initial intentions were to raise another [redacted] fund, but given their success so far they are contemplating a larger fund with a longer drawdown period. The strategy of the 2nd fund will have a slightly different twist. Consistent with the 1st fund, they will be investing heavily in [redacted]. But they want to also execute macro hedging and long short structured credit strategies along with exploring MV structures with the appropriate managers.

Below is a list of managers that Leh has multiple commitments with:

[redacted]

— = Redacted by the Permanent Subcommittee on Investigations

Goldman, Sachs & Co.
One New York Plaza | 50th Floor | New York, NY 10004
Work: 212-902-7357 | Fax: 212-256-6360
email: joseph.hornback@gs.com

Goldman

Sachs

Joe Hornback
Vice President - Structured Credit
Fixed Income Currency & Commodities Division

Disclaimer:

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From: Herrick, Darryl K
Sent: Thursday, June 08, 2006 10:50 AM
To: Ostrem, Peter L
Subject: Fw: **GS ABS** RMBS CDS Lineup

Attachments: 61103082.htm

Shelves people are shorting are enhanced garbage

Darryl Herrick
 Structured Products Group
 Goldman, Sachs & Co.

-----Original Message-----

From: Salem, Deeb <Deeb.Salem@ny.email.gs.com>
Sent: Thu Jun 08 10:17:12 2006
Subject: **GS ABS** RMBS CDS Lineup



61103082.htm

1 BWIC, OWICs

11am BWIC:

\$10mm per, \$100mm total

TMTS 2006-1 1B1	881561M92	Baa1	BBB+
TMTS 2006-6 B2	BCCOPL4B8	Baa2	BBB+
CMLTI 2006-WMC1 M8	17307G2F4	Baa2	BBB+
CMLTI 2005-WF1 M3	17307GPJ1	Baa2	BBB
EMLT 2005-1 M8	29445FCV8	Baa2	BBB
HASC 2006-OPT3 M8	40430HFV5	Baa2	BBB+
JPMAC 2006-WMC1 M8	46626LJC5	Baa2	BBB
MSHEL 2006-2 B2	61744CYX8	Baa2	BBB+
MMLT 2005-3 M8	59001FDU2	Baa2	A
MLMI 2006-HE1 B2A	59020U3N3	Baa2	BBB+

12pm OWIC:

\$9mm per, \$18mm

152314PB0	CXHE 2005-C B1	Baa2
86359BZ79	SASC 2005-NC1 M7	Baa2

1pm OWIC:

\$5-10mm per, \$100-200mm

\$5-10mm	00764MBH9	AABST 2004-1 B2	Baa2	BBB	BBB
\$5-10mm	03072SMC6	AMSI 2003-11 M5	Baa2	BBB	BBB
\$5-10mm	03072SNJ0	AMSI 2003-13 M5	Baa2	BBB	BBB
\$5-10mm	03072SNK7	AMSI 2003-13 M6	Baa3	BBB-	NR
\$5-10mm	68389FEM2	OOMLT 2003-6 M6	Baa3	BBB-	BBB
\$5-10mm	68400XBZ2	OOMLT 2003-5 M6	Baa3	BBB-	BBB
\$5-10mm	040104LV1	ARSI 2004-W10 M8	Baa3	BBB-	BBB-
\$5-10mm	04541GLB6	ABSHE 2004-HE5 M6	Baa3	BBB-	BBB
\$5-10mm	126673PB2	CWL 2004-12 BV	Baa3	BBB-	NR
\$5-10mm	61744CHX7	MSAC 2004-NC8 B3	Baa3	BBB-	BBB-
\$5-10mm	61746RHX2	MSAC 2004-WMC2 B3	Baa3	BBB-	NR
\$5-10mm	81375WAQ9	SABR 2004-NC1 B3	Baa3	BBB-	BBB-
\$5-10mm	84751PDC0	SURF 2004-BC3 B2	Baa3	BBB	NR
\$5-10mm	36228FR81	GSAMP 2004-HE1 B2	Baa3	BBB	NR
\$5-10mm	76110WJ80	RASC 2004-KS11 M6	Baa3	BBB	BBB-

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\$5-10mm	004421ER0	ACE 2004-HE1 M6	Ba2	BBB-/*-BB-
\$5-10mm	04541GKJ0	ABSHE 2004-HE4 M7	A3	BBB NR
\$5-10mm	03072SQH1	AMSI 2004-R3 M6	Baa3	BBB- BBB-
\$5-10mm	040104EJ6	ARSI 2003-W9 M5	Baa2	BBB BBB
\$5-10mm	12489WJC9	CBASS 2004-CB2 B2	Baa2	BBB BBB

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_____ = Redacted by the Permanent
 Subcommittee on Investigations

From: Rosenblum, David J.
Sent: Wednesday, February 28, 2007 1:53 AM
To: Ostrem, Peter L
Subject: Pete-- pls send me cob 2/28 MTM for SP CDO WH's first thing in the morning

dan tells me that SP CDO desk has reported -77 from retained debt (Hmezz 1+2, etc), and -129 from unrealized and realized CDO WH markdowns

am trying to reconcile that to the WH MTM sheet you sent me this morning-- perhaps it'll make sense when you send me the 2/28 version (plus JPMIM losses) - also Please remove JPMIM WH from the MTM sheet, and/or remove all the assets and hard code in the realized loss.

Thoughts and Questions:

0. the 1.75bln 06-1 abx AAA short - is that still the property of the SP CDO desk - we'd originally put that on against the retained s.seniors from the two HG deals in Dec
1. retained CDO debt (Huds mezz 1+2, etc) - is that the sole property of the swenson desk now? - and if not do you want it to be, and I understand its hedged with index now - it makes tons of sense to have these hedged with index - who specifically is managing this risk now and are we still sharing 50pct of ups and downs on it is basically what I am asking here
2. the two Dec HG SS's totalling \$2.65bln - how confident are you that [REDACTED] will be good for the credit - if we say 50pct change and hedge half, then that is 1.325bln AAA abx - if we say 75pct chance of getting done, then that is \$663mm AAA abx - i am inclined to go with the 75pct chance of it getting done number
3. Greywolf - great job - understand all-in execution approx L+100 - do you agree - should we hedge the bottom 50 pct and/or when can we get it sold and to whom - else do you have a hedge thought - mine would be shorting approp. hedge ratio worth of underlying single-A CDOs
4. Dillon Read - timing on Natexis signature - where is ss attachment? - can we get them to fund earlier in exchange for carry - thought on a hedge for rest of cap strcture
5. [REDACTED] think we should short AAA abx against this warehosue, primmarily to hedge super senior- 80% of 1.5bln is 1.2bln AAA abx I figure
6. [REDACTED] - think we should short AA and A index against this warehouse
7. Anderson - status report with rabo please on SS
8. [REDACTED] understand major differential betw mark to market and mark to model (as is true massively on any single A CDO^2 at the moment it seems) - this situation can't possibly persist - shouldn't we liquidate both of them, and upsize GW or DR, and find a brand name manager to get SS done from both warehouses mixed together or something? can you noodle around this train of thought please? this way you hit them both for \$10mm, and print the trade with a brand name guy, and do it as a managed trade with reinvestment period even--whatever promotes super senior execution - in the meantime think we should short some ABX single-A on these
9. [REDACTED] - wouldn't hedge this one at this point - if plan to grow it would short BBB- index against it - at least 1:1 ratio
10. [REDACTED] - Pat is going to want to know whether we plan to proceed with mgd index trade with him or not when we talk at 3pm

Potential Hedge Strategy

1. ABX AAA's need to be short \$663mm (ret. s. seniors) plus \$1.2bln ([REDACTED] is approx 1.866bln and we are already short 1.75bln so I think we leave ABX AAA alone for noe
2. ABX AA's - wouldn't mind to short some of these - for [REDACTED] - feels like best risk/reward in ABX stack to me at present - perhaps sell \$250mm of this
3. ABX A's - wouldn't mind to short some of these - for [REDACTED] - thinking around \$250mm
4. ABX BBB's - wouldn't mind to short some of these - for [REDACTED] - thinking around \$250mm

alternatively, we could just sell, say, \$1BLN of ABX AA's under the thought that it will get punished (like single A's did recently) if stuff continues to deteriorate and if not, or if stuff improves from here, it only rally 50bp on us which on \$1BLN only costs us, say, \$15mm to \$20mm bucks - am I doing this math right? thinking I might like this best-- along with getting actual super senior done everywhere we can, as fast as we can...

please call me to discuss when you get up - thanks - d

d

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From: Ostrem, Peter L
Sent: Tuesday, February 27, 2007 7:26 AM
To: Rosenblum, David J.
Subject: RE: Pls send me most recent wh mk to model - tx - d

From: Rosenblum, David J.
Sent: Tuesday, February 27, 2007 9:08 AM
To: Ostrem, Peter L
Subject: Pls send me most recent wh mk to model - tx - d

From: Rosenblum, David J.
Sent: Wednesday, February 28, 2007 9:13 PM
To: Case, Benjamin; Ostrem, Peter L; Egol, Jonathan; Lehman, David A.; Swenson, Michael; Birnbaum, Josh
Cc: Sparks, Daniel L
Subject: Re: Hedges Status Report

Great. Getting pretty nailed down.

----- Original Message -----

From: Case, Benjamin
To: Rosenblum, David J.; Ostrem, Peter L; Egol, Jonathan; Lehman, David A.; Swenson, Michael; Birnbaum, Josh
Cc: Sparks, Daniel L
Sent: Wed Feb 28 21:07:47 2007
Subject: RE: Hedges Status Report

Not double-counting - the 933 in total hedge notional was designed to hedge the 780 total cash CDO debt (excluding HG super-seniors). Allocating 1.3 bln of the AAA ABX short as a hedge for the HG super-seniors leaves 925 of AAA ABX as part of the warehouse hedges.

-----Original Message-----

From: Rosenblum, David J.
Sent: Wednesday, February 28, 2007 9:00 PM
To: Case, Benjamin; Ostrem, Peter L; Egol, Jonathan; Lehman, David A.; Swenson, Michael; Birnbaum, Josh
Cc: Sparks, Daniel L
Subject: Re: Hedges Status Report

But does this mean we are double hedged on the s. senior 2.65bln, or no

----- Original Message -----

From: Case, Benjamin
To: Rosenblum, David J.; Ostrem, Peter L; Egol, Jonathan; Lehman, David A.; Swenson, Michael; Birnbaum, Josh
Cc: Sparks, Daniel L
Sent: Wed Feb 28 20:49:29 2007
Subject: RE: Hedges Status Report

Also add 1.3 bln of AAA ABX short vs. 2.65 bln in cash HG super-seniors as described in Rosie's most recent email

-----Original Message-----

From: Case, Benjamin
Sent: Wednesday, February 28, 2007 8:46 PM
To: Rosenblum, David J.; Ostrem, Peter L; Egol, Jonathan; Lehman, David A.; Swenson, Michael; Birnbaum, Josh
Cc: Sparks, Daniel L
Subject: RE: Hedges Status Report

Here are the ABX hedges put on yesterday on the cash CDO retained positions (all numbers in millions):

06-1 AA	122
06-1 A	237
06-1 BBB	11

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06-1 BBB- 139
06-2 BBB 90
06-2 BBB- 144
07-1 BBB 90
07-1 BBB- 100

In aggregate, these positions were designed to hedge:

397 Hudson Mezz debt (11 BB, 80 BBB, 116 A, 76 AA, and 115 AAA)
148 Other Mezz debt (12 BB, 18 BBB, 6 A, 67 AA, and 46 AAA)
235 HG sub cash debt (46 BBB, 50 A, 10 AA, and 130 AAA) 2,650 HG super-senior AAA debt

In total notionals, we now have 933 in hedges vs. 780 in cash CDO debt (ex. HG super-seniors) for a total aggregate hedge ratio of 1.2x.

-----Original Message-----

From: Rosenblum, David J.
Sent: Wednesday, February 28, 2007 8:02 PM
To: Ostrem, Peter L; Egol, Jonathan; Lehman, David A.; Swenson, Michael; Case, Benjamin
Cc: Sparks, Daniel L
Subject: Hedges Status Report

In sp cdo biz, can you now describe to me the total hedge position in:

1. AAA ABX is short 2.25bln correct? (Against retained s. seniors and altius 4) 2. AA ABX is nothing done correct? (Against cdo warehouses generally) 3. A ABX is short 250mm correct? (Against cdo warehouses generally) 4. BBB ABX is short 100mm correct? (Against retained hudson mezz / cdo debt) 5. BBB- ABX is short 50mm correct? (Against retained hudson mezz / cdo debt) 6. CDS of CDO shorts - pls describe - thought we were short 150 or so here - this should be against CDO warehouses generally now

Pls correct / confirm

Tx
D

From: Rosenblum, David J.
Sent: Thursday, February 22, 2007 9:44 PM
To: Ostrem, Peter L
Subject: Re: League Tables

Redacted by the Permanent Subcommittee on Investigations

The three:

1. Jpmim
2. Hudson Square (hardly counts really)
3. What is third?

Liquidating greywolf-- why?

Ill call you in a bit [REDACTED]

----- Original Message -----

From: Ostrem, Peter L
To: Rosenblum, David J.
Sent: Thu Feb 22 21:23:45 2007
Subject: FW: League Tables

FYI

Liquidating 3 warehouses tomorrow. And Dan wants to liquidate Greywolf. . .

From: Ostrem, Peter L
Sent: Thursday, February 22, 2007 9:23 PM
To: Schwartz, Harvey
Subject: League Tables

Informa Global Networks shows Goldman as #4 for SP CDOs with \$19.8bln of issuance in 2006. That data is wrong as we issued \$27bln in 2006. Using our \$27bln number, we range 3rd behind ML (\$46bln) and CITI (\$33bln).

the rest is DBS (\$21bln), BAS (\$17bln), WACH (\$17bln), CS (\$17bln), MS (\$15bln), IXIS (\$12bln), Bear (\$12bln), JPM (\$12bln), UBS (\$11bln), Leh (\$9bln)

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1637

From: Sparks, Daniel L
Sent: Thursday, February 22, 2007 9:10 PM
To: Montag, Tom
Subject: RE:

Long meeting tonight with entire team.
CDO warehouses have risk sharing arrangements and are long outright - most deal warehouses have a 50/50 type risk share arrangement.

Separately, Swenson/Lehman/Birnbaum have a large CDO short position. I have viewed this as a protection hedge for the department if the CDO market gets choppy.

We are there - choppy. We will make the hedges explicit based on deal probability.

We had significantly reduced warehouses (new deals) over the past 3 months, and many warehouses we have stopped adding. But we are still have risk.

Deals take time to market and execute, and there are a number of deals that should work because they are far down the road, they have good managers, or they are high grade (AAA to A deals). But as the market gets tougher, we need to be careful and focused.

There are a few deals that look tough now, including a A-rated CDO of CDOs with Greywolf.

-----Original Message-----

From: Montag, Tom
Sent: Thursday, February 22, 2007 7:24 PM
To: Sparks, Daniel L
Subject:

What other deals do we have like jpmim and what r we doing

From: Cohn, Gary (EO 85B30)
Sent: Tuesday, February 13, 2007 7:25 AM
To: Viniar, David
Subject: Fw: Post today

----- Original Message -----
From: Sobel, Jonathan
To: Cohn, Gary
Sent: Mon Feb 12 21:15:21 2007
Subject: Fw: Post today

Justin spent over an hour with him today, I spent a couple on various things. Risk that concerns me is basis between ABX and single names as well as some CDO positions with tranched index about to debut.

I had dinner with CBass tonight to talk about taking their escrows as deposits in the bank (2bn). They complained about the margin calls on their warehouse lines, but they are meeting them as required.

----- Original Message -----
From: Sparks, Daniel L
To: Gmelich, Justin; Sobel, Jonathan
Sent: Mon Feb 12 20:54:21 2007
Subject: FW: Post today

Guys, thanks for helping out today. A little color on things that happened today. Your continued input and suggestions will be very helpful.

-----Original Message-----
From: Sparks, Daniel L
Sent: Monday, February 12, 2007 7:07 PM
To: Ruzika, Richard; Viniar, David; Montag, Tom; Smith, Sarah; McMahon, Bill; Lee, Brian-J (FI Controllers)
Cc: Winkelried, Jon (EO 85B30); Cohn, Gary (EO 85B30); Gasvoda, Kevin
Subject: Post today

(1) +\$20mm P&L today.
 Secondary trading desk is net short risk in form of single names and structured index vs index longs (some index shorts also). Large move down again today (A 40 bps wider, BBB/BBB- 80 bps wider).

(2) Possible significant upside in book.
 The desk has been moving single names about 1/3 of what they feel the correct correlation is (around 70%). The team needs to work with controllers to demonstrate observability. As the market has moved so much one way, there is the potential for the book to currently have significant upside revenue embedded in it.

(3) Loan & resid books flat.
 Loan and residual books have been marking down with movement of ABX hedges - will be reviewed for quarter end process.

(4) Resi warehouse OK.
 All margin calls received. New Century moved \$30mm off line today to Citi and plans to move \$165mm off line Tuesday to MS, and they claim we are the only ones being harsh. CBass claims we are the only one margin calling. Our marks are appropriate for moves in the

market. More margin calls are going out today.

(5) Quarter end mark process.

We continue to go through positions based on market moves, loan performance, and transitioning positions to secondary desks (Wednesday) to get set for month end.

(6) CMBS good.

First day of EOP marketing felt good - will price March. Also, GS conduit deal (GG9) will price next week and should be nice P&L.

From: Montag, Tom
Sent: Sunday, February 11, 2007 1:52 PM
To: Winkelried, Jon (EO 85B30); Blankfein, Lloyd (EO 85B30)
Subject: Re: Mortgage Risk - Credit residential

Agreed. There is no est loss in the basis risk. Big wildcard. They think they have correlation right and moves either way should be ok but obviously index assumptions have been wrong starting last may or june when positions were being put on and the gains seduced us to do more

----- Original Message -----

From: Winkelried, Jon (EO 85B30)
To: Montag, Tom; Blankfein, Lloyd (EO 85B30)
Sent: Sun Feb 11 10:58:00 2007
Subject: RE: Mortgage Risk - Credit residential

The view of the additional downside seems less than I would have thought given size of book and also basis risk in hedges

-----Original Message-----

From: Montag, Tom
Sent: Sunday, February 11, 2007 1:26 AM
To: Winkelried, Jon; Blankfein, Lloyd
Subject: Fw: Mortgage Risk - Credit residential

Very good writeup of our positions in each sector hedges we have on and potential for further write-down over next six months. Need to view on regular email to see tables.

We are moving residuals to traders which has been a focus before the latest problems

Tom

----- Original Message -----

From: Gasvoda, Kevin
To: Montag, Tom
Cc: Sparks, Daniel L; Ruzika, Richard
Sent: Thu Feb 08 23:40:34 2007
Subject: Mortgage Risk - Credit residential

Tom,

For clarity, none of the below includes cash bonds in the ABS 2ndry book (Swenson) or CDO retained positions (FYI - the stress case in CDO positions looks like down \$25mm, although bonds have been trading at our marks) . Below pertains strictly to risk in the whole loan trading businesses:

OVERVIEW

These are our primary residential mortgage businesses w/ credit risk:

- * Subprime (Matt Nichols)
- * Scratch & Dent (Michael Cawthon)
- * Alt-A (Genevieve Nestor)
- * Prime Hybrids/Option Arms (Clay DeGiácinto) => I'll send details on this tmrw
- * 2nd liens (Dariush Pouraghabagher)

Each of these desks buy resi whole loans, securitize them and generally keep some or all of the levered equity (residuals). They have 3 primary positions with the following risks:

- * Loans (held pre-securitization on average 4-8 weeks)
- * Bond spreads widen pre-securitization, hedged with ABX/CDS and eurodollars/swaps

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1646

- * Duration or rates, hedged w/ swaps, mortgages, UST and ED's
- * Liquidity - no bids for bonds
- * Residuals or equity (created in securitization, levered first loss risk held at after-loss yields of 12-30%)
- * Actual losses hedged w/ CDS/ABX since there is some correlation
- * Duration (ED's, swaps)
 - (Note, a lot of the performance is dependent on loss timing rather than loss magnitude - big late losses may be less painful than small early losses)
- * Retained bonds and NIMs (bonds not sold at securitization time)
- * Spreads (ABX/CDS)
- * Duration (ED's, swaps, UST)
 - (Note, NIM's are rated bonds we create w/ residual cashflows that are very short duration and lever our residual returns)

At your and Dan's urging, we are moving all retained bonds to 2ndry trading hands next week (mostly Mike Swenson). Also, we are moving all residual positions to a central residual trading desk next week (Cyrus Pouraghabagher).

SUMMARY OF LOSSES

Where we have gotten hurt this year:

- * 2nd lien residual - took \$20-25mm write-downs over last 3 months (could lose \$5-15mm more)
- * 2nd lien retained bonds - took \$18mm write-down this week (could lose \$5-15mm more)
- * Subperforming loan book - taking \$28mm write-down this week (could lose \$20-40mm more)

What do these areas have in common? - most HPA sensitive sectors. They've crumbled under HPA slowdown as these are the most levered borrowers.

What have we done to mitigate? - we stopped buying subprime 2nd liens in the summer of '06 and have focused on alt-a and prime

- more emphasis at moving new issue bonds at any clearing levels
- moving retained bonds out of primary desk hands to 2ndry desk

Next shoe to drop? - '05 vintage subprime residuals, possible creep in bad performance up into alt-a

SUMMARY OF POSITIONS

(Note loss ranges below are not predictions. Overall feel good a/b our marks at this point but trying to show possible nearer term downsides.)

SUBPRIME

- * Loans - net short spreads significantly (mostly ABX) and long \$3B loans. Don't see a lot of near term P&L risk in this position.
 - <<Picture (Metafile)>>

- * Residuals - \$204mm (60% is pre-2005 vintage and less risky). Actively marketing \$21mm resid trust position (aggregation of a bunch of old deals). OK w/ overall valuation, if loss performance deteriorates rather substantially over next 3-9 months, we could lose \$20-40mm in these positions (mostly '06 vintage).

<<Picture (Metafile)>>

- * Bonds/NIMs - much larger than usual as a byproduct of jamming out a lot of deals in Dec and Jan (some of the ABX short intentionally covers us here). Long \$115mm bonds and \$81mm NIMs. Downside on bonds is probably \$5mm and NIMs could be \$10-15mm (we've seen some stronger 2ndry prints last 2 days but haven't sold any NIMs, have sold \$40mm bonds).

<<Picture (Metafile)>>

<<Picture (Metafile)>>

ALT-A

Sector has not been effected yet by lower credit contagion but we expect it to come so we've upped due dilig and are turning the book fast

* Loans - Long \$5.2B loans (on the high side of normal). Higher quality loans so they produce far less lower rated bonds. Hedging w/ AAA and BBB ABX but net long spreads above BBB's (flat BBB's). Priced \$660mm deal today so this drops to \$4.4B. Feel good a/b executing out of loans here.

<<Picture (Metafile)>>

* Residuals - Importantly, we plan to bring our first Alt-A resid trust in March w/ a goal of selling \$50-100mm of this risk (we'll sell all we get demand for). If defaults spiked up in Alt-a over next 6-9 months we could drop \$20-30mm here.

<<Picture (Metafile)>>

* Bonds/NIMS - Good shape here w/ \$182mm bonds but \$132mm of them AAA and new, working on a large BB trade (\$44mm owned) and \$21mm NIMS (mostly single A). Risk is in the BB's, could lose \$5mm in big spread widening.

<<Picture (Metafile)>>

<<Picture (Metafile)>>

2nd LIENS

* Loans - \$550mm of this is seasoned 2nd lien subprime ('05 vintage) that is performing well and will be securitized next month. \$250mm is Alt-A 2nds (again performing well) and \$250mm is prime HELOCs. Overall slightly long spreads above BBB and short below. Execution looks OK still on these but we could lose \$5mm in this space if spreads had to widen more dramatically to place all the bonds.

<<Picture (Metafile)>>

* Residuals - \$48mm but \$38mm of this is Alt-A 2nds (performing well) and \$10mm subprime (has been written down \$20-25mm over last 3 months). The \$10mm is mostly prepay penalty value, no value in the credit IO's. Could lose \$5-15mm if performance problems creeps up into Alt-A 2nd liens in next 3-6 months.

* Bonds/NIMS - Took \$18mm write down this week. Could drop another \$5-15mm if performance falls further. Big focus to reduce these positions but bids are hard to come by.

<<Picture (Metafile)>>

S&D

* Loans - Net long top of the capital structure and short the bottom for the securitizable portion of this loan book (\$380mm). Remaining subperforming book (\$854mm) was written down \$28mm this week do to poorer cashflows. Very credit sensitive, could lose another \$20-40mm if performance falls further

<<Picture (Metafile)>>

* Residuals - \$55mm total value, these are cashflowing and less levered structures than Alt-a, subprime, etc. (but lower credit quality). Could lose \$5-15mm in this book if losses increased more than expected.

* Retained bonds - The BBB-BB bonds are retained for investment generally and the higher rated are marketed. Tougher bond sales since the sizes are small, the deals are private and credit work is extensive. We could lose \$5-15mm here if losses stepped up and bond spreads widened materially.

<<Picture (Metafile)>>

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Tel: 212-902-8768 | Fax: 212-902-1691
email: kevin.gasvoda@gs.com

Kevin S. Gasvoda
Managing Director
Fixed Income Currency & Commodities

Goldman
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From: Birnbaum, Josh
Sent: Monday, January 08, 2007 6:04 PM
To: Sparks, Daniel L
Subject: FW: ABX/Subprime Risk by vintages

Attachments: Index and Single Name Position History 2006 As of 05Jan07.xls

From: Kao, Kevin J.
Sent: Monday, January 08, 2007 5:39 PM
To: Birnbaum, Josh
Cc: Turok, Michael
Subject: ABX/Subprime Risk by vintages

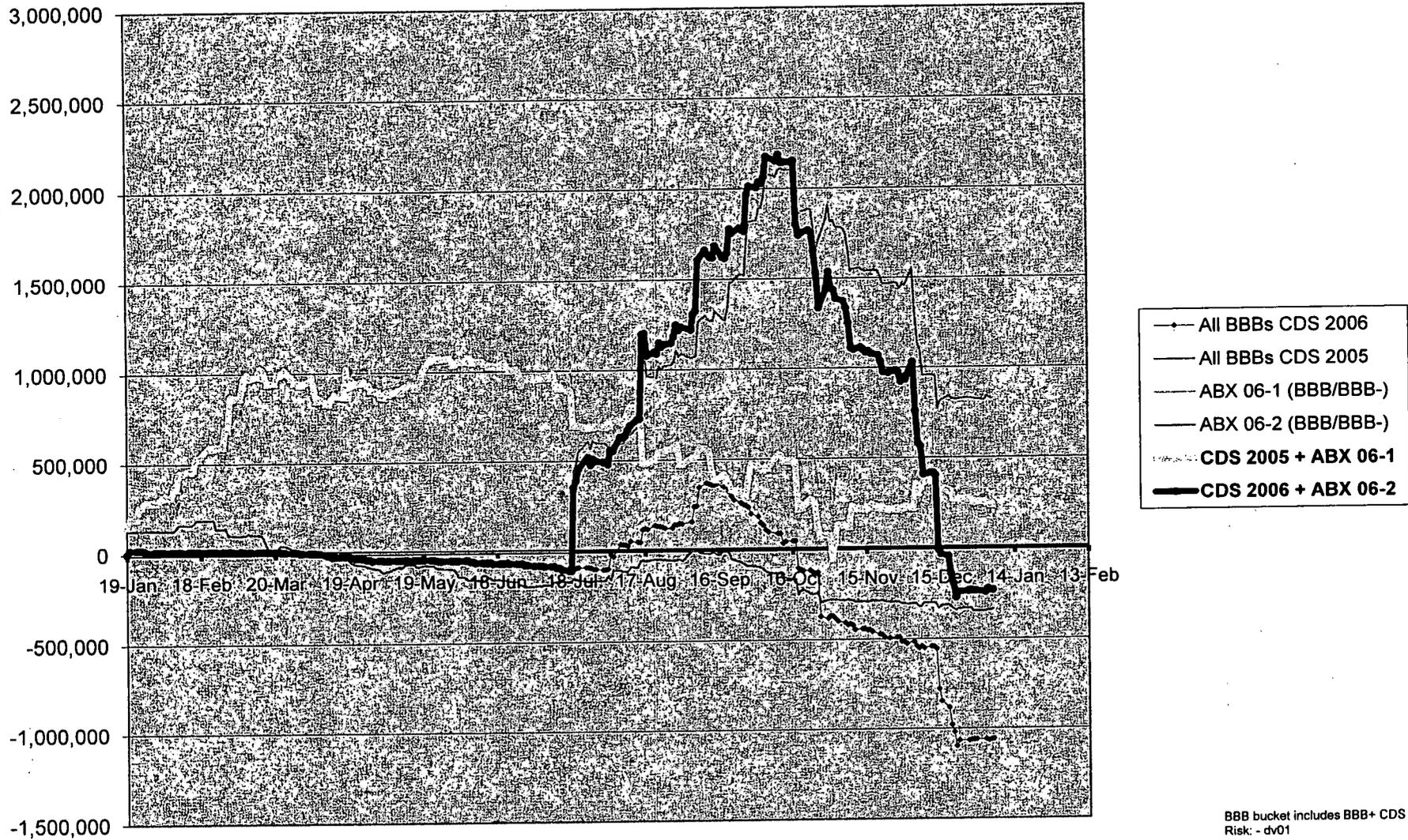
Josh, this is updated as of Jan. 5. I'll be sending it out once a week. Do you want me to include anyone else on the distribution?



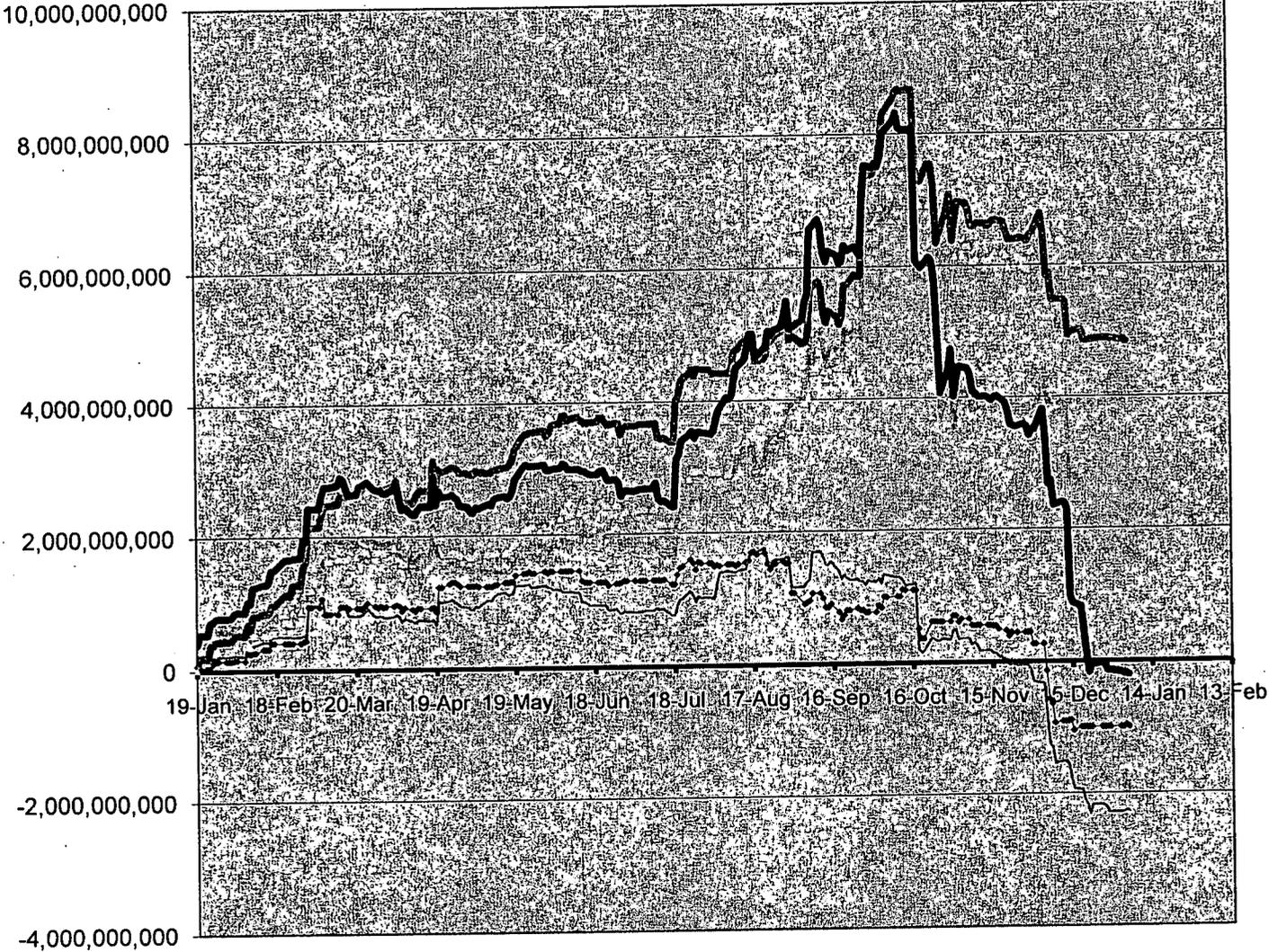
Index and Single
Name Position...

Thanks.

Risk By Vintage / Index



Notionals (ABX convention)

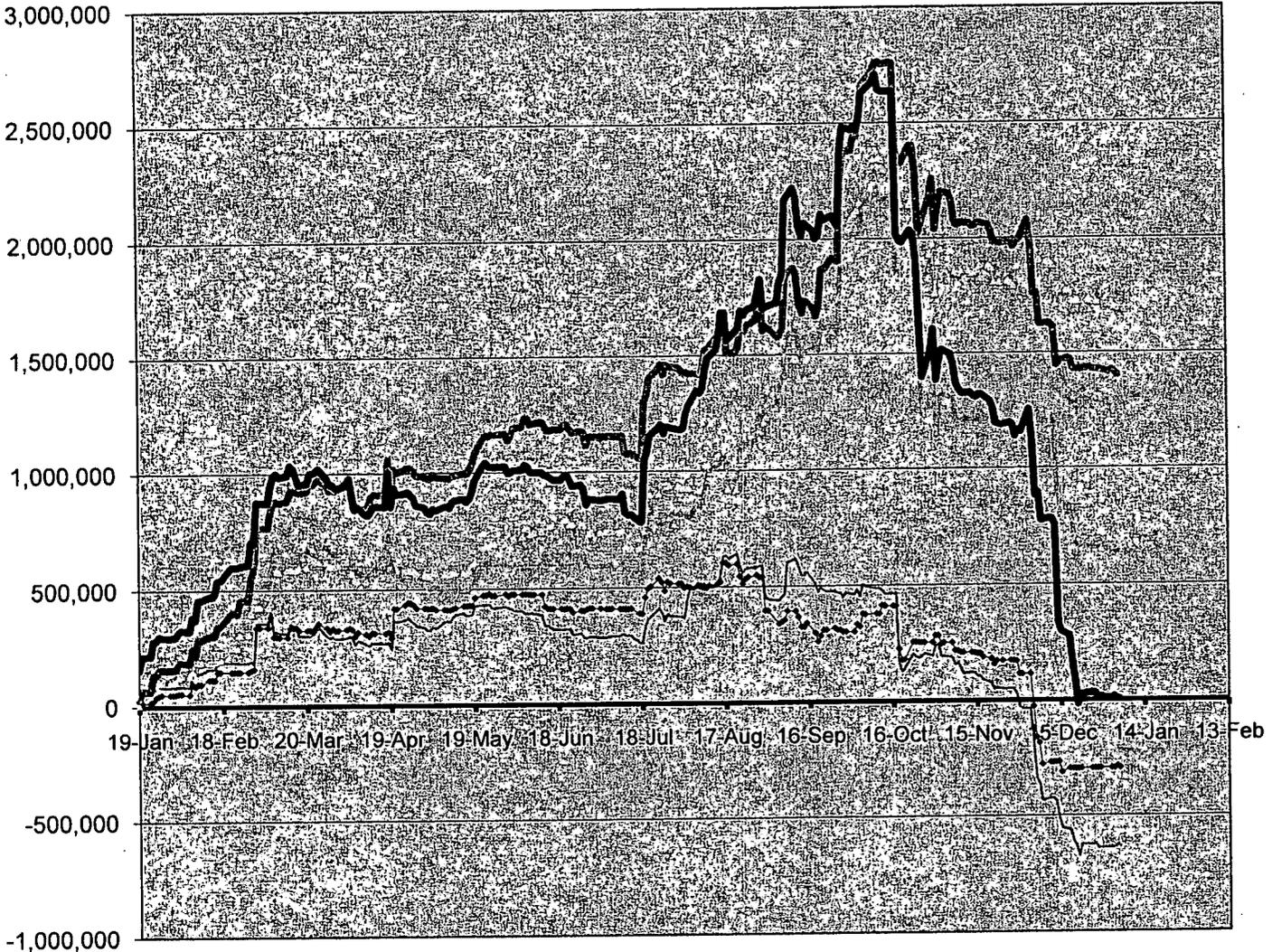


- BBB Index Only
- BBB Index + CDS
- BBB- Index Only
- BBB- Index + CDS
- All BBBs Index Only
- All BBBs Index + CDS

BBB bucket includes BBB+ CDS
 Notionals: refers to current notionals
 Positive notionals: long risk

46-3

Risk



- BBB Index Only
- BBB Index + CDS
- BBB- Index Only
- BBB- Index + CDS
- All BBBs Index Only
- All BBBs Index + CDS

BBB bucket includes BBB+ CDS
Risk: - dv01

From: Kao, Kevin J.
Sent: Tuesday, February 06, 2007 9:23 AM
To: Birnbaum, Josh
Subject: Index and Single Name Position History 2006 As of 05Feb07.xls

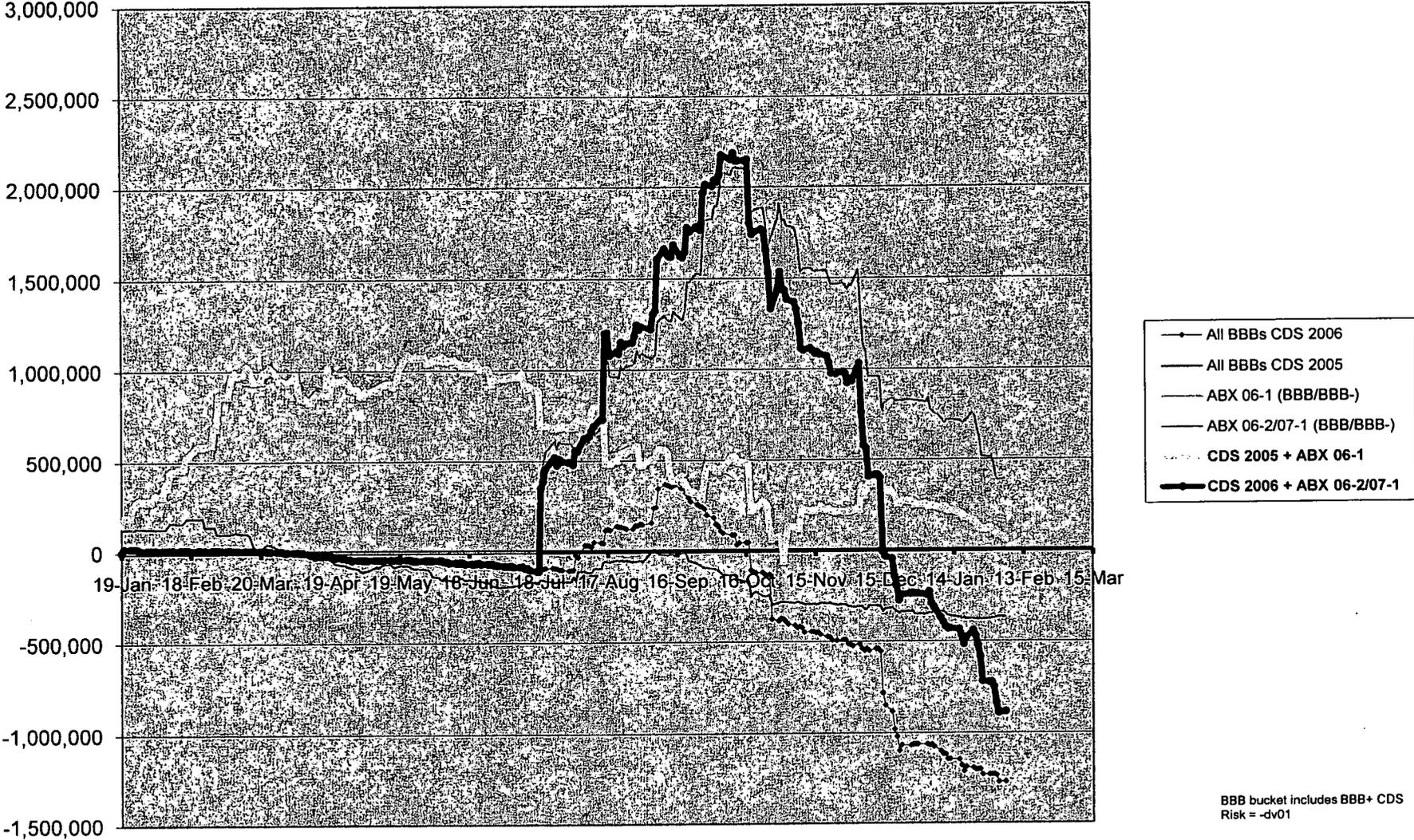
Attachments: Index and Single Name Position History 2006 As of 05Feb07.xls

PRELIMINARY --- will double check again after the meeting ...



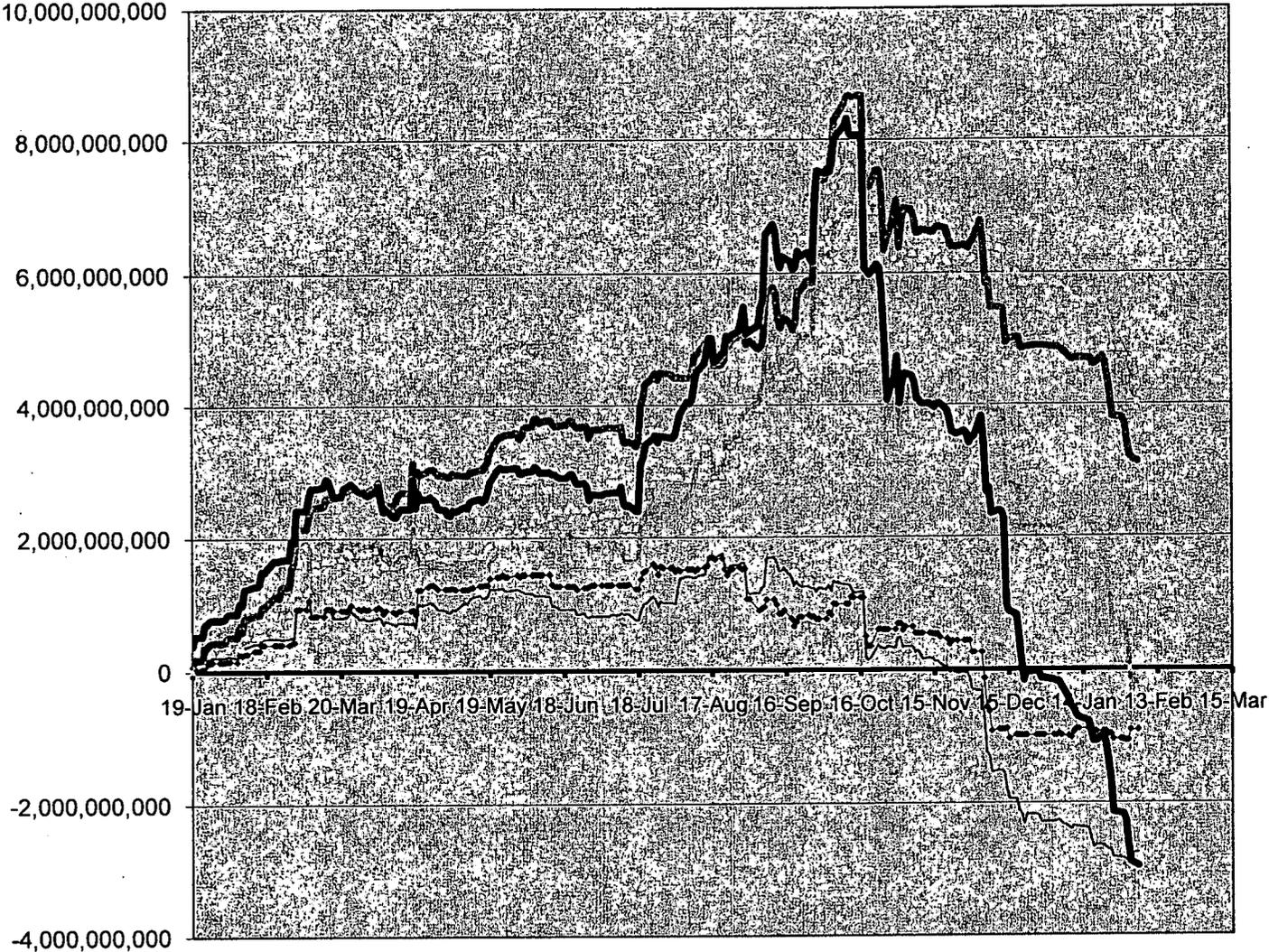
Index and Single
Name Position...

Risk By Vintage / Index



5-10

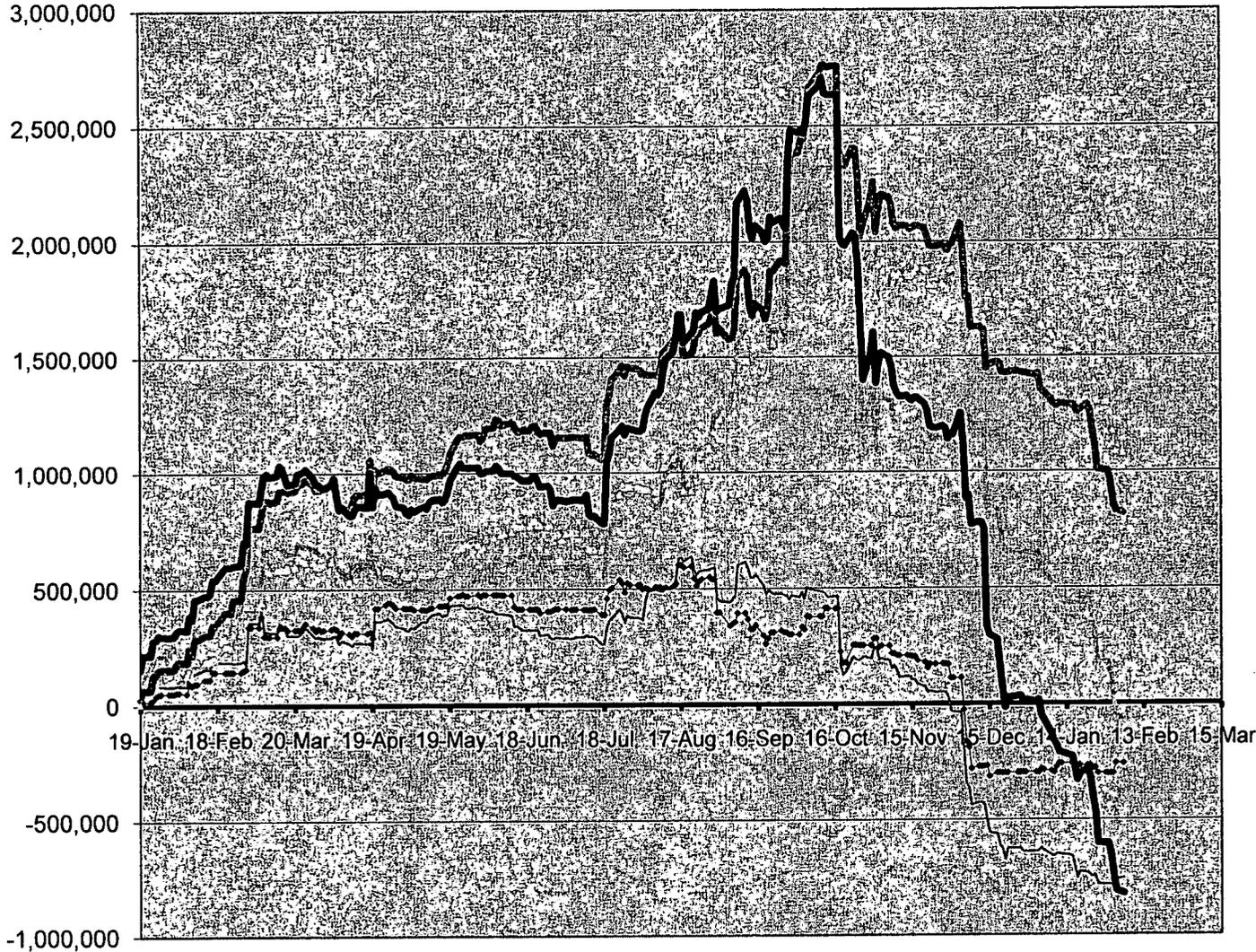
Notionals (ABX convention)



- BBB Index Only
- BBB Index + CDS
- BBB- Index Only
- BBB- Index + CDS
- All BBBs Index Only
- All BBBs Index + CDS

BBB bucket includes BBB+ CDS
Notionals: refers to current notionals
Positive notionals: long risk
CDS: 2005 / 2006 vintages only

Risk



- BBB Index Only
- BBB Index + CDS
- BBB- Index Only
- BBB- Index + CDS
- All BBBs Index Only
- All BBBs Index + CDS

BBB bucket includes BBB+ CDS
 Risk = -dv01
 CDS: 2005 / 2006 vintages only

2-15

From: Barrett, Tom
Sent: Friday, February 23, 2007 4:33 PM
To: Kao, Kevin J.; Swenson, Michael; Gmelich, Justin
Subject: Index and Single Name Position History 2006 As of 22Feb07.xls

Attachments: Index and Single Name Position History 2006 As of 22Feb07.xls

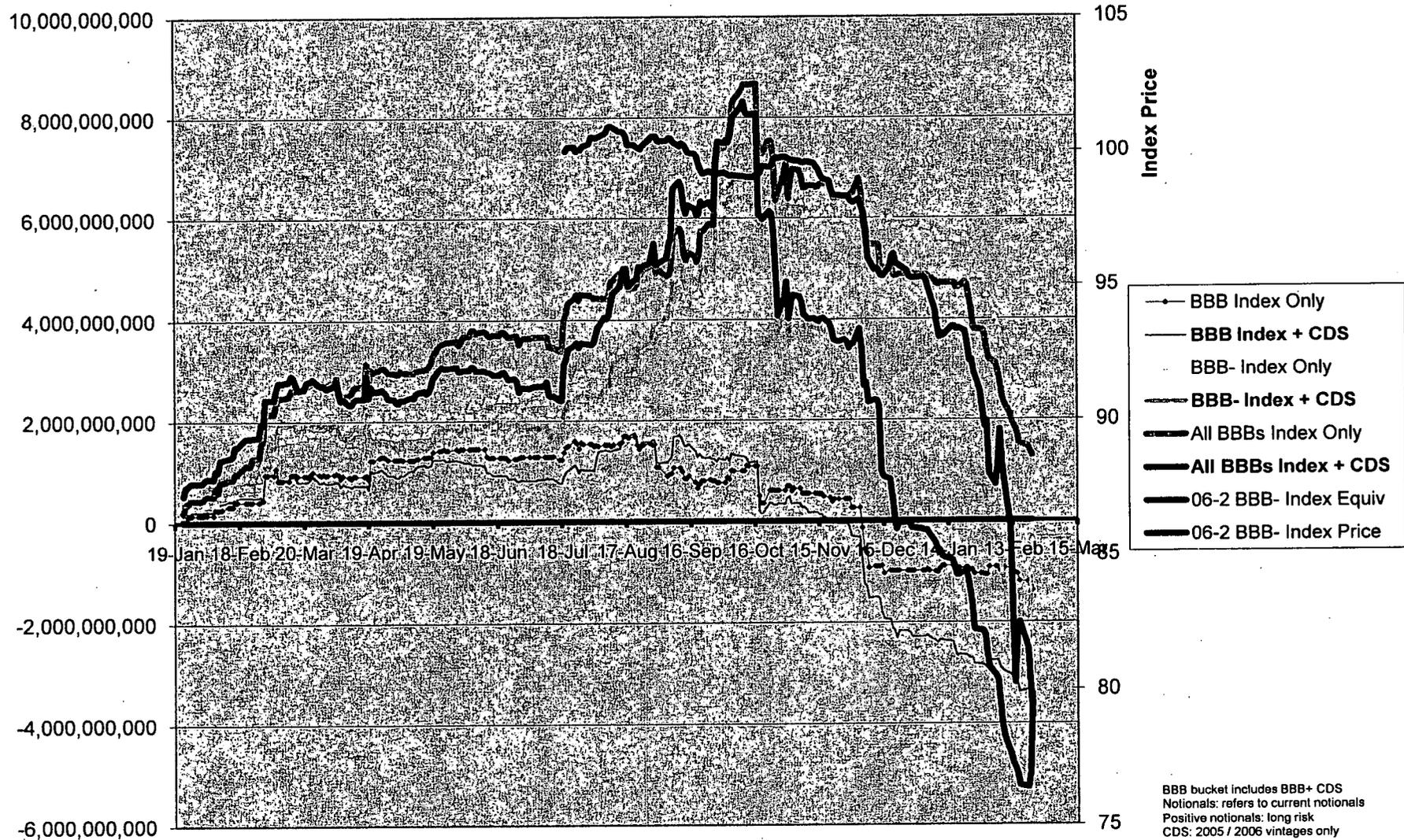
Per your request Michael, attached is the graph of Index/Single name positions/risk as of last nights close.

Cheers, tom

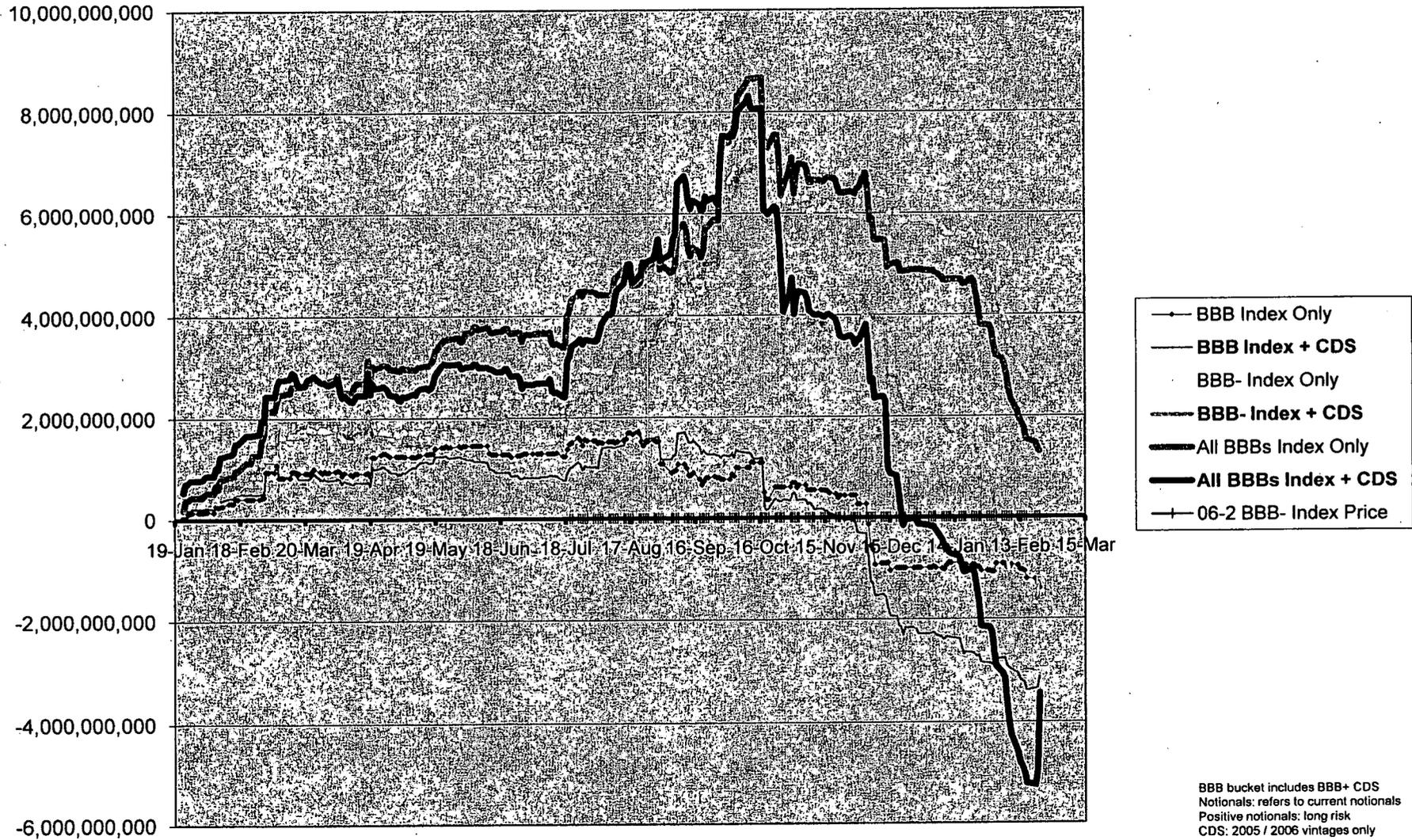


Index and Single
Name Position...

Notionals (ABX convention)

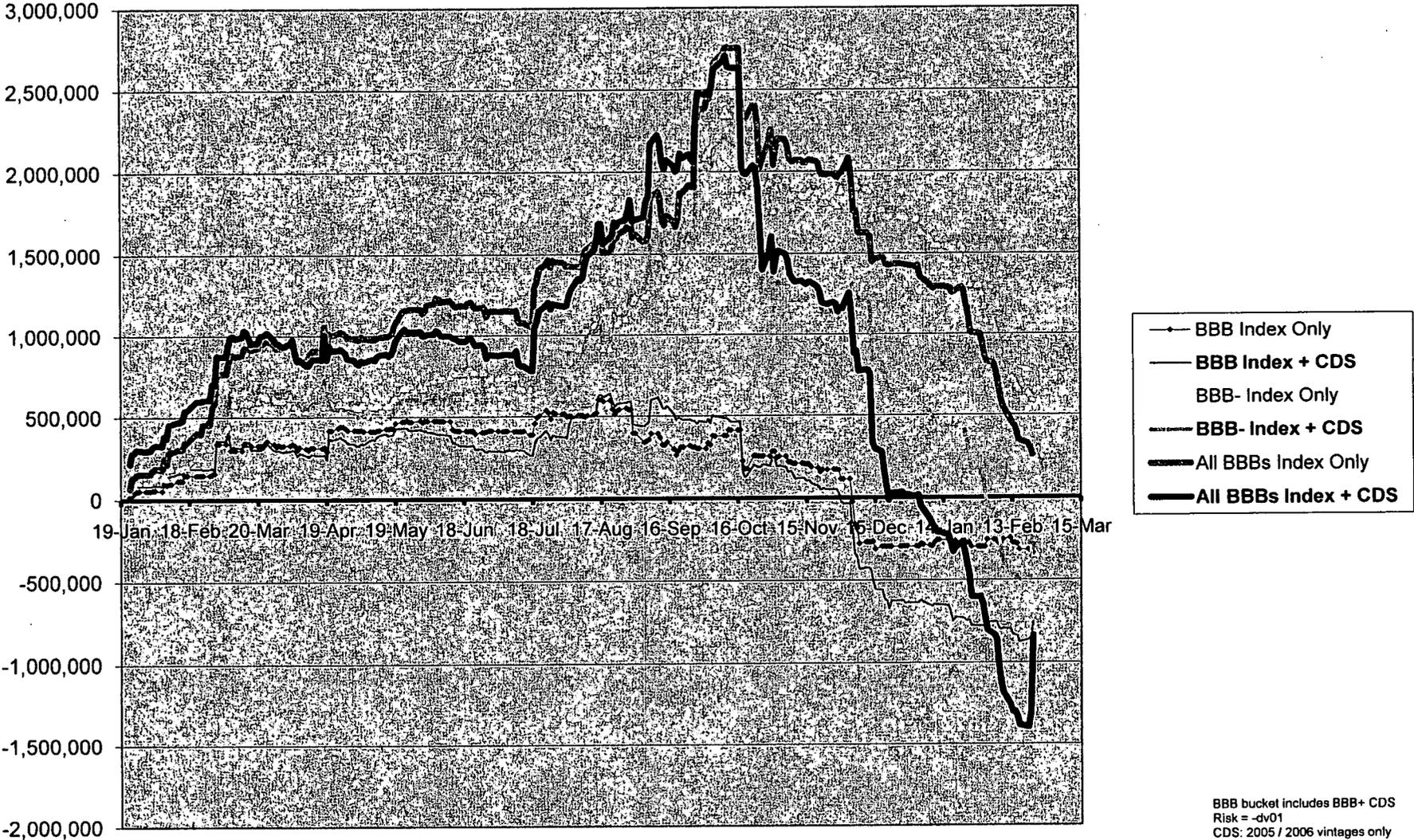


Notionals (ABX convention)

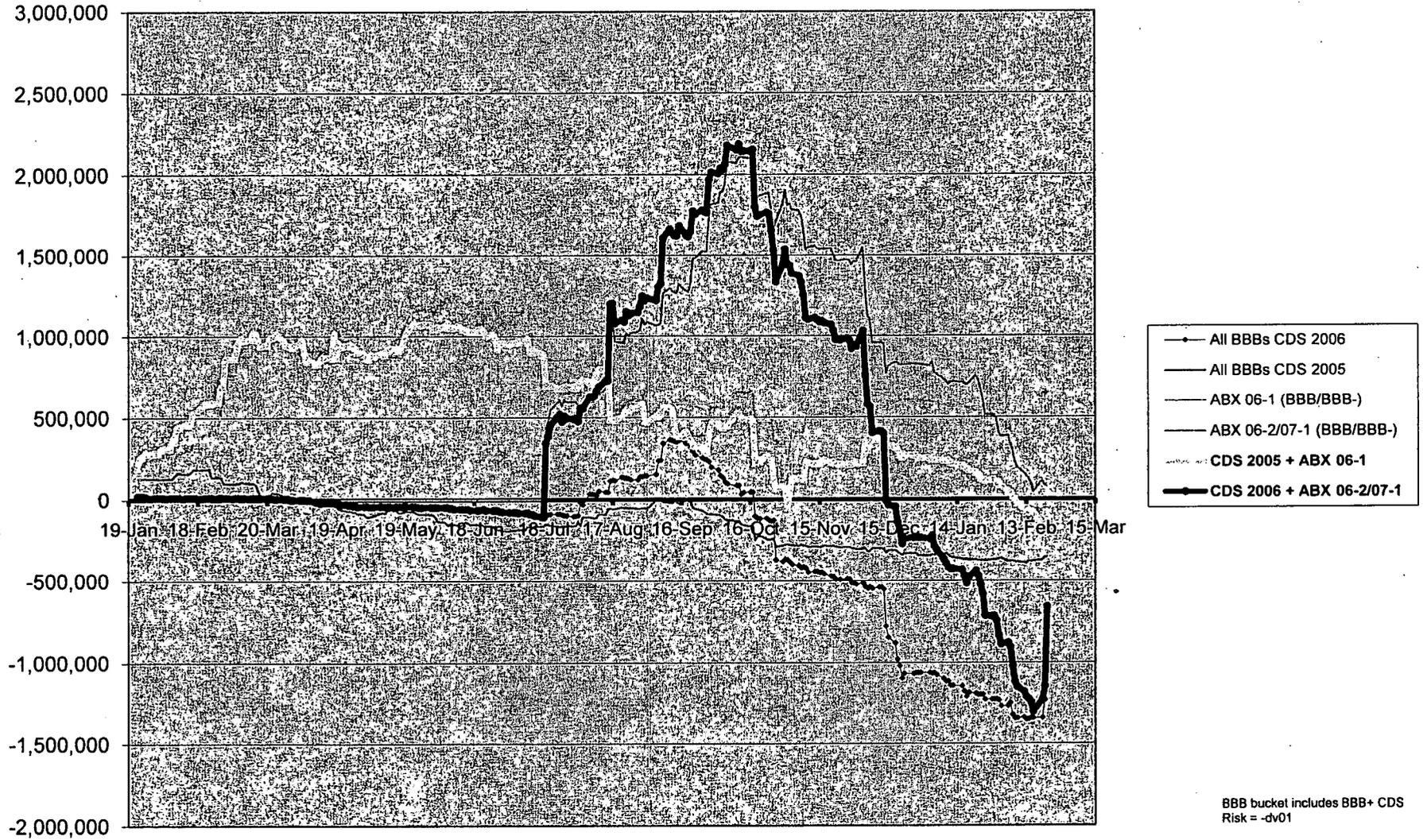


S
2

Risk



Risk By Vintage / Index



From: Kao, Kevin J.
Sent: Friday, March 02, 2007 8:00 AM
To: Birnbaum, Josh
Subject: Index and Single Name Position History 2006 As of 01Mar07.xls

Attachments: Index and Single Name Position History 2006 As of 01Mar07.xls

Josh - Here's the updated chart as of last night, with MRMA-style index equivalents that we talked about on Wed. Please forward to Swenson / Justin as needed.

(FYI - I am out of the office today but should be on blackberry. Thanks.)

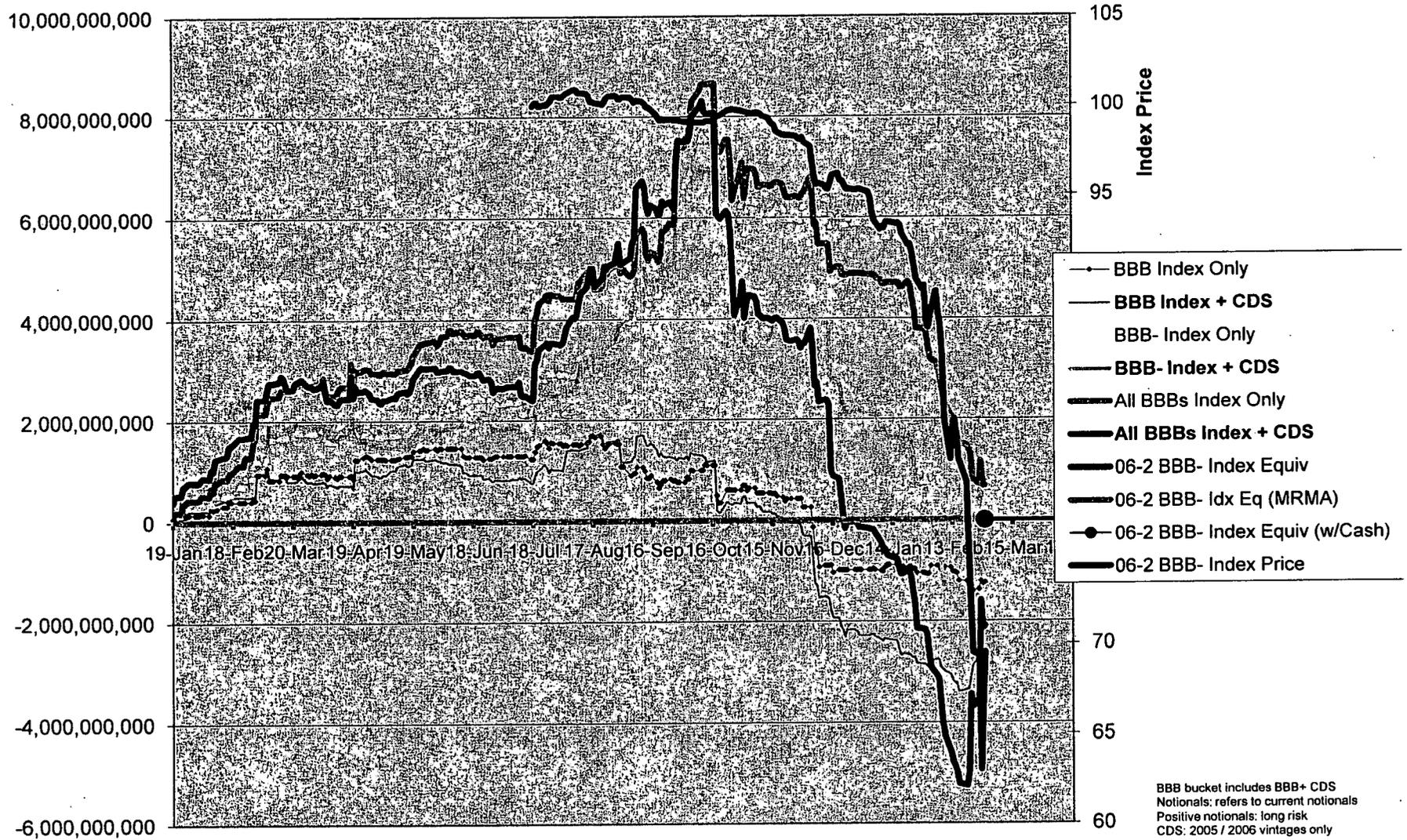


Index and Single
Name Position...

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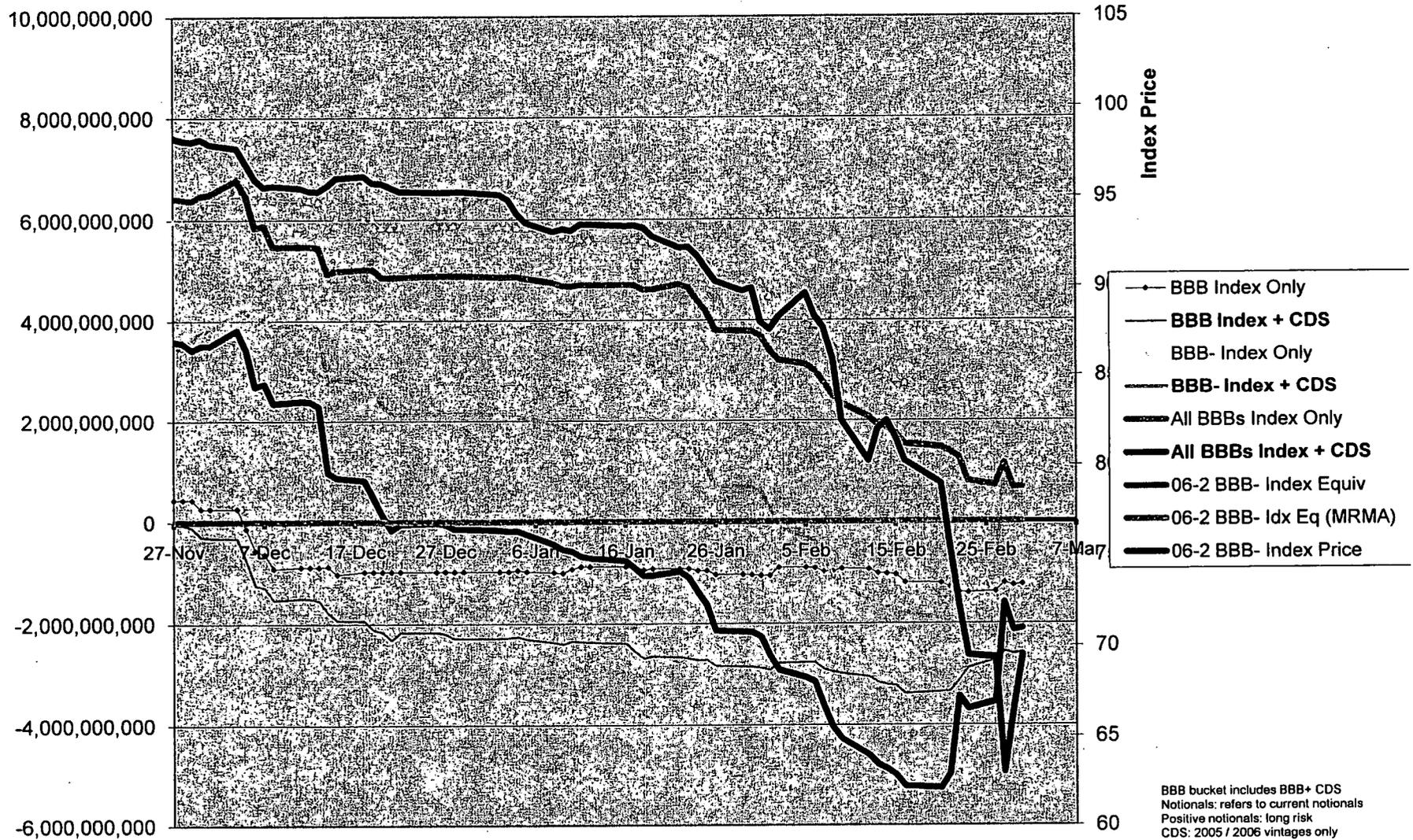
Notionals (ABX convention)



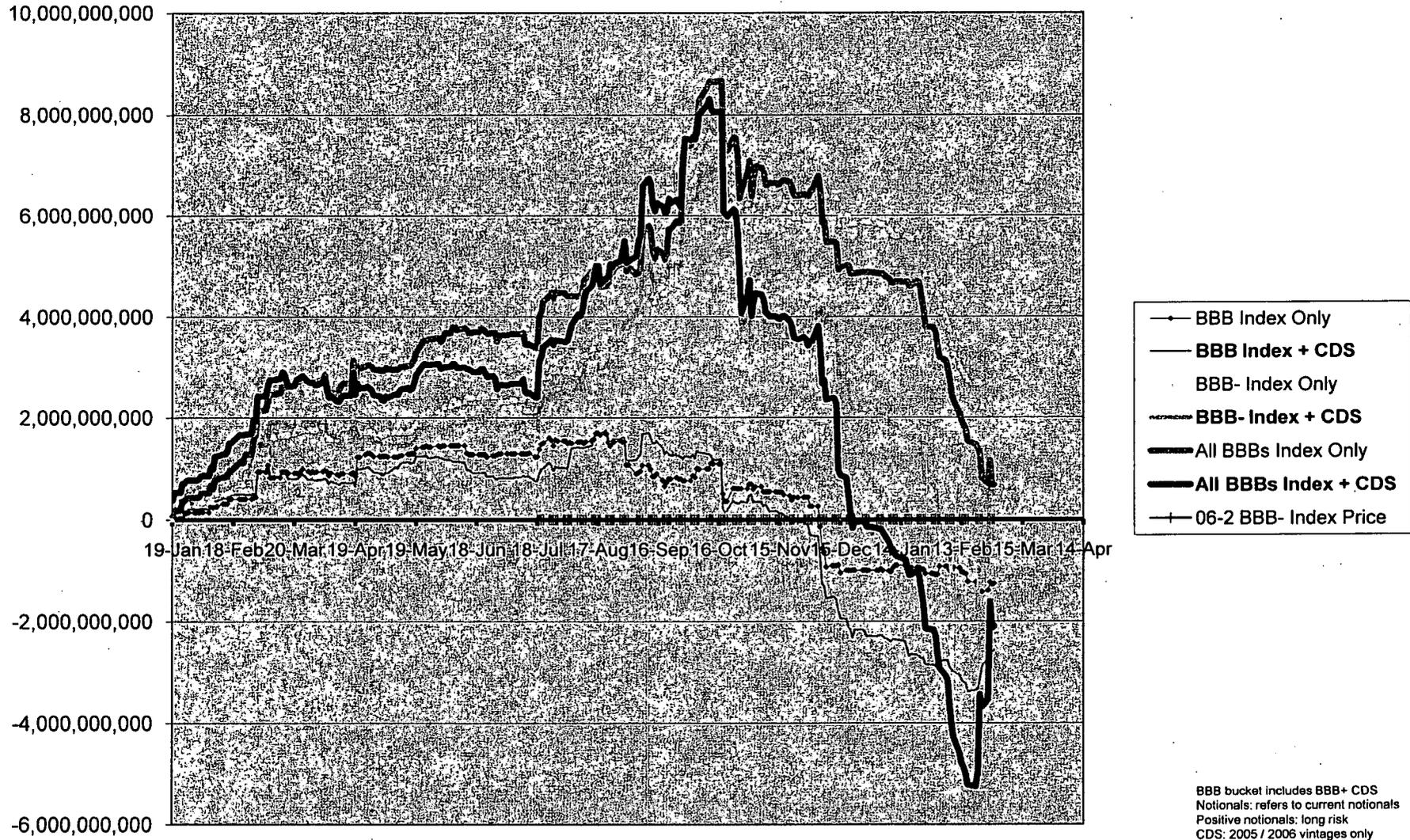
BBB bucket includes BBB+ CDS
 Notionals: refers to current notionals
 Positive notionals: long risk
 CDS: 2005 / 2006 vintages only

SS 2

Notionals (ABX convention) - Fiscal Year 2007



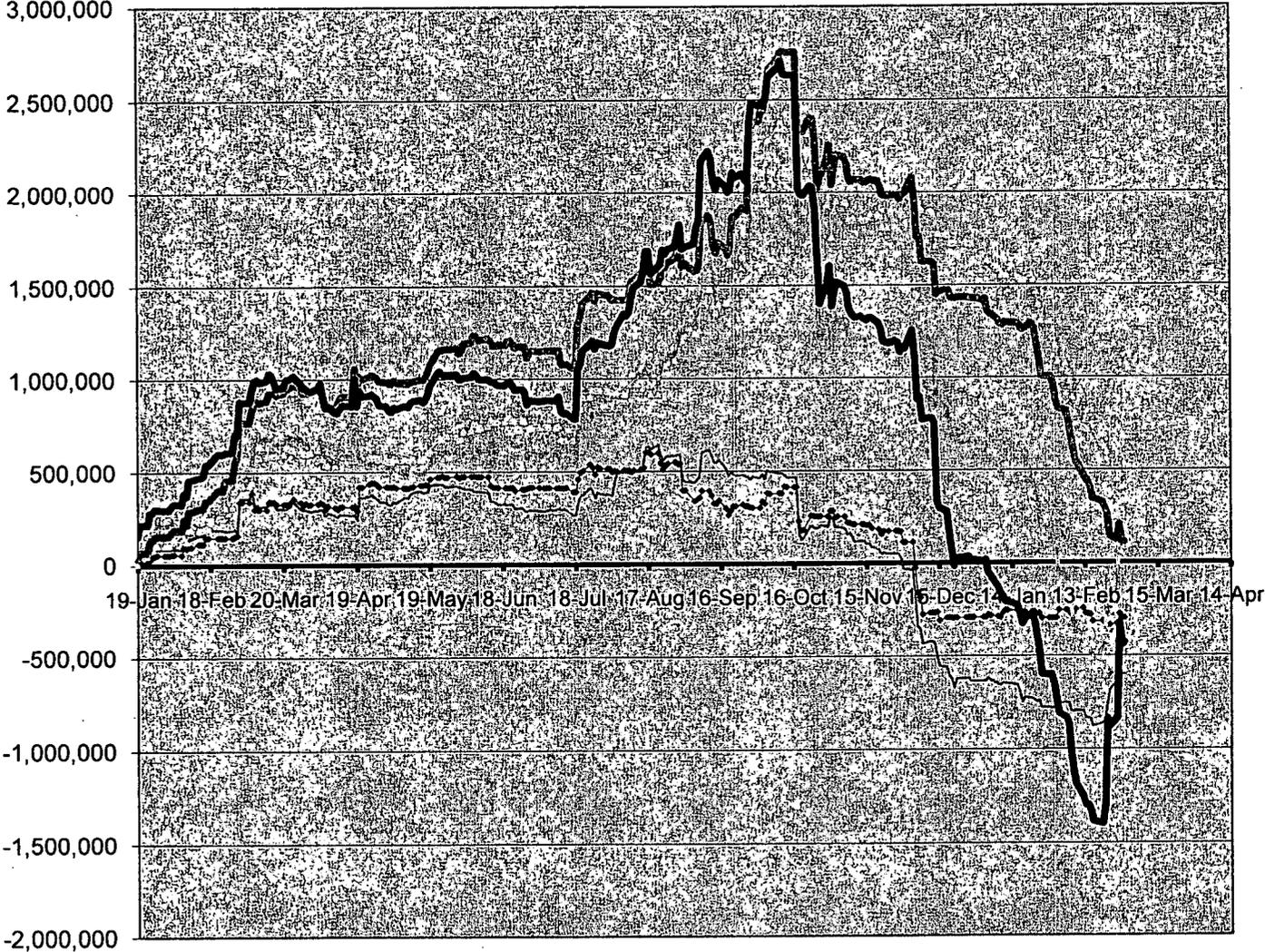
Notionals (ABX convention)



BBB bucket includes BBB+ CDS
Notionals: refers to current notionals
Positive notionals: long risk
CDS: 2005 / 2006 vintages only

60

Risk

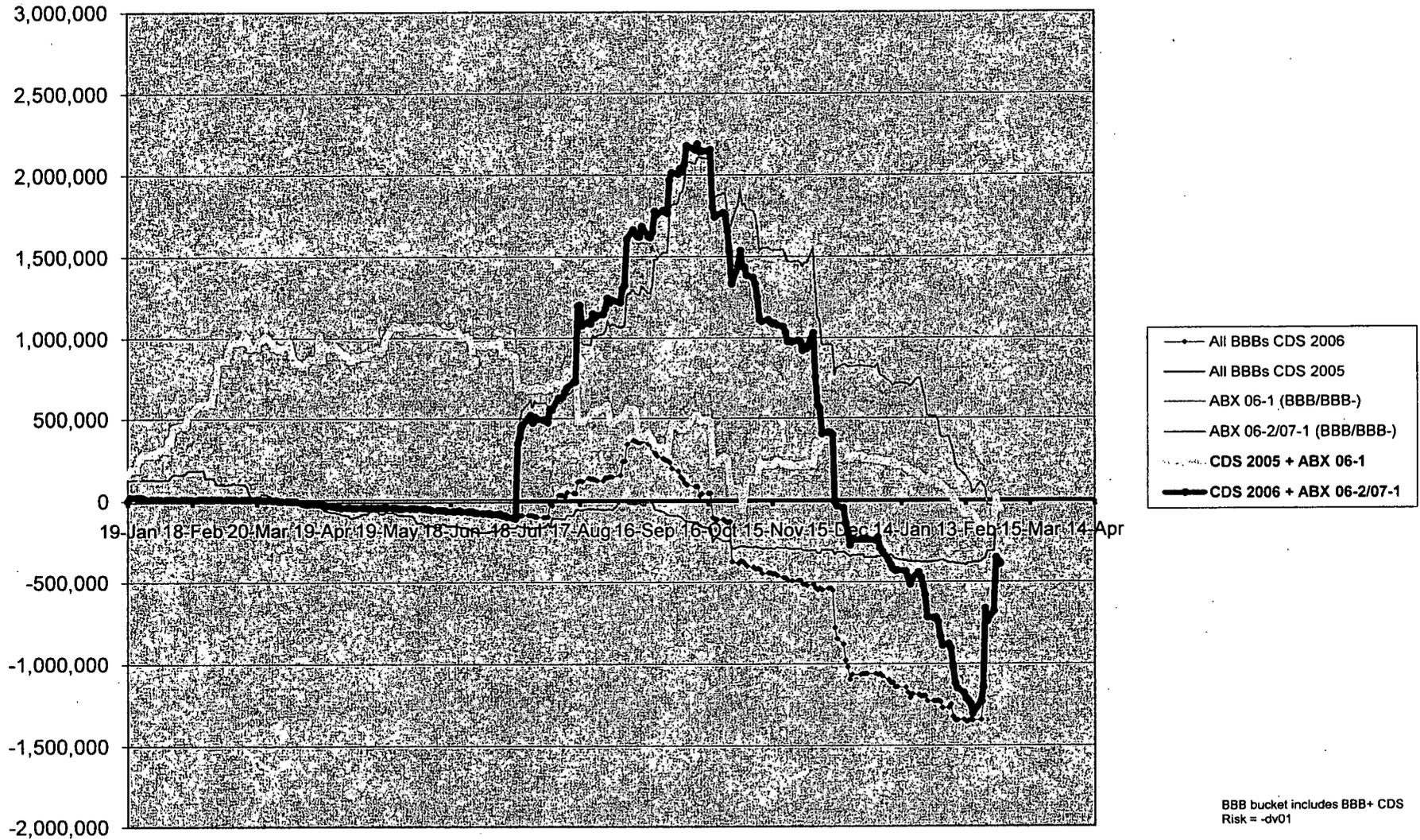


- BBB Index Only
- BBB Index + CDS
- BBB- Index Only
- BBB- Index + CDS
- All BBBs Index Only
- All BBBs Index + CDS

BBB bucket includes BBB+ CDS
 Risk = -dv01
 CDS: 2005 / 2006 vintages only

61-19

Risk By Vintage / Index



003

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Presentation to SEC
Subprime Mortgage Business

14-Mar-2007

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-010022328

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6.6



I. Subprime Overview



6/12



Subprime Mortgage Overview

Definitions

Mortgage Classification	FICO Score Range	Percentage of Recent Mortgage Originations	Size of Market (2006 origination volume)	Description
Prime	>700	72%	■ \$2.6tr	<ul style="list-style-type: none"> ■ Highest credit quality: no recent foreclosures, delinquencies or bankruptcies
Alt-A ¹	640-730	11%	■ \$400bn	<ul style="list-style-type: none"> ■ Self-employed and/or non-resident borrowers ■ Limited disclosures on income and assets of borrower ■ Agency non-conforming due to credit issues, payment history or minimal documentation
Subprime	605-640	17%	■ \$600bn	<ul style="list-style-type: none"> ■ Lowest credit quality: borrowers with average to poor credit profiles, including first time homebuyers, people who did not previously have credit available to them ■ Agency non-conforming due to credit issues, payment history or minimal documentation ■ Percentage of stated income loans grew significantly in the past year

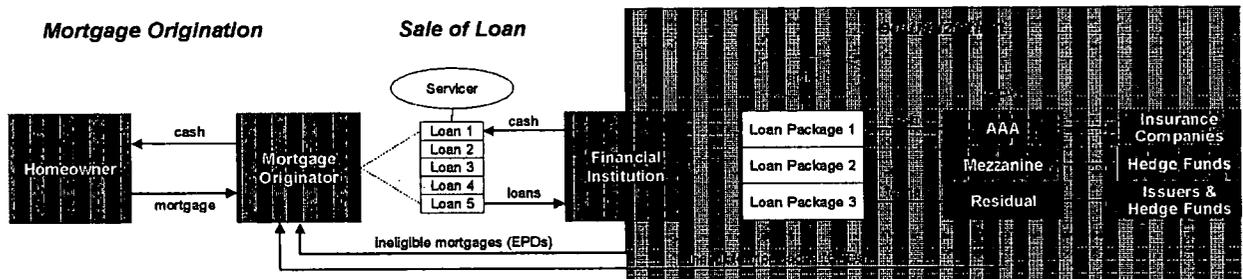
¹ Alt-A category is sometimes broken out into "Prime Alt-A" (FICO Score Range 680-730) and "Alt-B" (FICO Score Range 640-690).

6/2/07



Subprime Mortgage Overview

How the securitization process works



Participants:

- Homeowner: Classified as subprime based on FICO scores, could include investors speculating in residential real estate
- Mortgage Originator: Includes large diversified players, REITS, and small mortgage finance companies. Origination volume is dominated by larger players, however there are many small, mono-line players with limited track records and very small equity bases. Many mortgages are not originated directly from homeowners but rather through independent brokers
- Financial Institution: Firms such as GS purchase pools of loans to repackage, underwrite and sell into the asset-backed market
- SPV: Tranches pool of mortgages into super-senior, mezzanine and subordinated pieces and sells into secondary market



GS Subprime Mortgage Business

Type of Business	Market Risk	Credit Risk
Loans		
Financing <i>GS extends lines of credit directly to subprime mortgage originators to fund mortgages while they are held on the companies' balance sheets.</i>	<ul style="list-style-type: none"> ■ None 	<ul style="list-style-type: none"> ■ Lending is done on a secured basis with a first lien on the underlying mortgage assets and a haircut on the value of the loans
Aggregation <i>GS buys and holds bulk and conduit subprime loans from mortgage originators for the purpose of securitization.</i>	<ul style="list-style-type: none"> ■ Mark to market losses on loans during accumulation period (if securitizations are not completed) ■ Some loss sharing arrangements exist 	<ul style="list-style-type: none"> ■ Counterparty risk during the extended settlement period (typically 30-60 days) ■ Put option to originator if individual mortgages suffer from early homeowner defaults (EPDs) or reps and warranties are breached
Securitization		
Securitization Underwriting <i>GS underwrites, structures and distributes securities for ourselves and clients.</i>	<ul style="list-style-type: none"> ■ Mark to market gains and losses on securitized instrument until distribution 	<ul style="list-style-type: none"> ■ Reputational risk / underwriters liability ■ Trust and/or GS has put option to originator if individual mortgages suffer from early homeowner defaults (EPDs) or reps and warranties are breached
CDO Underwriting <i>GS structures and distributes liabilities related to pools of assets, many of which relate to subprime RMBS.</i>	<ul style="list-style-type: none"> ■ Mark to market risk during ramp up period if deal failure occurs ■ Mark to market risk on retained positions 	<ul style="list-style-type: none"> ■ Risk share partners ■ Forward commitments / pre-sold liabilities
Securities Trading		
Residential Mortgage Backed Securities <i>GS trades RMBS subprime securities as a secondary business.</i>	<ul style="list-style-type: none"> ■ Mark to market gains and losses on RMBS securities over the hold period 	<ul style="list-style-type: none"> ■ Counterparty risk on repo transactions with RMBS underliers
Residuals <i>GS retains all or a portion of mortgage residuals from securitization.</i>	<ul style="list-style-type: none"> ■ Mark to market gains and losses on residuals over the hold period 	<ul style="list-style-type: none"> ■ Counterparty risk on repo transactions with residual underliers
Derivatives <i>GS is an active user of derivatives as a part of our trading business as well as to hedge our long credit risk (ABX, single name, subprime RMBS and synthetic transactions)</i>	<ul style="list-style-type: none"> ■ Mark to market risk on long or short positions 	<ul style="list-style-type: none"> ■ Counterparty risk to writer of option or OTC derivatives counterpart
Equity stakes in mortgage originators	<ul style="list-style-type: none"> ■ Potential write down of investment 	<ul style="list-style-type: none"> ■ None

Subprime Overview 4

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Sachs

II. Recent Events in the Subprime Mortgage Sector

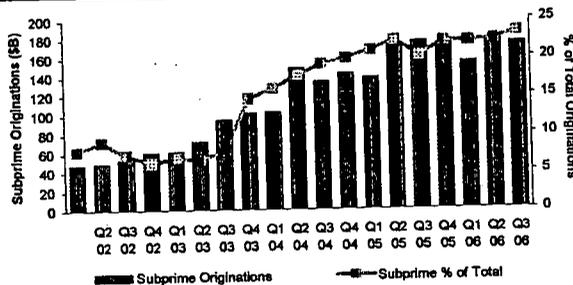
Recent Events in the Subprime Mortgage Sector 5

64-3

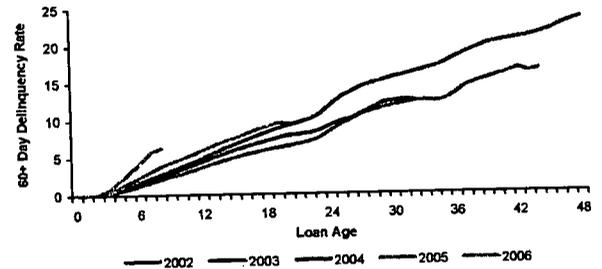


Market Trends

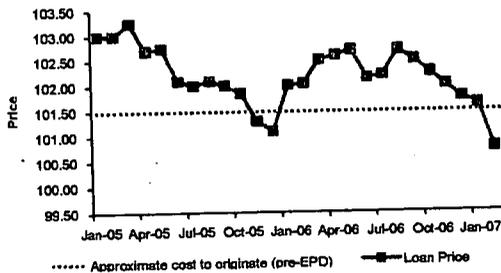
Volumes Increase Significantly¹



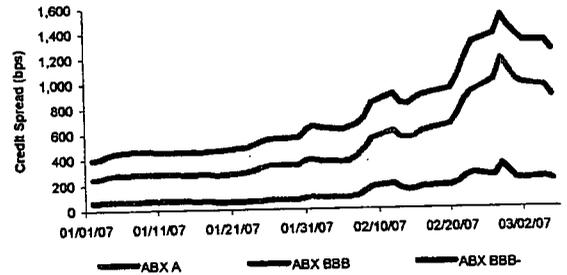
Credit Quality Declines: Relaxed Underwriting Standards



Pricing Pressure: Subprime Mortgage Loan Pricing Levels



Credit Spreads Adjust



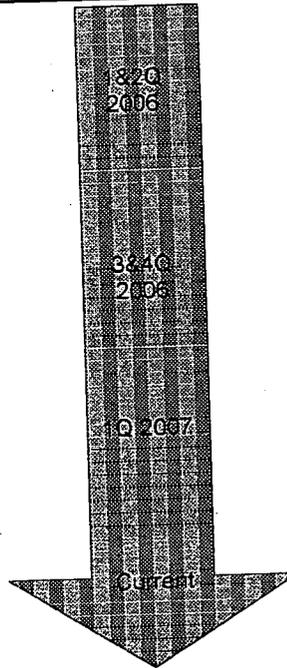
¹ Latest available data

70-15



Timeline of Major Events & GS Response

Subprime Sector	GS Response
<ul style="list-style-type: none"> ■ Easy access to credit allows subprime borrowers to purchase homes, raising the share of subprime mortgages to over 20% of market ■ ABX indices launch in January tracking the performance of specific securitization tranches ■ Investors seeking yield and broader global investor base drive demand for subprime securitizations ■ Acoustic defaults (May 2006) 	<ul style="list-style-type: none"> ■ GS is inherently long the sector given market presence. Long position grows in 2006 with increased market activity ■ GS long position is further increased via ABX indices trades (counterparts are primarily hedge funds) ■ GS becomes more vigilant on EPD identification and workout
<ul style="list-style-type: none"> ■ Rumors of significant deterioration in underwriting standards and some borrower fraud ■ Spreads on RMBS cool as hedge funds actively target subprime synthetics as a way to express negative views on the sector; prior to this activity, investor and CDO demand had pushed the market very high 	<ul style="list-style-type: none"> ■ Credit department steps up due diligence process on mortgage originators, creates watch list, suspends multiple names from further business
<ul style="list-style-type: none"> ■ Bank regulators issue underwriting guidance on non-traditional mortgage products ■ Widespread mortgage originator defaults begin including Sebring (Nov 06) and MLN (Jan 07) ■ Bids for subprime loans fall below cost to originate; business is therefore no longer profitable for originators 	<ul style="list-style-type: none"> ■ Enhanced focus on independent valuation ■ GS scales back purchasing of riskier loans ■ GS reduces CDO activity ■ Residual values reduced to reflect market deterioration ■ GS reverses long market position through purchases of single name CDS and reductions of ABX position although market illiquidity and basis risk constrain effectiveness of offset
<ul style="list-style-type: none"> ■ Large originators announce numerous accounting restatements and losses for 2006 triggering equity market sell off ■ Securitization market for subprime slows significantly. Market for securities is dislocated 	<ul style="list-style-type: none"> ■ GS effectively halts new purchases of subprime loan pools through conservative bids ■ Warehouse lending business reduced ■ EPD claims continue to increase as market environment continues to soften ■ Credit terms tightened further ■ New Century closed out



Recent Events in the Subprime Mortgage Sector 7



Credit Exposure Summary

- Warehouse lending has declined substantially due to tighter credit terms and reduced originator demand; trend continues today, with net committed amounts of \$1.1bn and funded amounts of \$388
- Whole loan purchases have declined as well driven primarily by similar considerations
- EPDs have risen reflecting continued market deterioration; current EPD claims are \$1.14bn notional with \$427mm in potential exposure
- Credit risk in securitization underwriting is difficult to quantify. The risks we face in this business are
 - Standard underwriting risks (need to make a market, due diligence requirements, etc.)
 - Franchise / reputational risks
 - Reps and warranties risks

Type of Exposure	Current		1Q 2007		FYE 2006		2Q 2006	
	Notional Exposure (\$mm)	Potential Exposure (\$mm)						
Warehouse Lending:								
Actual Funded	\$388	\$22	\$804	\$46	\$1,120	\$64	\$1,444	\$82
Total Committed Facilities	\$1,111	\$63	\$1,811	\$91	\$1,811	\$103	\$2,260	\$128
Whole Loan Purchases Pre-Settlement Exposure (Whole Loan Market risk):								
Subprime *	\$2,521	\$78	\$2,498	\$74	\$6,339	\$209	\$8,115	\$243
Whole Loan Purchases Post-Settlement Exposure (EPDs):								
Total EPD Claims	\$1,137	\$427	\$1,137	\$427	\$845	\$317	\$836	\$351

* Subprime includes AR-A, 2nd Liens, Option-Arms, Scratch & Dent and Subprime collateral

Recent Events in the Subprime Mortgage Sector 8

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-01002233

7/2/07



Credit Exposure Summary

Most Worrisome Counterparts

Counterparty	Company Description	Recent Events	Total Exposure ¹ (\$ mm)
New Century	Publicly traded and largest non-captive subprime mortgage lender with \$45bn in the first nine months of 2006 originations and book equity of \$2bn as of Sept 2006. Ranked #3 by market share.	Restated 3rd quarter financial results and delayed filing 10-K; California Attorney-General launched criminal inquiry into securities trading and accounting errors. Company has stopped originating new mortgages given funding shortfalls.	\$45.2 ²
Fremont	Publicly traded mortgage originator with FDIC insured/regulated ILC subsidiary. Ranked #5 by market share and had \$1.5bn in book equity as of Sept 2006.	Entered cease and desist order with the FDIC. Company has said that it is exiting the subprime mortgage business and delaying the filing of 4Q06 results.	\$12.9
Novastar	Publicly traded mortgage originator structured as a REIT. Ranked #18 by market share and had \$514mm in book equity as of Sept 06.	Reported 4th quarter loss of \$14.4mm.	\$9.7
Accredited	Publicly traded mortgage lender structured as a REIT. Ranked #14 in subprime mortgage originations. Book equity of \$739mm as of Dec 06.	Reported 4th quarter earning loss of \$37.8mm, filed form 12b-25 with SEC with respect to earnings delay.	\$5.9 ³
SouthStar	SouthStar is a privately held mortgage originator operating Alt-A, Sub-Prime, I/O, Option ARM and HELOC programs.	Reported 1st quarter 2007 loss of \$707K on revenues of \$18.5mm. Non-sales workforce to be reduced by 20% and one operations center to be closed this month. Warehouse line and additional workforce reductions being considered.	\$19 ⁴

¹ Reflects EPD claims and warehouse loans on a potential exposure basis.

² New Century also owes GS \$0.1mm relating to MBS Extended Settlement trades settling in mid-April. Total exposure number has been reduced by \$5mm held back as collateral on whole loan trades plus \$0.6mm excess collateral retained on warehouse line.

³ GS also holds fully collateralized \$50mm commercial paper from Accredited's asset backed commercial paper program called Carmel Mountain Funding Trust.

⁴ As of 2/26, total exposure was \$19mm consisting of \$13.2mm on \$35.3mm in outstanding EPD claims and \$5.8mm in pre-settlement risk from \$194.36mm pending settlement trades.

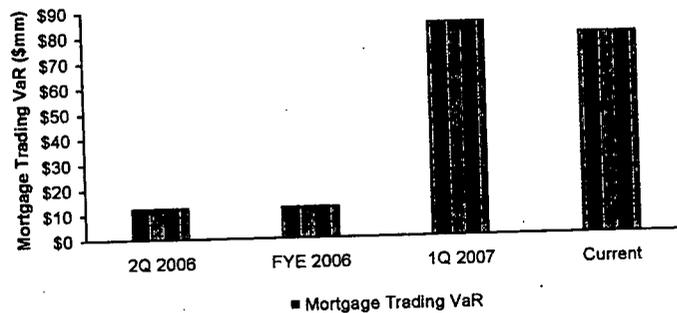
Recent Events in the Subprime Mortgage Sector 9

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-0100223



Market Exposure Summary



- VaR increase driven by
 - Increase in ABS synthetics due to a combination of wider spreads and increase volatility in the ABX market
 - During the quarter, ABX BBB- spreads widened from 300 bps to 1500 bps
 - The desk is increasing their net short risk in the RMBS subprime sector
 - Daily volatility increased from 5 bps to 53 bps
- In the synthetic space, the desk started the quarter with long \$6.0bn notional ABX BBB- risk and shifted the position to net short \$10bn notional by reducing the longs in ABX BBB- and increasing shorts in single name CDS
- GS also has \$25mm equity investments in subprime lenders

Recent Events in the Subprime Mortgage Sector 10

Handwritten initials/signature



III. Looking Forward

Looking Forward 11

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Lessons Learned

- What went right
- What went wrong
- How well did our risk measures capture / reflect risk incurred
- Observations for other businesses

Looking Forward 12



Looking Forward

- We believe the mono-line subprime mortgage originators will not be able to survive current market conditions for very long
 - Those with limited capital bases will quickly go out of business
- There is a concern that the problems observed in the subprime market will spread to other parts of the real estate sector, most notably, the Alt-A market
- GS strategy going forward
 - Position ourselves to be flat to short
 - Increased due diligence performed on purchased loans
 - Collection of amounts owed by originators from buybacks
 - Aggressively manage deal performance via asset management team (oversight of servicer actions)
 - Hedge all purchases
 - Work through inevitable defaults with minimal operational and credit risk losses
 - Conservative management of warehouse lines; review appropriate haircut levels
 - Communicate with originators, servicers, investors
- GS will evaluate ongoing opportunities on a case by case basis
 - Opportunistic purchases of potential loan packages / portfolios
 - Potential equity investments



IV. Appendix: Subprime Mortgage Originators

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Impact on Originators

Rank	Originator	Status
1	Wells Fargo Home Mortgage	
2	HSBC Finance	Increased loan loss reserves by \$1.8bn
3	New Century Financial	Criminal investigation; liquidity impaired
4	Countrywide Financial	
5	Fremont Investment & Loan.	Exited subprime business
6	CitiMortgage	
7	Ameriquest Mortgage (ACC)	Citigroup providing financing with option to buy
8	Option One Mortgage (H&R Block)	For sale
9	Washington Mutual	
10	First Franklin Financial Corp.	Acquired by Merrill Lynch
11	Residential Capital Corp. (GM)	Potential write down of up to \$1bn on subprime portfolio
12	BNC Mortgage/Finance America (Lehman)	
13	Aegis Mortgage Corp.	Scaling back operations
14	Accredited Home Lenders	Delayed SEC filings
15	American General Finance (AIG)	
16	Chase Home Finance	
17	Owinit Mortgage Solutions	Out of business
18	NovaStar Financial	Loss in latest quarter, little, if any, income forecast through 2011
19	Equifirst (Regions Financial)	Acquired by Barclays Bank
20	ResMae Mortgage Corporation	Acquired by Citadel
21	WMC (GE)	Scaling back operations
22	MLN	Out of business
23	Decision One (HSBC)	
24	ECC/Encore	Acquired by Bear Stearns
25	Fieldstone	Acquired by C-BASS

Appendix: Subprime Mortgage Originators 3

From: Egol, Jonathan
Sent: Monday, February 26, 2007 2:31 PM
To: Swenson, Michael; Lehman, David A.; Salem, Deeb; Chin, Edwin; Case, Benjamin; Williams, Geoffrey; Tourre, Fabrice; Ostrem, Peter L; Herrick, Darryl K; Bieber, Matthew G.
Cc: Sparks, Daniel L
Subject: Portfolio for Proposed Transaction 070226 (2).xls
Attachments: Portfolio for Proposed Transaction 070226 (2).xls

INTERNAL AND NOT TO BE FORWARDED



Portfolio for
Proposed Transac...

Got a call from Kate Birchall @ Lloyd's. The attached portfolio (~\$1bn of AA/A) is for a Fxator-sponsored HG deal. Punchline is they are not liquidating, I surmise Lloyd's backstopped super senior so they have to print. However they are asking for protection offer on 0-x% -- they will come back with detachment point "x" tonight.

Many of these assets are garbage. I told her she will not like the level. I told her we were more axed to buy super senior protection on this type of portfolio but she had no interest in writing, and she is not permitted to liquidate. Recall this is not her business, I surmise their CDO group was tapped and she has been instructed to neutralize all risk.

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Report Footnote #1657

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ISIN	CUSIP	ISSUER	TRANCHE	NOTIONAL
US46626LHU70	46626LHU7	JPMAC 2006-WMC1	A5	20,000,000
US362334JB17	362334JB1	GSAA 2006-5	2A4	21,552,000
US12489WQX55	12489WQX5	CBASS 2006-CB3	AV4	21,547,000
US61744CZD19	61744CZD1	MSAC 2006-NC3	A2D	16,000,000
US362334NE00	362334NE0	GSAA 2006-7	AF4	6,119,000
US437084VN35	437084VN3	HEAT 2006-4	2A-4	16,600,000
US81375HAC34	81375HAC3	SABR 2006-NC1	A3	7,000,000
US36868FAE16	36868FAE1	GEMST 2006-5A	C	6,000,000
US525221JX68	525221JX6	LXS 2006-5	2A3	21,251,000
US81879MAW91	81879MAW9	SGMS 2006-FRE1	A2C	7,689,000
US61749HAE09	61749HAE0	MSAC 2006-HE3	A2D	13,000,000
US362382AH60	362382AH6	GSAA 2006-9	A4B	10,000,000
US413358AD40	413358 AD 4	HARP 2006-1A	C	2,500,000
US16678WAD83	16678WAD8	CCMFC 2006-2A	B2	6,000,000
US16678WAC01	16678WAC0	CCMFC 2006-2A	B1	6,000,000
US00256NAE04	00256NAE0	ABAC 2005-3	D	12,000,000
US52522HAM43	52522HAM4	LXS 2006-8	3A4	22,500,000
US66988UAF75	66988UAF7	NMFT 2006-MTA1	M1	15,000,000
US94983SAL60	BCC0QN407	WFMBBS 2006-08	A9	30,000,000
US057760AD21	057760AD2	BALDW 2006-4A	1	10,000,000
US057760AB64	057760AB6	BALDW 2006-2A	1	12,500,000
US28257EBF60	28257EBF6	Eirles 2 - 259	1	12,500,000
US86358LAF76	86358LAF7	SASC 2006-ARS1	M5	5,508,000
US86358LAG59	86358LAG5	SASC 2006-ARS1	M6	5,158,000
US437096AM29	437096AM2	HEAT 2006-5	M5	10,000,000
US32028HAM51		FFML 2006-FF10	M5	4,768,000
US64360YAE59		NCHET 2006-2	M2	10,000,000
US61749NAK37	61749NAK3	MSAC 2006-HE5	M5	3,400,000
US61749NAG25	61749NAG2	MSAC 2006-HE5	M2	10,000,000
US86360WAJ18	86360WAJ1	SAIL 2006-4	M4	12,000,000
US02147QBD34		CWALT 2006-19C 1A28	A28	22,500,000
USG6621JAB38	G6621JAB3	NCOVE 2006-2A	B	5,000,000
US437097Aj72	437097AJ7	HEAT 2006-6	M3	5,750,000
US86360RAK95	86360RAK9	SASC 2006-EQ1	M5	12,000,000
US02146QAN34	02146QAN3	CWALT 2006-OA10	M3	6,888,000
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US00441QAH20	00441QAH2	ACE 2006-CW1	M3	4,000,000
US004375DW81	004375DW8	ACCR 2005-3	M3	4,380,000
US57645FAH01	57645FAH0	MABS 2006-AM2	M5	4,000,000
US073873AD30	073873AD3	BALTA 2006-5	1M2	4,811,000
US02146TAU16	02146TAU1	CWALT 2006-24CB	A19	22,500,000
US59021BAD82	59021BAD8	MLMI 2006-SL2	M3	2,497,000
US59021BAE65	59021BAE6	MLMI 2006-SL2	M4	5,993,000
US41161GAG82	41161GAG8	HVMLT 2006-8	B2	7,215,000
US59020URQ03	59020URQ0	MLMI 2005-NC1	M2	5,000,000
us46628sah67		JPMAC 2006-WF1	A5	17,860,000
US65536QAJ76	65536QAJ7	NHELI 2006-HE3	M4	12,000,000
US021468AE39	021468AE2	CWALT 2006-14CB	A5	22,500,000
US00441XAG97	00441XAG9	ACE 2006-NC2	M2	6,864,000
US04013BAH50	04013BAH5	ARSI 2006-M2	M4	12,000,000
US81376YAG61	81376YAG6	SABR 2006-HE1	M2	12,000,000
US55275BAK35	55275BAK35	MABS 2006-NC2	M5	5,408,000
US14983AAF66	14983AAF6	CBASS 2006-SL1	M3	7,735,000
US14983AAH23	14983AAH2	CBASS 2006-SL1	M5	11,500,000
US57645FAF45	57645FAF4	MABS 2006-AM2	M3	3,500,000

US23243LAG77	23243LAG7	CWI 2006-14	M3	4,750,000
US16678YAD40	16678YAD4	CCMFC 2006-3	B2	6,000,000
US12666VAF85	12666VAF8	CWI 2006-17	M2	6,000,000
US61750FAK66	61750FAK6	MSAC 2006-HE6	M4	4,000,000
US55291KAK34	55291KAK3	MABS 2006-WMC3	M5	7,000,000
US36245AAF30	36245AAF3	GSAMP 2006-HE6	M2	8,000,000
US52520VAF04	52520VAF0	LBSBC 2006-2	M2	3,943,000
US23243WAF59	23243WAF5	CWL 2006-18	M2	12,000,000
US14453MAG96	14453MAG9	CARR 2006-NC4	M2	14,000,000
US81377AAJ16	81377AAJ1	SABR 2006-HE2	M4	7,318,000
US03076MAK09	03076MAK0	ARSI 2006-M3	M5	8,000,000
US80556AAE73	80556AAE7	SAST 2006-3	M1	3,950,000
US80556AAF49	80556AAF4	SAST 2006-3	M2	9,600,000
US12489WNV27	12489WNV2	CBASS 2005-CB6	M6	4,660,000
US17309QAG91	17309QAG9	CMLTI 2006-WFH3	M3	6,288,000
US46626LJR24	46626LJR2	JPMAC 2006-NC1	M1	4,000,000
US32028GAM78	32028GAM7	FFML 2006-FF15	M6	7,109,000
US32028GAL95	32028GAL9	FFML 2006-FF15	M5	4,000,000
US81376GAG55	81376GAG5	SABR 2006-WMC2	M2	7,000,000
US443860AD30	443860AD3	HUDMZ 2006-1A	B	15,000,000
US17309SAJ96	17309SAJ9	CMLTI 2006-WFH4	M5	4,750,000
US54251YAL20	54251YAL2	LBMLT 2006-10	M6	6,000,000
US57645MAL63	57645MAL6	MABS 2006-WMC4	M5	3,000,000
US320275AK63	320275AK6	FFML 2006-FF16	M5	1,000,000
US320275AL47	320275AL4	FFML 2006-FF16	M6	4,000,000
US576449AJ15	576449AJ1	MABS 2006-HE4	M5	2,500,000
US07389PAJ93	07389PAJ9	BSABS 2006-AQ1	M5	2,093,000
US52521BAE65	52521BAE6	LBSBC 2006-3A	M1	5,000,000
US52521BAF31	52521BAF3	LBSBC 2006-3A	M2	4,500,000
US88156AAB08	88156AAB0	OMTS 2006-OT1	M1	15,870,000
US32028JAK51	32028JAK5	FFML 2006-FFB	M5	12,362,000
US16678XAD66	16678XAD6	CCMFC 2006-4A	B2	5,000,000
US92978GAG47	92978GAG4	WMLT 2006-ALT1	M4	1,068,000
US31809VAB53	31809VAB5	FIOR 2006-1A	B	16,000,000
US31809VAC37	31809VAC3	FIOR 2006-1A	C	4,000,000
US49327HAH84	49327HAH8	KSLT 2006-A	2B	10,000,000
US577749AW47	577749AW4	MAXIM 2006-1A	A5	20,000,000
		IXION-MATRIX 2007-I	B	15,000,000
US83612MAK36	83612MAK3	SVHE 2006-WF2	M5	6,000,000
US82442VAC90	82442VAC9	Sherwood III ABS CDO, Ltd	A2	3,000,000
US82442VAD73	82442VAD7	Sherwood III ABS CDO, Ltd	A3	8,000,000
US07389RAX44	07389RAX4	BSABS 2006-HE10	M5	4,000,000
US86363AAE73	86363AAE7	SASC 2006-S4	M4	4,000,000
US86363AAF49	86363AAF4	SASC 2006-S4	M5	3,569,000
US12668HAK68	12668HAK6	CWL 2006-26	M5	2,000,000
USG5296YAD25	G5296YAD2	KLROS 2006-5	B	8,500,000
US52902YAJ47	52902YAJ4	Lexington	Class C	20,000,000
US431138AG12	431138AG1	HRIDG 2007-1A	A3	15,500,000
US617526AL27	617526AL2	MSAC 2007-HE1	M5	3,000,000
US54316PAD24	54316PAD2	LONGRIDGE ABS CDO LTD	A2J	6,000,000
US617505AK80	617505AK8	MSAC-2007-NC1	M5	2,750,000
		CAMBER 7	B	10,000,000
US72912SAE46	72912SAE4	Plettenberg Bay CDO	A2	4,000,000
US54316PAE07	54316PAE0	LONGRIDGE ABS CDO LTD	A3S	10,000,000
		Pyxis II	C	12,000,000
		JPALT 2007-A1	M4	810,000
		JPALT 2007-A1	M5	840,000
		ACABS 2007-1	A2	10,000,000

From: Gasvoda, Kevin
Sent: Monday, April 23, 2007 12:49 PM
To: Montag, Tom
Cc: Sparks, Daniel L
Subject: RE: Resi credit QTD/YTD P&L and positions

Attachments: Resi credit QTD/YTD P&L and positions



Resi credit QTD/
 YTD P&L and po...

Tom, here are the follow-ups I owe you.

First the "subs position" (managed w/ the resids book) we have approx \$400mm market value of primarily below investment grade prime securities (this was blank in my table from first msg, which I re-attached above if you can't find it) and the "prime hybrid - primary" loan book I estimated at \$3B is actually \$2.9B.

Regarding beginning of FY subprime resid position, we started the FY at \$157mm vs the \$255mm balance now. Therefore, we've net created \$98mm of subprime resids which is a function of the YTD deal volume and the fact we haven't been securitizing out the front cashflows on these deals the last few months as we think it is trading too cheap (10-12% yield for 1/2 year average life single A rated bond).

Last, regarding hedge P&L YTD and QTD, see below. Note, this does not include rate hedges since I assume you were interested in ABX/CDS credit/spread hedges only. You see significant hedge gains in subprime (\$96mm YTD) which did not offset the counterparty credit losses (EPD's) and residual re-marking. Q1 was significantly positive while Q2 has been significantly negative as spreads have tightened generally. Also note the resids had been managed w/ the loan books and have only been recently split out and managed separately.

ABX/CDS HEDGE P&L:

	Q1	Q2 (4/20)	YTD
Hybrids	5.3	-13.8	-8.5
AltA	37.8	-17.8	20.0
Subprime	119.4	-23.4	96.0
S&Dent	13.5	-9.8	3.7
2nds	24.1	-6.8	17.3
Resids	n/a	-8.1	-8.1
Subs	0.6	-0.4	0.2
All	200.7	-80.1	120.6

From: Gasvoda, Kevin
Sent: Sunday, April 22, 2007 9:13 PM
To: Montag, Tom
Cc: Sparks, Daniel L
Subject: RE: Resi credit QTD/YTD P&L and positions

<< Message: resi credit weekly recap >>

You are correct on the first point Tom - we have \$180mm in loans (unsecuritized) and \$255mm of residuals off old deals. The \$180mm of loans is the smallest we've been since we started the business in 2002. We had been running at an average loan position balance in subprime of around \$4B. The loan book turns over on average every 2 months however as we generally had been securitizing at least once per month. Note, we turn the loan balance into securities and historically 75-80% of a loan deal is AAA rated and 15-20% of the deal is AA thru BBB- risk, the remainder position (3-5% of the deal) is the unrated, first loss risk or "residual" - in other words, every \$1B subprime deal produces a \$30-50mm residual investment (most of which we re-lever via NIM securitization) leaving \$5-15mm

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 Wall Street & The Financial Crisis
 Report Footnote #1658

GS MBS-E-010474E

on our books assuming we don't have a purchasing partner (HBK, Cbass to name a few).

The \$255mm we have retained is from deals dating back to 2002 and while we've developed some buying partners, it is not a deep market. These have been intentional principal retained positions. We did sell approx 50% of our interest in deals created from mid-2005 thru end of 2006.

The losses of \$28mm and \$84mm are net of hedge gains - we had been short spreads via ABX/CDS so had mark to market gains ytd. I will get you the specific ytd hedge #'s tmrw.

I can get you change of balance year to date for resids but loans is attached per my email to you a few weeks ago. Specifically at end of FY '06 we were at \$6.9B (risk not b/s funded) in subprime, a higher than run rate level. The resid #'s are up in subprime since we've created a lot early in the year (function of securitizing \$6.9B+ add'l purchases in FY '07). I'll get you the resid #'s YTD tmrw too.

From: Montag, Tom
Sent: Sunday, April 22, 2007 8:31 PM
To: Gasvoda, Kevin
Cc: Sparks, Daniel L
Subject: RE: Resi credit QTD/YTD P&L and positions

Let me make sure I have this right--for subprime we now have 180 million in loans on the book AND 255 million of residuals on old deals

We have lost 28 million on the loans and 84 million on the residuals

Is this independent of hedges?

Do you have change on year for each?
 Why do we have so large a book of residuals? Just cant sell?

From: Gasvoda, Kevin
Sent: Monday, April 23, 2007 3:04 AM
To: Montag, Tom
Cc: Sparks, Daniel L
Subject: Resi credit QTD/YTD P&L and positions

Tom,

Below is the QTD and YTD P&L of the residential credit loans and retained positions along w/ the current position in each book. Note, the top section is just the primary business which includes P&L related to loan purchase and securitization. Some of the P&L also relates to unsold new issue allotments (most of the 2nd lien losses) prior to being moved to secondary hands (a practice that we just began in January as you know).

On the loan side we are long approx \$6.4B in resi loans (this excludes any prime fixed rate loan positions since they are managed under Greg Finck, do not have retained bond elements, are more akin to our CMO business and have little to no credit element). The Alt-A business is having a good year and the Hybrid Option Arm business is having a great year. This group of businesses made approx \$200mm last year for your reference.

The second section ("residential residuals".....etc.) is related to positions intentionally retained after new issue, primarily residuals. Current position is approx \$680mm and this group of businesses made over \$100mm last year. Again note, the predominant pain has been in subprime resids to date. We will spend the rest of quarter digging deeper into all resid positions.

Note, I believe the "Prime Hybrid - Primary" loan position is \$3B (shown in italics below), I don't have a report w/ real time info on that at my disposal today. This category is our Option Arm business run by Clay DeGiacinto. Also, I do not have the "subs" book position size at hand (shown as "xxx" below) but will get that tmrw for you. "Subs" are non-investment grade bonds primarily off of prime related deals that we generally retain and re-remic (aggregate to re-securitize).

Friday's \$50mm subprime residual writedown is incorporated below in the "Residuals - subprime" line and the \$24mm S&D loan write down is included in the first section on the "Scratch & Dent" line.

I will work on the hedge P&L in isolation Monday a.m. for you. If you have questions please call my home number 203-656-8419 or my cel 917-596-5113.

<< OLE Object: Picture (Metafile) >>

From: Gasvoda, Kevin
Sent: Sunday, April 22, 2007 2:04 PM
To: Montag, Tom
Cc: Sparks, Daniel L
Subject: Resi credit QTD/YTD P&L and positions

Attachments: Picture (Metafile)

Tom,

Below is the QTD and YTD P&L of the residential credit loans and retained positions along w/ the current position in each book. Note, the top section is just the primary business which includes P&L related to loan purchase and securitization. Some of the P&L also relates to unsold new issue allotments (most of the 2nd lien losses) prior to being moved to secondary hands (a practice that we just began in January as you know).

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Friday's \$50mm subprime residual writedown is incorporated below in the "Residuals - subprime" line and the \$24mm S&D loan write down is included in the first section on the "Scratch & Dent" line.

I will work on the hedge P&L in isolation Monday a.m. for you. If you have questions please call my home number 203-656-8419 or my cel 917-596-5113.

Sector	QTD	YTD	POSITION
Residential Credit Loans/New Issue			180,000,000
Subprime	(61,387,052)	(28,140,510)	770,000,000
Scratch and Dent	(34,089,858)	(73,044,733)	82,000,000
2nd Liens	(21,932,613)	(40,597,590)	2,400,000,000
Alt-A	(3,550,099)	13,591,505	3,000,000,000
Prime Hybrid - Primary	5,207,529	44,270,518	6,432,000,000
Total	(115,752,093)	(83,920,810)	

Residential Residuals & Subs / Retained Positions

Subs	249,969	7,249,828	xxx
Residuals - Scratch & Dent	91,810	1,803,042	56,000,000
Residuals - Subprime	(57,784,353)	(84,597,798)	255,000,000
Residuals - Alt-A	46,595	7,528,639	296,000,000
Residuals - 2nd Liens	311,789	(11,838,044)	74,000,000
Total	(57,084,190)	(79,854,333)	681,000,000
TOTAL OF BOTH	(172,836,283)	(163,775,143)	

From: Sparks, Daniel L
Sent: Tuesday, January 23, 2007 10:43 AM
To: Birnbaum, Josh; Swenson, Michael; Lehman, David A.
Subject: RE: Subprime Risk Report

my other concern is I want to stay nimble, and not get too wedded to one way positions - getting massively short could be more painful than what we have experienced.

From: Birnbaum, Josh
Sent: Tuesday, January 23, 2007 9:51 AM
To: Sparks, Daniel L; Swenson, Michael; Lehman, David A.
Subject: RE: Subprime Risk Report

From: Sparks, Daniel L
Sent: Tuesday, January 23, 2007 7:49 AM
To: Swenson, Michael; Birnbaum, Josh; Lehman, David A.
Subject: FW: Subprime Risk Report

It does not look like you made any progress on the things we discussed - I want a plan and daily reports on progress.

Not to be difficult, but if you 3 are too busy I can add someone who can focus on this issue.

1. Collapse 01 vs 02 AAA index basis

There are 2 internal trades we plan to do as discussed:

- 1) BBB, BBB- Index vs singles names. Deeb has sent out a portfolio to the Alt A and whole loan desks and apparently those desks want to sit down with you before signing off on these trades. I believe you confirmed we are doing this in an email last night.
- 2) The plan was to mention the AAA trade when we sit down to discuss the BBB basis trade. Once we move internal shorts in AAAs to 06-1, step 1 should be accomplished.

2. Collapse 01 vs 02 A index

- 1) We fundamentally like the single A shorts but clearly we want to get out of our 06-2 long. We made good progress on that front recently, selling 400mm 06-2 A to Dillon Read on Friday. We have <1Bln long 2006 single A risk at this point. We will continue to work this down.

3. Dramatically cut notional BBB- index risk (01 and 02)

We all know this is the #1 focus. We sold 55mm 07-1 BBB- Index this morning so far and we will continue to try to work this down in 50-100mm chunks daily. We are also trying to diversify our 06-2 long into some 07-1 risk to some extent in order to reduce idiosyncratic risk. I am optimistic that if we can buy another 1-2Bln of BBB- single name protection, clear some of the risk in the CDO warehouse and secondary we can become quite aggressive in making index sales both to the street and retail and be comfortable that we are not hurting our overall position, i.e. not being limited in our trading style by our position (as you have talked about).

From: ficc-mtgcstrat
Sent: Tuesday, January 23, 2007 2:52 AM
To: Sparks, Daniel L; Fortunato, Salvatore; Lehman, David A.; Swenson, Michael; Birnbaum, Josh; Salem, Deeb; Chin, Edwin; Kamilla, Rajiv; Egol, Jonathan; Tourre, Fabrice; Williams, Geoffrey; Dinias, Michael; Jha,

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1661

Arbind
Cc: ficc-mtgcdstrat
Subject: Subprime Risk Report

Attached are the short form Subprime Risk reports for 22Jan07

From: Lehman, David A.
Sent: Tuesday, January 30, 2007 1:32 PM
To: Swenson, Michael
Subject: RE: Montag...

OK

-----Original Message-----

From: Swenson, Michael
Sent: Tuesday, January 30, 2007 1:31 PM
To: Lehman, David A.
Subject: Re: Montag...

In office first thing

----- Original Message -----

From: Lehman, David A.
To: Swenson, Michael
Sent: Tue Jan 30 13:10:55 2007
Subject: RE: Montag...

You are back tomorrow a.m. in NYC or p.m.?

-----Original Message-----

From: Swenson, Michael
Sent: Tuesday, January 30, 2007 1:08 PM
To: Lehman, David A.
Subject: Re: Montag...

I spoke with dan last night - I asked for it. I told him I want to go over the facts of what we are up against. It will involve a discussion of valuation metrics. Also, a discussion of what are competitors are saying as well about valuation. It also will involve our views on the affects the tranchd market will have on the cdo etc.

It was suppose to be a way for me to arm rich as he navigates the waters as this topic comes up. I also wanted his input on what he thinks is the right thing to do. It was my intention for it to be interactive. Now that montag will be there it may be less of that.

The goal is to gain control of the discussions from our side - I am frankly tired of the misinformation that is being spread from the peanut gallery.

I also want them to realize what is reasonably achievable given liquidity etc.

Weds will be a big day as we prepare for this meeting.

----- Original Message -----

From: Lehman, David A.
To: Swenson, Michael
Sent: Tue Jan 30 12:55:34 2007
Subject: RE: Montag...

What mtg is this?

-----Original Message-----

From: Swenson, Michael
Sent: Tuesday, January 30, 2007 12:54 PM
To: Sparks, Daniel L; Lehman, David A.; Birnbaum, Josh
Subject: Re: Montag...

1

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1661

Will do

----- Original Message -----

From: Sparks, Daniel L
To: Lehman, David A.; Birnbaum, Josh; Swenson, Michael
Sent: Tue Jan 30 12:51:02 2007
Subject: Re: Montag...

----- = Redacted by the Permanent Subcommittee on Investigations

Invite montag to meeting with ruzika

----- Original Message -----

From: Lehman, David A.
To: Sparks, Daniel L; Birnbaum, Josh; Swenson, Michael
Sent: Tue Jan 30 11:30:02 2007
Subject: Montag...

...called the desk to get an update on ABX.

- Gave him the quick rundown w/r/t flows, positioning, etc.
- We have seen little flow as a result of ASF.
- Mentioned ASF was the one big ABS event of the year and that we were on the ground talking to mkt players to gauge sentiment.
- Despite the dip in prices we feel the mkt could leak and we remained axed to get down and mitigate basis risk.

He wants us to keep him apprised of meaningful activity, mkt movements, etc.

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

Goldman
Sachs

David Lehman
Fixed Income, Currency & Commodities

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From: Cohn, Gary
Sent: Tuesday, February 13, 2007 11:58 AM
To: Winkelried, Jon; Blankfein, Lloyd
Subject: Fw: Catch up

----- Original Message -----
From: Ruzika, Richard
To: Cohn, Gary
Sent: Tue Feb 13 11:46:18 2007
Subject: Catch up

Gary -- wanted to catch you on a couple of things.

Mortgages -- the risk spread sheets we have been developing have definitely helped in understanding our subprime exposure to market movements and correlation. Basically this gave me the observability to push the team to be short against the correlation and basis risk. Obviously this has helped stabilize our trading risk and actually make some money back. My concern now which I have been communicating to the team is that the single name CDO and CDO squared finds a floor and tightens while ABX stays wide again lowering the correlation. I am directing the team to cover the basis whenever possible and trade the hedge as it needs to be dynamic. I am working with Dan to uncover exactly what else needs to be proactively written down so that we can pnl it this quarter and be clean going into next. My efforts have been to get us back to being offensive --we are getting there if not there already. Justin --- I think the guy is great and exactly what the business needs on the risk side to get Dan back into his sweet spot -Structuring and business development. There's a boat load to do -- Europe -- etc. Dan can't do it all which is why I have been trying to take the heat off by stepping in on the risk, Justin's help and experience would be a huge plus.
EOP getting closer -- probably 50 bucks for us.

**Redacted by the
Permanent Subcommittee on Investigations**

**Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1661**

From: Prigent, Alexandra
Sent: Tuesday, March 27, 2007 7:33 AM
To: Salem, Deeb
Subject: RE: ABX - TABX : Request from [REDACTED]

No worries - we hope to get this client to trade some of our trading axes.
This is an important client of us in France

Thanks

-----Original Message-----

From: Salem, Deeb
Sent: Tuesday, March 27, 2007 1:31 PM
To: Prigent, Alexandra
Subject: RE: ABX - TABX : Request from [REDACTED]

Redacted by the Permanent Subcommittee on Investigations

sorry for the confusion

-----Original Message-----

From: Prigent, Alexandra
Sent: Tuesday, March 27, 2007 8:29 AM
To: Salem, Deeb; Williams, Geoffrey
Cc: ficc-abstrading; Serres, Marine
Subject: RE: ABX - TABX : Request from [REDACTED]

Sorry - we are a bit slow here in London... Understood now

-----Original Message-----

From: Salem, Deeb
Sent: Tuesday, March 27, 2007 1:28 PM
To: Prigent, Alexandra; Williams, Geoffrey
Cc: ficc-abstrading; Serres, Marine
Subject: RE: ABX - TABX : Request from [REDACTED]

what is there to explain? i just put these levels in this morning. they are very different than the levels i sent last week on bbb...pls check an old email

-----Original Message-----

From: Prigent, Alexandra
Sent: Tuesday, March 27, 2007 8:27 AM
To: Salem, Deeb; Williams, Geoffrey
Cc: ficc-abstrading; Serres, Marine
Subject: RE: ABX - TABX : Request from [REDACTED]

Ok well - we will try to explain the client.
Could you please than give us your levels for BBB-

-----Original Message-----

From: Salem, Deeb
Sent: Tuesday, March 27, 2007 1:26 PM
To: Prigent, Alexandra; Williams, Geoffrey
Cc: ficc-abstrading; Serres, Marine
Subject: RE: ABX - TABX : Request from [REDACTED]

no these are bbb...sorry, i made the adjustments at the bottom and just copied it up top

-----Original Message-----

From: Prigent, Alexandra
Sent: Tuesday, March 27, 2007 8:25 AM
To: Salem, Deeb; Williams, Geoffrey

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1663

Cc: ficc-abstrading; Serres, Marine
 Subject: RE: ABX - TABX : Request from [REDACTED]

Deeb,

These are the spreads you gave us for bbb- They would like the spread for bbb flat
 thanks

-----Original Message-----

From: Salem, Deeb
 Sent: Tuesday, March 27, 2007 1:07 PM
 To: Prigent, Alexandra; Williams, Geoffrey
 Cc: ficc-abstrading; Serres, Marine
 Subject: RE: ABX - TABX : Request from [REDACTED]

Below are the spreads we showed them on BBB on ABX.HE.06-2

MLM6E1 2006-HE1 B-2A USD	200
RASC06-KS3 2006-KS3 M-8 USD	550
LBMLT06-1 2006-1 M-8 USD	750
CWL06-8 2006-8 M8 USD	550
MSAC06-WMC2 2006-WMC2 B-2 USD	800
ARSI06-W1 2006-W1 M-8 USD	900
FFML06-FF4 2006-FF4 M-8 USD	500
ACE06-NC1 2006-NC1 M-8 USD	200
SVHE06-OPT5 2006-OPT5 M-8 USD	300
SAIL06-4 2006-4 M7 USD	1000
GSAMP06-HE3 2006-HE3 M-8 USD	400
JPMAC06-FRE1 2006-FRE1 M8 USD	400
RAMP06-NC2 2006-NC2 M-8 USD	800
HEAT06-4 2006-4 M-8 USD	550
BSABS06-HE3 2006-HE3 M-8 USD	600
MABS06-NC1 2006-NC1 M-8 USD	600
CARR06-NC1 2006-NC1 M-8 USD	175
SASC06-WF2 2006-WF2 M8 USD	200
SABR06-OP1 2006-OP1 B-2 USD	175
MSCT06-HE2 2006-HE2 B-2 USD	500

[REDACTED] = Redacted by the Permanent
 Subcommittee on Investigations

-----Original Message-----

From: Prigent, Alexandra
 Sent: Tuesday, March 27, 2007 3:12 AM
 To: Williams, Geoffrey; Salem, Deeb
 Cc: ficc-abstrading; Serres, Marine
 Subject: Re: ABX - TABX : Request from [REDACTED]

Ok will call you this morning to discuss.

In the meantime, Deeb could you please send us the indic levels for the ABX.HE.06-2 BBB flat ?

Thanks
 Alex

----- Original Message -----

From: Williams, Geoffrey
 To: Prigent, Alexandra; Salem, Deeb
 Cc: ficc-abstrading; Serres, Marine
 Sent: Mon Mar 26 17:46:36 2007
 Subject: RE: ABX - TABX : Request from [REDACTED]

We should discuss base correlations live...there is no market standard for calculating them...

From: Prigent, Alexandra
 Sent: Monday, March 26, 2007 11:58 AM
 To: Williams, Geoffrey; Salem, Deeb
 Cc: ficc-abstrading; Serres, Marine
 Subject: ABX - TABX : Request from [REDACTED]

Hi Geoff, Deeb,

The head of Capital Markets [REDACTED] is trying to identify opportunities in TABX and ABX.

Specific questions from the client:

1) Please send us the Base correlation on the 3 top tranches of TABX.BBB- (15-25, 25-40 and 40-100) and TABX.BBB (12 to 100)?

2) He would also like to have indicative bids for protection on the ABX.06-2.BBB underlying single-names:

Below are the spreads we showed them on BBB- on ABX.HE.06-2

MLM6E1 2006-HE1 B-2A USD	200
RASC06-KS3 2006-KS3 M-8 USD	550
LBMLT06-1 2006-1 M-8 USD	750
CWL06-8 2006-8 M8 USD	550
MSAC06-WMC2 2006-WMC2 B-2 USD	800
ARSI06-W1 2006-W1 M-8 USD	900
FFML06-FF4 2006-FF4 M-8 USD	500
ACE06-NC1 2006-NC1 M-8 USD	200
SVHE06-OPT5 2006-OPT5 M-8 USD	300
SAIL06-4 2006-4 M7 USD	1000
GSAMP06-HE3 2006-HE3 M-8 USD	400
JPMAC06-FRE1 2006-FRE1 M8 USD	400
RAMP06-NC2 2006-NC2 M-8 USD	800
HEAT06-4 2006-4 M-8 USD	550
BSABS06-HE3 2006-HE3 M-8 USD	600
MABS06-NC1 2006-NC1 M-8 USD	600
CARR06-NC1 2006-NC1 M-8 USD	175
SASC06-WF2 2006-WF2 M8 USD	200
SABR06-OP1 2006-OP1 B-2 USD	175
MSCT06-HE2 2006-HE2 B-2 USD	500

Fyi we are also trying to push for trading axes from the SP CDO as well with this client.

Many thanks,
 Alexandra

[REDACTED] = Redacted by the Permanent
 Subcommittee on Investigations

Goldman Sachs International
 Tel: +44 207 774 1696 | cell: +44 [REDACTED]
 Email: alexandra.prigent@gs.com

Alexandra Prigent

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From: Swenson, Michael
Sent: Thursday, February 15, 2007 6:41 AM
To: Birnbaum, Josh
Subject: Fw: Mortgages Estimate REVISED

Fyi

----- Original Message -----
From: Jha, Arbind
To: Swenson, Michael
Sent: Wed Feb 14 20:02:04 2007
Subject: Re: Mortgages Estimate REVISED

Congratulations for a very good day !

Will stop by tomorrow morning.

Thanks.

----- Original Message -----
From: Swenson, Michael
To: Jha, Arbind
Sent: Wed Feb 14 19:38:59 2007
Subject: Re: Mortgages Estimate REVISED

Arbind it has to do with the single name cds position where we have been marking at a low beta. I am happy to discuss with you in the morning.

I do not have the relative moves in front of me right now.

Mike

----- Original Message -----
From: Jha, Arbind
To: Swenson, Michael
Sent: Wed Feb 14 19:33:12 2007
Subject: FW: Mortgages Estimate REVISED

Michael,

Will you be able to provide some color on \$100mm PNL in ABS Trading? Dan in a brief conversation yesterday did mention that we have been marking our single name CDS position with a beta of 0.25 vs. desk's perceived beta of 0.7 in SPG Trading desk.

Would appreciate your response and color on this.

Thanks,
Arbind

From: Bin, Ki-Jun
Sent: Wednesday, February 14, 2007 6:02 PM
To: Dinias, Michael; DMR-FICC; Fredman, Sheara; Fortunato, Salvatore; Jha, Arbind; Lee, Brian-J (FI Controllers); Montag, Tom; Ruzika, Richard; Simpson, Michael; Smith, Sarah; Sparks, Daniel L.
Subject: Mortgages Estimate REVISED

Mortgages Estimate

Total	104,327,500	
MTD (Including Estimate)		82,249,368
CRE Loan Trading		
Fixed Large Loan		
Floater Large Loan	87,500	
Fixed Conduit	(280,000)	
Transitional Loans	20,000	
CRE CDO		
Warehouse		
Muni JV		
ABS Loans & Finance		
Consumer		
Commercial		
Europe		
Warehouse		
SPG Trading		
ABS Trading	100,000,000	ABX
CMBS Trading		
Correlation Trading		
CDO/CLO		
ABS/MBS CDO		
GSI SP Credit Warehouse		
US CLO		
EURO CLO		
CRE CDO		
Retained Principal Positions		
Syndicate		
ABS		
CMBS		
CDO		
Hedges Manager's Account		
Advisory Fees		
Other		
RMBS		
Mortgage Derivative		
Agency Derivatives		
Whole Loan Derivs		
MSR		
Residential Prime		
FHA/VA - Primary		
FHA/VA - Secondary		
Subs		
Prime Hybrid - Primary	4,500,000	Resid sale
Prime Hybrid - Secondary		
Agency Hybrid	150,000	
Prime Fixed - Primary		
Prime Fixed - Secondary		
Agency CMO - Primary	(150,000)	
Agency CMO - Secondary		
Residential Credit		
Scratch and Dent		

Subprime
Alt-A
2nd Liens
Residuals - Scratch & Dent
Residuals - Subprime
Residuals - Alt-A
Residuals - 2nd Liens
Warehouse

Tax Residuals
NERDS

EUROPE
Acquisition Finance
Euro CMBS

Global Special Situations
AMSSG
ESSG
ASSG

Goldman, Sachs & Co.
180 Maiden Lane | New York, NY 10038
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Goldman

Sachs

Ki-Jun Bin
Finance Division

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From: Sherwood, Michael S
Sent: Wednesday, February 28, 2007 10:42 AM
To: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Gmelich, Justin
Cc: Montag, Tom; Ruzika, Richard
Subject: FW: ABX/Single name notional / risk history

Attachments: Index and Single Name Position History 2006 As of 27Feb07.pdf

Many congrats on last few weeks trading.....keep it up!!

Woody

From: Swenson, Michael
Sent: Wednesday, February 28, 2007 8:47 AM
To: Montag, Tom
Subject: FW: ABX/Single name notional / risk history

From: Kao, Kevin J.
Sent: Wednesday, February 28, 2007 7:40 AM
To: Swenson, Michael; Birnbaum, Josh; Lehman, David A.
Cc: Turok, Michael; Holen, Margaret
Subject: ABX/Single name notional / risk history

Good morning. Attached please find the updated risk history charts.

Page 1 is the usual risk history chart.
Page 2 gives you a snapshot of risk for 2007 fiscal year only.



Index and Single
Name Position...

From: Montag, Tom
Sent: Monday, February 19, 2007 1:57 PM
To: Sparks, Daniel L
Subject: Re: 2 things

----- Original Message -----

From: Sparks, Daniel L
To: Montag, Tom
Sent: Mon Feb 19 13:54:38 2007
Subject: 2 things

1. Please send a note to Josh Birnbaum, Mike Swenson and David Lehman telling them great week - short singles and short CDOs. Plus they have really kept their heads on well.

----- = Redacted by the Permanent
Subcommittee on Investigations

From: Dinias, Michael
Sent: Thursday, February 08, 2007 4:03 PM
To: Berry, Robert; Broderick, Craig
Subject: FW: VaR limit for Mtg SPG

talked to Bill and he bumped mortgage var limit to 35, he also mentioned that its all hands on deck today as scratch & dent positions are being written down \$40mm today.

From: McMahon, Bill
Sent: Thursday, February 08, 2007 3:59 PM
To: Dinias, Michael; Pouraghabagher, Cyrus; Berry, Robert
Cc: Ruzika, Richard; Sparks, Daniel L; Gasvoda, Kevin; Jha, Arbind
Subject: RE: VaR limit for Mtg SPG

Why don't we raise it to \$35mm

From: Dinias, Michael
Sent: Thursday, February 08, 2007 8:38 AM
To: Pouraghabagher, Cyrus; McMahon, Bill; Berry, Robert
Cc: Ruzika, Richard; Sparks, Daniel L; Gasvoda, Kevin; Jha, Arbind
Subject: RE: VaR limit for Mtg SPG

Bill, I recommend Mortgage VaR limit be permanently increased to \$30mm.

This would make the VaR limit more in line with increase in the Mortgage Credit Widening Scenario Limit.

For example, the Mortgage Credit Widening Scenario Limit has increased 54% in the last year (from \$325mm to \$500mm).

At the same time the Mortgage VaR limit was actually reduced 20%, from \$25mm to \$20mm.

Its worth noting that in the last year the strats have made a number of enhancements to their models allowing us to improve our VaR computation and therefore the VaR number is better capturing some of the basis risks inherent to the the mortgage business.

From: Pouraghabagher, Cyrus
Sent: Wednesday, February 07, 2007 8:02 PM
To: McMahon, Bill
Cc: Ruzika, Richard; Sparks, Daniel L; Gasvoda, Kevin; Dinias, Michael
Subject: VaR limit for Mtg SPG

Bill,

We recently topped our 20mm VaR limit, and this risk measure is expected to increase from 20.5 to around 23/24 tomorrow. Note that we've averaged closer to 15mm in past quarter, but this has steadily increased from a low of around 10mm in mid November. Our VaR risk is concentrated in our SPG trading books (ABS CDS/ABX and Correlation account for around 70% of this), which net provide significant stress scenario protection. The increase in VaR is primarily a result of increased volatility around the ABX indices, where, for instance, daily vol on BBB- has increased from 5 bps/day to 14 bps/day and is expected to increase further based on recent trading vol:

Daily ABX Vol
(bps)

	Current	As of cob 11/24/06
ABX OTR "A"	3	1

1

ABX OTR "BBB"	11	4
ABX OTR "BBB-"	14	5

Since this VaR limit is effectively coming into play for the first time, we'd like to bump the VaR limit to 25-30mm, at least for the interim, and keep a closer eye on the dynamics of this risk. Note that the limit was *reduced* from 25mm to 20mm earlier in the year precisely to achieve this effect, and ultimately, it may make sense to have this limit be north of 30mm to account for the growth as well as the more accurate assessment of our VaR across our synthetic businesses.

Let us know your thoughts,
Cyrus

<< File: MortgageRiskSummary070206.pdf >>

From: Song, Scarlett
Subject: MarketRisk: Mortgage Risk Report (cob 02/06/2007)

**CDO/CLO desk is over its scenario risk limit. The limit is currently under discussion as the desk is undergoing a business restructuring.
MTG SPG desk is over its VaR limit**

Desk	95% VaR (\$MM)		Limit
	02/06	02/05	
MTG SPG	20.5	20.5	20

Desk	Stress Test (\$MM)		
	02/06	02/05	Limit
MTG SPG	549	556	800
Deriv	25	27	30
Res Prime	84	84	100
Res Credit	166	162	185
Credit Resid	141	141	170
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SPG Trading	-153	-142	160
CDO/CLO	84	84	55
Manager	0	0	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CDO Warehouse	139	139	170
CDO	74	74	100
CLO	65	65	70

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

(results include both US and Europe CLO Warehouse)

From: Montag, Tom
Sent: Wednesday, February 14, 2007 6:12 PM
To: Winkelried, Jon; Cohn, Gary
Cc: Ruzika, Richard
Subject: Fw:

Good points below by justin

Surprised by two things but still going back and forth

1-why margaret can't drive
2-rosenblum driving trading-only because he doesn't stride me that way

3-good idea on work our guys

4-clearly need to opportunistically take position down

Tom

----- Original Message -----
From: Gmelich, Justin
To: Montag, Tom
Sent: Wed Feb 14 18:04:17 2007
Subject: Re:

Let's see. Credit tighter. 4-5mm in credit. Activity high. LCC (usair) made 750k. Still long 3.2mm shares. Bernanke testimony only emboldening the credit people.

Abx risk should be working to get closer to home. My opinion, singles short v index is too big (no news here). Abx correlation trade is good. I think we should be covering a bit of our short. There is a lot to do.

Few people issues. Rosenblum should not go w the clo business to credit. He has far too much mortgage knowledge. Keep him in mtg trading. Also, elisha needs to start getting involved in systems build. Very important. We shud be hiring laterally in strats (bear lehman merrill) . We also need to hire "work out" specialists in mortgage credit. There will be many of these situations.

Next stop for me is cdo equity book. I am keenly interested to see risk there. I am out friday.

----- Original Message -----
From: Montag, Tom
To: Gmelich, Justin
Sent: Wed Feb 14 16:34:19 2007
Subject:

Anything else happen today

From: Sparks, Daniel L
Sent: Thursday, February 22, 2007 6:57 AM
To: Birnbaum, Josh; Swenson, Michael; Lehman, David A.
Subject: FW: Block size tranche protection offers for Paulson or others

Thursday.

We need to buy back \$1 billion single names and \$2 billion of the stuff below - today. I know that sounds huge, but you can do it - spend bid/offer, pay through the market, whatever to get it done. It is a great time to do it - bad news on HPA, originators pulling out, recent upticks in unemployment, originator pain.

I will not want us to trade property derivatives until we get much closer to home as it will be a significant distraction from our goal.

This is a time to just do it, show respect for risk, and show the ability to listen and execute firm directives.

You called the trade right, now monetize a lot of it.

You guys are doing very well.

— = Redacted by the Permanent Subcommittee on Investigations

From: Egol, Jonathan
Sent: Wednesday, February 21, 2007 11:23 AM
To: Sparks, Daniel L
Cc: Swenson, Michael; Birnbaum, Josh; Lehman, David A.; ficc-mtgcorr-desk; Salem, Deeb
Subject: Block size tranche protection offers for Paulson or others

Summary of ABX-related tranches we could offer protection on if we want to close down shorts:

- \$2.4bn notional 40-100 super senior tranche off of ABX "Quadrant" trade (25% each of 06-1/06-2 BBB and BBB-), could potentially offer NC4 (we did \$1.8bn NC3 with [REDACTED] and \$600mm NC4 with [REDACTED])
- \$200mm notional 20-30 tranche off of 06-1 BBB- (open risk vs [REDACTED] NC3)
- \$325mm notional 30-100 super senior tranche off of 06-1 BBB- (open risk vs [REDACTED] intermediation, NC5)
- \$500mm notional 40-100 super senior tranche off of 06-1/06-2 BBB- (open risk vs [REDACTED], non-callable)

We are currently managing ABX deltas against all of these tranches.

Goldman, Sachs & Co.
 85 Broad Street | New York, NY 10004
 tel: +1 212 357 3349 | mobile: +1 917 [REDACTED] | fax: +1 212 428 1247
 e-mail: jonathan.egol@gs.com

Goldman
 Sachs

Jonathan M. Egol
 Structured Products Trading

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Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1685

Confidential Treatment Requested by Goldman

GS MBS-E-010381411
 1023

From: Viniar, David
Sent: Wednesday, February 21, 2007 4:56 PM
To: Sparks, Daniel L
Subject: RE: Mortgages today

x-gs-classification: Internal-GS

Good start. Keep covering.

From: Sparks, Daniel L
Sent: Wednesday, February 21, 2007 4:43 PM
To: Montag, Tom; Ruzika, Richard; McMahon, Bill; Smith, Sarah; Lee, Brian-J (FI Controllers)
Cc: Cohn, Gary (EO 85B30); Winkelried, Jon (EO 85B30); Viniar, David; Gmelich, Justin; Gasvoda, Kevin
Subject: Mortgages today

Commercial Mortgage	+30mm (50/50 FICC/IBD)
Single names	+60mm
Index	(42)mm
Index tranches/index	flat
CDO CDS	+25mm
CDO positions	(5)mm
CDO warehouse	(5)mm
Other	+6
Total	+54 to FICC (+69 to firm)

Market sold off significantly (BBB and BBB- indices over 100 bps wider)

We covered over \$400mm single names - still significant work to do.

From: Montag, Tom
Sent: Wednesday, February 21, 2007 8:41 PM
To: Sparks, Daniel L
Subject: Re:

If you sold it in a bad market u oughjt to be able to buy it.

----- Original Message -----

From: Sparks, Daniel L
To: Montag, Tom
Cc: Ruzika, Richard
Sent: Wed Feb 21 20:39:33 2007
Subject: Re:

Pushing hard, but need to be realistic with respect to expectations on liquidity. Very hard to force it. Trade has been right, and should continue to run (though there will be bumps).

Entire team knows we have to reduce and is focused on it.

----- Original Message -----

From: Montag, Tom
To: Sparks, Daniel L
Cc: Ruzika, Richard
Sent: Wed Feb 21 20:15:53 2007
Subject:

Tt mcmahon. How hard are we pushing covering some of singlename. Let's not be bidoffer foolish. The downside isn't worth the upside imo

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From: Ruzika, Richard
Sent: Thursday, February 22, 2007 5:53 PM
To: Montag, Tom; Sparks, Daniel L
Subject: Re:

I think Dan's guys are being practical. I know Bill was upset but covering the single name bbb and bbb- is prudent as it cuts vol and var the most.
Guys didn't give up bid ask but they also didn't stand on the bid.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Cc: Ruzika, Richard
Sent: Wed Feb 21 20:15:53 2007
Subject:

Tt mcMahon. How hard are we pushing covering some of singlename. Let's not be bidoffer foolish. The downside isn't worth the upside imo

From: Lehman, David A.
Sent: Friday, February 23, 2007 9:10 PM
To: Salem, Matthew
Subject: Re: [REDACTED] CDO w/ [REDACTED]

U should have asked for some \$ back if u printed 4 of 5 w/ big covers
Good job

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-[REDACTED]
e-mail: david.lehman@gs.com

----- Original Message -----

From: Salem, Matthew
To: Lehman, David A.
Sent: Fri Feb 23 20:52:03 2007
Subject: Re: [REDACTED] CDO w/ [REDACTED]

Not sure. Our cvrs on the '05 vintage were huge. One of the covers was in the mid 30s, another mid-40s, another there was no cover. We bought in the low 50s on 3 cmbx1 type names (cmbx was 62 mid at the time). We also bought an '06 lbubs at 74 (w/ a 4 bps cvr). Pretty sure they are all \$ losing trades but I after talking with you and sparks I figured why not buy some protection. It's amazing to me that everyone was lifting cmbx 1 and 2 but NOBODY will bid single names.

Anyway, [REDACTED] loves us as we printed 4 of the 5 names they put out and covered on the other one.

----- Original Message -----

From: Lehman, David A.
To: Salem, Matthew
Sent: Fri Feb 23 20:27:47 2007
Subject: Re: [REDACTED] CDO w/ [REDACTED]

Lvls u like?

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004

Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917 [REDACTED]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Salem, Matthew
To: ficc-cmbs-desk; ficc-crelt
Sent: Fri Feb 23 16:08:39 2007
Subject: [REDACTED] CDO w/ [REDACTED]

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

[REDACTED] is ramping a CDO w/ [REDACTED]. I'll get more color when it's less busy but we just bought \$60MM of protection from them (facing [REDACTED]).

Matt Salem
CMBS Trading

Goldman, Sachs & Co.
85 Broad Street | 26th | New York, NY 10004
* (212) 902-2927
* Matthew.Salem@GS.com

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From: Sparks, Daniel L
Sent: Sunday, February 25, 2007 8:34 PM
To: Montag, Tom
Cc: Ruzika, Richard
Subject: Questions you had asked

Last week the trading desks did the following:

(1) Cover around \$1.5 billion single name subprime BBB- CDS and around \$700mm single name subprime BBB CDS. The desk also net sold over \$400mm BBB- ABX index. Desk is net short, but less than before. Shorts are in senior tranches of indexes sold and in single names. Plan is to continue to trade from short side, cover more single names and sell BBB- index outright.

(2) The CDO business liquidated 3 warehouses for deals of \$530mm (about half risk was subprime related). Business also began liquidation of \$820mm JPMIM warehouse - all synthetics done, cash bonds will be sold in next few days. One more CDO warehouse may be liquidated this week - approximately \$300mm with GSC as manager. That will leave us with 2 large CDOs of A-rated CDOs, 2 high grade deals with limited subprime mezz risk, and 2 other small warehouses that are on hold. Getting super-senior done on CDOs is the critical path, and that is where the focus is - for the CDOs of CDOs, NATIXIS (Paris) on Dillion Reed deal and Wincap (London) on Greywolf deal.

From: Sparks, Daniel L
Sent: Tuesday, February 27, 2007 8:28 AM
To: Ruzika, Richard
Subject: Re:

I'm in meeting with new century ceo on 22 - do you need me to step out and call you?
 Desk knows have to step up covering single names

----- Original Message -----
From: Ruzika, Richard
To: Sparks, Daniel L
Sent: Tue Feb 27 08:09:49 2007
Subject: Re:

Dan. Directly from opcom we have to pick up the pace of buying back single names even if it costs us some money. I know your guys are trying but we can pay away some if it helps to get size done.

 Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Sparks, Daniel L
To: Ruzika, Richard; Montag, Tom; Gmelich, Justin
Sent: Tue Feb 27 07:49:35 2007
Subject: RE:

We have been legging it. The team is putting together some package trades to show out to certain people, but so far accounts have wanted directional exposure.

We are not as short because of cash positions that don't show up on risk and because of CDO warehouse. We are in the process of allocating short positions more explicitly for that.

The team knows we have to reduce risk. That means:

- (1) get super-seniors done on CDOs or take other steps to reduce CDO pipeline risk
- (2) cover more single name shorts BBB- and BBB
- (3) reduce the basis trade between BBB- index and BBB- single names
- (4) reduce the index/index trades in A and AAA

-----Original Message-----
From: Ruzika, Richard
Sent: Tuesday, February 27, 2007 7:18 AM
To: Montag, Tom; Gmelich, Justin; Sparks, Daniel L
Subject: RE:

Dan can answer -- we are. And we are focused on both -- covering some of the short and trimming basis. We thought we were going to get a chunk done last night (of the short) -- we'll see where we start today.

-----Original Message-----
From: Montag, Tom
Sent: Tuesday, February 27, 2007 7:14 AM
To: Ruzika, Richard; Gmelich, Justin; Sparks, Daniel L
Subject: Re:

We can also sell our package to people. Both sides. Are we actively selling the package.
Would accomplish both and we obviously believe in it

----- Original Message -----

From: Ruzika, Richard
To: Montag, Tom; Gmelich, Justin; Sparks, Daniel L
Sent: Tue Feb 27 07:12:40 2007
Subject: RE:

There are two issues --
first is the size of the short -- I want to see us getting the short down to 4.5 bil net
(excluding what exists in the resids) Second - the basis in the book needs to be reduced
as well

The way to accomplish the above is to leg into the market by buying what we are short and
then making the decision to leg out of the basis or keep the long. At this moment the over
all is too short so I wouldn't rush to leg out of basis.

I'm not sure we have to pay to get there -- but I wouldn't pay a lot if it only
accomplished a little.

We are on them everyday but don't want to move the market in our faces.

-----Original Message-----

From: Montag, Tom
Sent: Tuesday, February 27, 2007 7:03 AM
To: Gmelich, Justin; Sparks, Daniel L
Cc: Ruzika, Richard
Subject:

How much r we pushing these guys to get it down further? What r the plans? Where do we
want it? What would u be willing to pay to get there?

From: Sparks, Daniel L
Sent: Tuesday, February 27, 2007 8:14 AM
To: Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Subject: Opcorn directive

Buyback single names in size today

From: Estus, Ian [iestus@harbingercap.net]
Sent: Thursday, February 22, 2007 12:42 PM
To: Valtz, Nicholas
Cc: Bhavsar, Avanish R; Swenson, Michael; Salem, Deeb; HDIF Accounting; Jones, Pia; Turano, Ken; Baker, Clark; Drew, Bill; Estus, Ian
Subject: RE: Hi Ian - please confirm the attached for second trade today - thx

Agree

Allocations:

MF 20MM
SSF 5MM

-----Original Message-----

From: Valtz, Nicholas [mailto:Nicholas.Valtz@gs.com]
Sent: Thursday, February 22, 2007 12:32 PM
To: Estus, Ian
Cc: Bhavsar, Avanish R; Swenson, Michael; Salem, Deeb
Subject: Hi Ian - please confirm the attached for second trade today - thx

- > CUSIPS on attached spreadsheet
- > <<Harbinger - ABS Characteristics - 22Feb07.xls>> Protection Buyer:
- > Harbinger Protection Seller: Goldman Sachs
- > Size: \$300mm total (\$25mm x 12 reference obs)
- > Premium: +585bps running
- >
- > Baa3
- > JPMAC 2006-NC2 M9
- > JPMAC 2006-CW2 MV9
- > MSAC 2006-NC1 B3
- > ACE 2006-NC1 M9
- > RASC 2006-EMX1 M9
- > CARR 2006-NC1 M9
- > SAST 2006-2 B3
- > OWNIT 2006-1 B3
- > FFML 2006-FF1 M9
- > CMLTI 2006-WFH1 M9
- > POPLR 2006-A M6
- > JPMAC 2006-CH2 MV9
- >
- >
- > Protection Buyer: Harbinger
- > Protection Seller: Goldman Sachs
- > Size: \$325mm total (\$25mm x 13 reference obs)
- > Premium: +395bps running
- >
- > Baa2
- > WFHET 2006-1 M8
- > RASC 2006-KS3 M8
- > ABSHE 2006-HE3 M7
- > SVHE 2006-OPT2 M7
- > CXHE 2006-A M8
- > CMLTI 2006-AMC1 M8
- > GSAMP 2006-HE1 M8
- > JPMAC 2006-HE2 M8
- > WMABS 2006-HE2 M8
- > BSABS 2006-PC1 M7

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- > ACCR 2006-2 M8
- > NSTR 2006-B M8
- > CBASS 2006-CB1 B2

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>

-
- > Nicholas Valtz
 - > Vice President
 - > Capital Structure Sales
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MS

From: Valtz, Nicholas
Sent: Thursday, February 22, 2007 6:29 PM
To: Parker, Amanda; Estus, Ian
Cc: Bhavsar, Avanish R; Salem, Deeb; Swenson, Michael
Subject: RE: Basket characteristics & individual spreads - Baa3 basket

Confirmed - thank you

Protection Buyer: Harbinger
 Protection Seller: Goldman Sachs
 Size: \$1bn total (\$25mm x 40 reference obs, as listed below)
 Premium: +785bps running

-----Original Message-----

From: Parker, Amanda [mailto:AParker@Harbert.net]
Sent: Thursday, February 22, 2007 6:26 PM
To: Estus, Ian; Valtz, Nicholas
Subject: RE: Basket characteristics & individual spreads - Baa3 basket

25,000,000 EACH (ALLOCATED 20M TO MASTER FUND, 5M TO SPECIAL SITS)

@ 785

AGREE

-----Original Message-----

From: Estus, Ian
Sent: Thursday, February 22, 2007 5:13 PM
To: Parker, Amanda
Subject: FW: Basket characteristics & individual spreads - Baa3 basket

-----Original Message-----

From: Valtz, Nicholas [mailto:Nicholas.Valtz@gs.com]
Sent: Thursday, February 22, 2007 1:34 PM
To: Estus, Ian; Baker, Clark
Cc: Bhavsar, Avanish R
Subject: Basket characteristics & individual spreads - Baa3 basket

Hi Clark & Ian -

Attached please find the spreadsheet with the requested data for the basket of 40 Baa3 names:

<<Harbinger - Third List - ABS Characteristics - 22Feb07.xls>>

Baa3	Ref Ob	CUSIP	Spread
	ABFC 2006-HE1 M9	00075WAN9	850
	ACE 2006-CW1 M9	00441QAP4	625
	AMSI 2006-R2 M9	03072S2F1	800
	CARR 2006-NC2 M9	14453FAN9	575
	CBASS 2006-CB6 B1	14986PAP8	525
	CWL 2006-13 BV	23242EAU3	700
	FFML 2006-FF6 M6	31561EAN5	750
	GSAMP 2006-HE3 M9	36244KAP0	900
	GSAMP 2006-HE5 M9	362437AP0	825
	GSAMP 2006-NC1 B3	362334ER1	625
	GSAMP 2006-NC2 M9	362463AP6	975
	HASC 2006-OPT1 M9	40430HDN5	650

1

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HASC 2006-OPT2 M9 40430HEJ3	800
HEAT 2006-3 B1 437084VA1	975
JPMAC 2006-ACC1 M946628RAP0	650
JPMAC 2006-HE1 M9 46626LGQ7	650
MABS 2006-AM1 M9 57643LQJ8	800
MABS 2006-NC1 M9 57643LNQ5	1025
MLMI 2006-HE1 B3A 59020U3Q6	575
MLMI 2006-HE5 B3 59022QAP7	900
MSC 2006-HE2 B3 617451FE4	975
MSHEL 2006-2 B3 61744CYY6	700
NHELI 2006-WF1 M9 65536RAN6	550
POPLR 2006-B M6 73316PKP4	650
POPLR 2006-C M6 73316MAK3	650
RAMP 2006-EFC1 M9 76112BW71	850
RAMP 2006-EFC2 M9 749238AN1	700
RAMP 2006-NC3 M9 76112B4X5	1025
SASC 2006-WF1 M9 863576FR0	525
SASC 2006-WF2 M9 86360LAN6	575
SAST 2006-1 B3 80556UAN3	725
SAST 2006-3 B3 80556AAN7	725
SURE 2006-AB1 B3 84751PLF4	750
SVHE 2006-OPT1 M8 83611MMG0	750
SVHE 2006-OPT2 M8 83611MMU9	775
SVHE 2006-OPT3 M8 83611MPS1	675
SVHE 2006-OPT5 M9 83612CAP4	850
WMABS 2006-HE1 M9 92925CFC1	675
WMABS 2006-HE2 M9 93934JAN4	675
WMABS 2006-HE5 M9 93934XAN3	675

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contents to you.

From: Swenson, Michael
Sent: Tuesday, February 27, 2007 4:16 PM
To: McMahan, Bill

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Bought 1.5bb of sn baa3 risk from harbinger

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tel: +1 212 902 5090 | mobile: +1 917 [REDACTED] | fax: +1 212 428 9761
e-mail: michael.swenson@gs.com

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Michael J. Swenson
Fixed Income, Currency & Commodities

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1699

From: Sparks, Daniel L
Sent: Thursday, March 01, 2007 3:40 PM
To: Fortunato, Salvatore; Lee, Brian-J (FI Controllers); Simpson, Michael
Subject: FW: SN Protection Offers for Harbinger (50 names)

Trade was executed at +725

-----Original Message-----

From: Salem, Deeb
Sent: Thursday, March 01, 2007 3:33 PM
To: Sparks, Daniel L
Subject: FW: SN Protection Offers for Harbinger (50 names)

-----Original Message-----

From: Salem, Deeb
Sent: Tuesday, February 27, 2007 10:54 AM
To: Gmelich, Justin; Bhavsar, Avanish R
Cc: Salem, Deeb; Chin, Edwin; Swenson, Michael; Birnbaum, Josh
Subject: SN Protection Offers for Harbinger (50 names)

+875 offer

ABFC 2006-OPT1 M9	00075QAN2	Baa3
ABSHE 2006-HE3 M8	04541GXL1	Baa3
ABSHE 2006-HE5 M9	04544PAP4	Baa3
ACCR 2005-2 M9	004375DM0	Baa3
ACCR 2005-3 M9	004375EC1	Baa3
ACCR 2006-1 M9	004375FF3	Baa3
ACCR 2006-2 M9	00437NAN2	Baa3
ACE 2005-AG1 B3	004427CL2	Baa3
ACE 2005-WF1 M9	004421QX4	Baa3
ACE 2006-NC1 M9	004421VC4	Baa3
AMSI 2005-R10 M9	03072ST62	Baa3
AMSI 2005-R11 M9	03072SV93	Baa3
BSABS 2005-AQ2 M8	0738793C0	Baa3
BSABS 2005-TC1 M6	073879VL9	Baa3
BSABS 2005-TC2 M6	073879E79	Baa3
CARR 2006-NC1 M9	144531FG0	Baa3
CARR 2006-NC2 M9	14453FAN9	Baa3
CARR 2006-OPT1 M9	144531FW5	Baa3
CARR 2006-RFC1 M9	14453EAN2	Baa3
CBASS 2006-CB1 B3	81375WHU3	Baa3
CMLTI 2006-WFH1 M9	17307G2W7	Baa3
CMLTI 2006-WFH2 M9	17309MAN3	Baa3
CMLTI 2006-WFH3 M9	17309QAN4	Baa3
CWL 2005-BC4 M9	1266737H9	Baa3
CXHE 2006-A M9	15231AAN6	Baa3
EMLT 2005-1 M9	29445FCW6	Baa3
FFML 2005-FF12 B3	32027NYE5	Baa3
FFML 2005-FF8 B3	362341QX0	Baa3
FFML 2006-FF1 M9	32027NYZ8	Baa3
GSAMP 2006-NC1 B3	362334ER1	Baa3
HASC 2006-OPT2 M9	40430HEJ3	Baa3
JPMAC 2005-FLD1 M9	46626LBB5	Baa3
JPMAC 2005-OPT2 M9	46626LEU0	Baa3
JPMAC 2006-CH1 M9	46629TAP5	Baa3
JPMAC 2006-CW2 MV	946629BBB4	Baa3

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Confidential Treatment Requested by Gold

GS MBS-E-019460848

119-E

JPMAC 2006-NC2 M9	46629FAN0	Baa3
LBMLT 2006-WL1 M9	542514RE6	Baa3
MLMI 2006-HE1 B3A	59020U3Q6	Baa3
MSAC 2006-NC1 B3	61744CYK6	Baa3
MSC 2006-HE1 B3	617451EA3	Baa3
MSC 2006-HE2 B3	617451FE4	Baa3
MSHEL 2006-1 B3	61744CXG6	Baa3
NCMT 2006-1 M9	65106AAW3	Baa3
NHELI 2006-WF1 M9	65536RAN6	Baa3
NSTR 2006-B M9	63860FAN3	Baa3
RASC 2005-EMX4 M9	76110W6H4	Baa3
SABR 2005-HE1 B3	81375WGL4	Baa3
SABR 2006-OP1 B3	81375WJP2	Baa3
SAST 2006-1 B3	80556UAN3	Baa3
WMABS 2006-HE3 M9	93934MAP2	Baa3

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From: Gmelich, Justin
Sent: Saturday, March 03, 2007 7:29 AM
To: Swenson, Michael; Sparks, Daniel L
Cc: Birnbaum, Josh
Subject: Re: Harbinger Update

Great. Av sent me a msg last night and said 3b more is not out of the question. Swenny, he said that he is going to swing by your place this weekend to go over details :).

----- Original Message -----

From: Swenson, Michael
To: Sparks, Daniel L; Gmelich, Justin
Cc: Birnbaum, Josh; Swenson, Michael
Sent: Sat Mar 03 06:55:15 2007
Subject: Harbinger Update

Av sent a message to harbinger last night to Harbinger saying we would be interested in looking at the larger opportunity as we discussed. Harbinger immediately responded saying that was great and "it would be embarrassing for them to get the money and not to be able to execute".

After Av left, we noodled through everything and we decided to investigate putting together a package of 1bb single-As, 1bb Baa2s and 1bb Baa3s for them. They have been reluctant in the past with single-As but it is worth a shot. Also keep in mind that the account is likely to ask for an upsize at the end. If that is the case we will be able to accommodate them with the existing position.

Josh has mobilized strats (primer, elisha and turok) and they are going to go through our entire single-name position using the primer/marschoun default and scenario model. The biggest challenge from what I understand is underlying data coverage not the number crunching. No one really knows how much coverage we will get but an educated guess of 60% seems reasonable.

Deeb and Edwin are reviewing our tiering of existing positions. We will assemble our list after we review strats' model results.

Our first priority will be to cover the names that we are short as well as the names that match up well with our model results. This is a great opportunity to cover single-A and Baa2 SN at a level that makes sense from a valuation perspective.

We have time since the account said they need to "raise the money" and will not be at all surprised to have them want to go live sooner rather than later.

It is clear to all of us we are in basis risk reduction mode. We have a number of parties to pursue index sales once we have better clarity.

If you need to reach me call me at 917- [REDACTED]

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 85 Broad Street | New York, NY 10004
 tel: +1 212 902 5090 | mobile: +1 917 [REDACTED] | fax: +1 212 428 9761
 e-mail: michael.swenson@gs.com

Goldman
Sachs

Michael J. Swenson
 Fixed Income, Currency & Commodities

This material has been prepared specifically for you by the Fixed Income Trading

From: Bhavsar, Avanish R
Sent: Friday, April 20, 2007 12:56 PM
To: Swenson, Michael; Birnbaum, Josh; Salem, Deeb
Cc: Ash, Ilana; Kelman, Peter; Kiflu, Alpha; Friedman, Nicolas B.
Subject: RE: Harbinger didnt add the last piece we had spoken of, but are now thinking of adding ~ 50mm

Harbinger may want to add 25mm to 50mm of single name protection, can you share your thoughts about the view from the desk...

From: Young, Greg
Sent: Friday, April 20, 2007 12:52 PM
To: Bhavsar, Avanish R
Cc: Ash, Ilana; Kelman, Peter; Kiflu, Alpha; Friedman, Nicolas B.
Subject: RE: Harbinger didnt add the last piece we had spoken of, but are now thinking of adding ~50mm

Av,

Harbinger is our #1 hedge fund exposure globally. We had to explain this to the SEC this month.

If at all possible I would prefer to have you place this with a different hedge fund, if it's a matter of managing our own credit exposure.

I'm out of the office, but am checking e-mail frequently. Ilana Ash and Peter Kelman are both familiar with the situation and can authorize the trade if need be.

From: Bhavsar, Avanish R
Sent: Friday, April 20, 2007 12:41 PM
To: Young, Greg
Subject: Harbinger didnt add the last piece we had spoken of, but are now thinking of adding ~50mm

Avanish R. Bhavsar

Managing Director
Capital Structure Sales
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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1699

From: Swenson, Michael
Sent: Monday, July 30, 2007 10:23 AM
To: Bhavsar, Avanish R

Spoke with credit get tom c. involved early

-----Original Message-----

From: Bhavsar, Avanish R
Sent: Monday, July 30, 2007 10:06 AM
To: Salem, Deeb; Swenson, Michael
Subject: FW: Harbinger Single-A Offerings.xls

-----Original Message-----

From: Baker, Clark [mailto:cbaker@harbingercap.net]
Sent: Monday, July 30, 2007 10:05 AM
To: Bhavsar, Avanish R; Estus, Ian; Turano, Ken
Cc: Valtz, Nicholas
Subject: RE: Harbinger Single-A Offerings.xls

Thanks, looking now

-----Original Message-----

From: Bhavsar, Avanish R [mailto:avanish.bhavsar@gs.com]
Sent: Monday, July 30, 2007 9:56 AM
To: Baker, Clark; Estus, Ian; Turano, Ken
Cc: Valtz, Nicholas
Subject: Harbinger Single-A Offerings.xls

Here's the package offering for Harbinger -

ABX:
2006-1 A: Harbinger sells us \$1bb

AND

Single-names (\$15mm per name, \$1,040,000 total) as a package:
25 2005-vintage ref obs offered @ +725bps running
35 2006-vintage ref obs offered @ +1050bps running
12 2007-vintage ref obs offered @ +1050bps running

Avanish R. Bhavsar
Managing Director
Capital Structure Sales
Securities Divison

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<<Harbinger Single-A Offerings.xls>>

From: Cohn, Gary (EO 85B30)
Sent: Thursday, August 23, 2007 8:31 AM
To: Montag, Tom; Viniar, David
Subject: Re: Harbinger post

Great

----- Original Message -----
From: Montag, Tom
To: Cohn, Gary; Viniar, David
Sent: Thu Aug 23 07:19:44 2007
Subject: Fw: Harbinger post

Finally actual covering singles. We had bought back almost 9 billion of aaa abx over last two weeks though

----- Original Message -----
From: Swenson, Michael
To: Mullen, Donald; Montag, Tom; Sparks, Daniel L; Schwartz, Harvey; Bash-Polley, Stacy; Cornacchia, Thomas
Cc: Birnbaum, Josh; Lehman, David A.; Brafman, Lester R; Swenson, Michael
Sent: Wed Aug 22 22:07:34 2007
Subject: Harbinger post

We just printed 400mm of Singles with Harbinger. 130mm of BBB and 270mm BBB-.

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Sachs

Michael J. Swenson
Fixed Income, Currency & Commodities

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Wall Street & The Financial Crisis
Report Footnote #1699

From: Gmelich, Justin
Sent: Monday, March 05, 2007 8:32 AM
To: Montag, Tom; Sparks, Daniel L; Ruzika, Richard
Subject: RE:

I think we have a very modest short across all the businesses at current market levels. I concur with Dan.

-----Original Message-----

From: Montag, Tom
Sent: Monday, March 05, 2007 8:31 AM
To: Sparks, Daniel L; Gmelich, Justin; Ruzika, Richard
Subject: Re:

How short

I thought justin had a different conclusion

----- Original Message -----

From: Sparks, Daniel L
To: Montag, Tom; Gmelich, Justin; Ruzika, Richard
Sent: Mon Mar 05 08:27:00 2007
Subject: RE:

We think the overall business is net short, but there is a lot of basis.

Long risk positions:

Resi loans
Cash RMBS resids
CDO warehouse
CDO bonds
Commercial mortgage loans
CMBS bonds

Short risk positions:

ABX
RMBS CDS
CDO CDS
CMBS TROR

-----Original Message-----

From: Montag, Tom
Sent: Monday, March 05, 2007 8:21 AM
To: Sparks, Daniel L; Gmelich, Justin; Ruzika, Richard
Subject:

Do we think the business is net short long or flat right now

From: Montag, Tom
Sent: Wednesday, March 14, 2007 7:10 PM
To: Blankfein, Lloyd
Subject: FW: Cactus Delivers

Covered another 1.2 billion in shorts in mortgages--almost flat--now need to reduce risk

From: Sparks, Daniel L
Sent: Thursday, March 15, 2007 8:47 AM
To: Montag, Tom
Subject: RE: Cactus Delivers

Stanfield - he did a great job filling our ax (Tom C has really done a good job developing this guy)

From: Montag, Tom
Sent: Wednesday, March 14, 2007 7:31 PM
To: Sparks, Daniel L
Subject: RE: Cactus Delivers

What does that mean he brought in? Who with --what did it affect etc

From: Sparks, Daniel L
Sent: Thursday, March 15, 2007 7:13 AM
To: Montag, Tom; Schwartz, Harvey; Ruzika, Richard; Cohn, Gary (EO 85B30)
Cc: Gmelich, Justin; Cornacchia, Thomas
Subject: Cactus Delivers

Cactus Raazi did a fantastic job for the desk by bringing in \$1.2 BB in A-rated single names today.

Cornac and Gmelich were there usual outstanding contributors.

Please recognize Cactus when you get a chance.

From: Ruzika, Richard
Sent: Thursday, March 15, 2007 7:20 AM
To: Lehman, David A.; Sparks, Daniel L
Cc: Swenson, Michael; Birnbaum, Josh
Subject: Re: ABS trading - Subprime risk

Yes exactly. Thank you David.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Lehman, David A.
To: Ruzika, Richard; Sparks, Daniel L
Cc: Swenson, Michael; Birnbaum, Josh
Sent: Wed Mar 14 23:06:33 2007
Subject: ABS trading - Subprime risk

Rich - let us know if the below is what you wanted and if you need anything else...

Subprime Risk - ABS Trading

Notional

AAA long 185mm index, short 302mm single name, net short 117mm
AA long 289mm index, short 2mm single name, net long 287mm
A short 1.572bb index, short 622mm single name, net short 2.194bb
BBB short 1.039bb index, short 1.596bb single name, net short 2.635bb
BBB- long 1.738bb index, short 1.439bb single name, net long 299mm

Dv01
AAA long 69k/bp
AA long 166k/bp
A short 566/bp
BBB short 592k/bp
BBB- long 188k/bp

CDO shorts
Mezz "AA" CDOs short 125mm or 67k/bp
Mezz "A" CDOs short 1.381bb or 642k/bp
Mezz "BBB" CDOs short 157mm or 89k/bp

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Fixed Income, Currency & Commodities

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From: Kao, Kevin J.
Sent: Wednesday, May 23, 2007 10:16 AM
To: Birnbaum, Josh; Swenson, Michael
Cc: Turok, Michael
Subject: RMBS Subprime risk history as of 18May07

Attachments: Index and Single Name Position History As of 18May07.xls

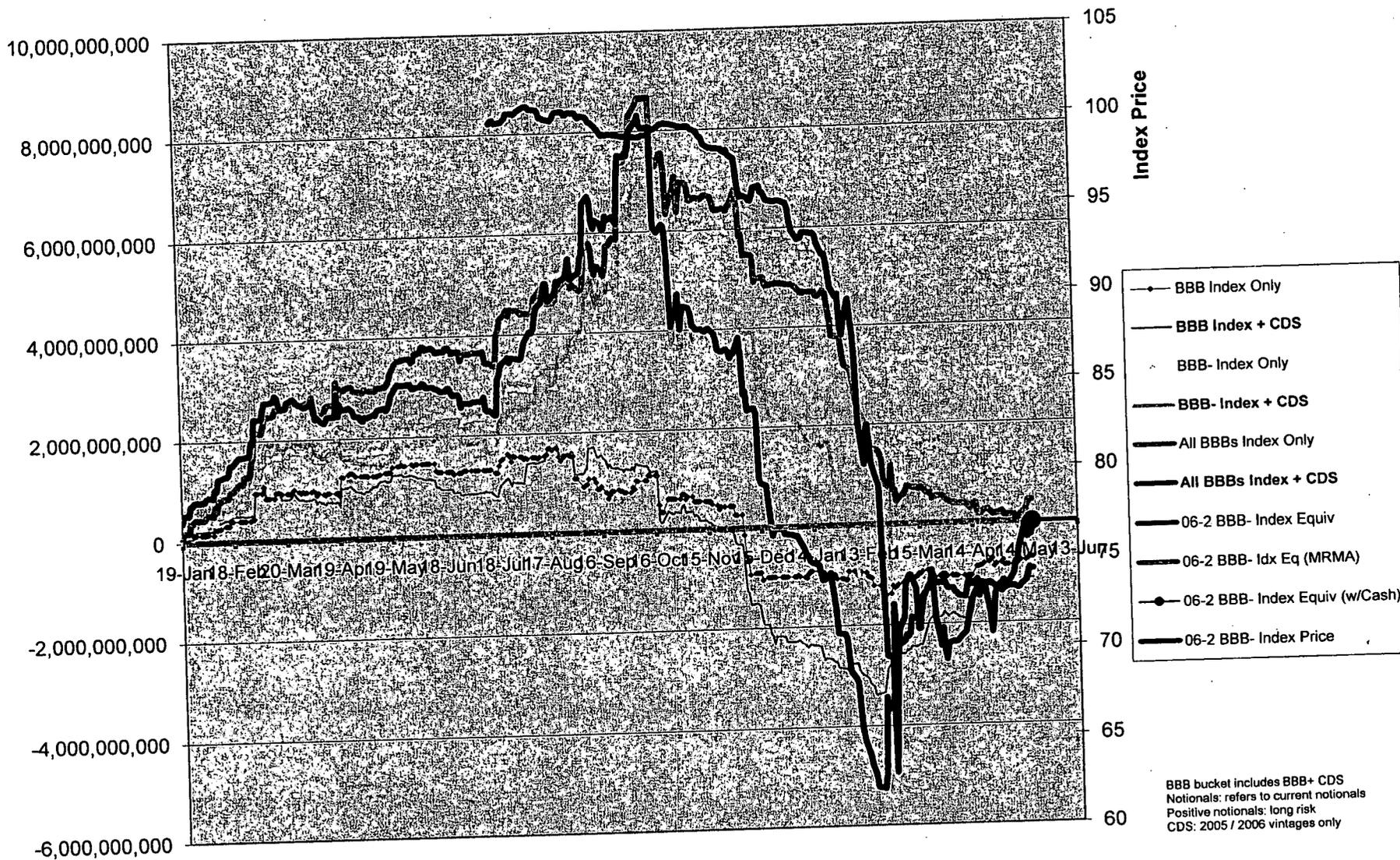
Here's the updated version as of 18May07. Thanks.

Kevin



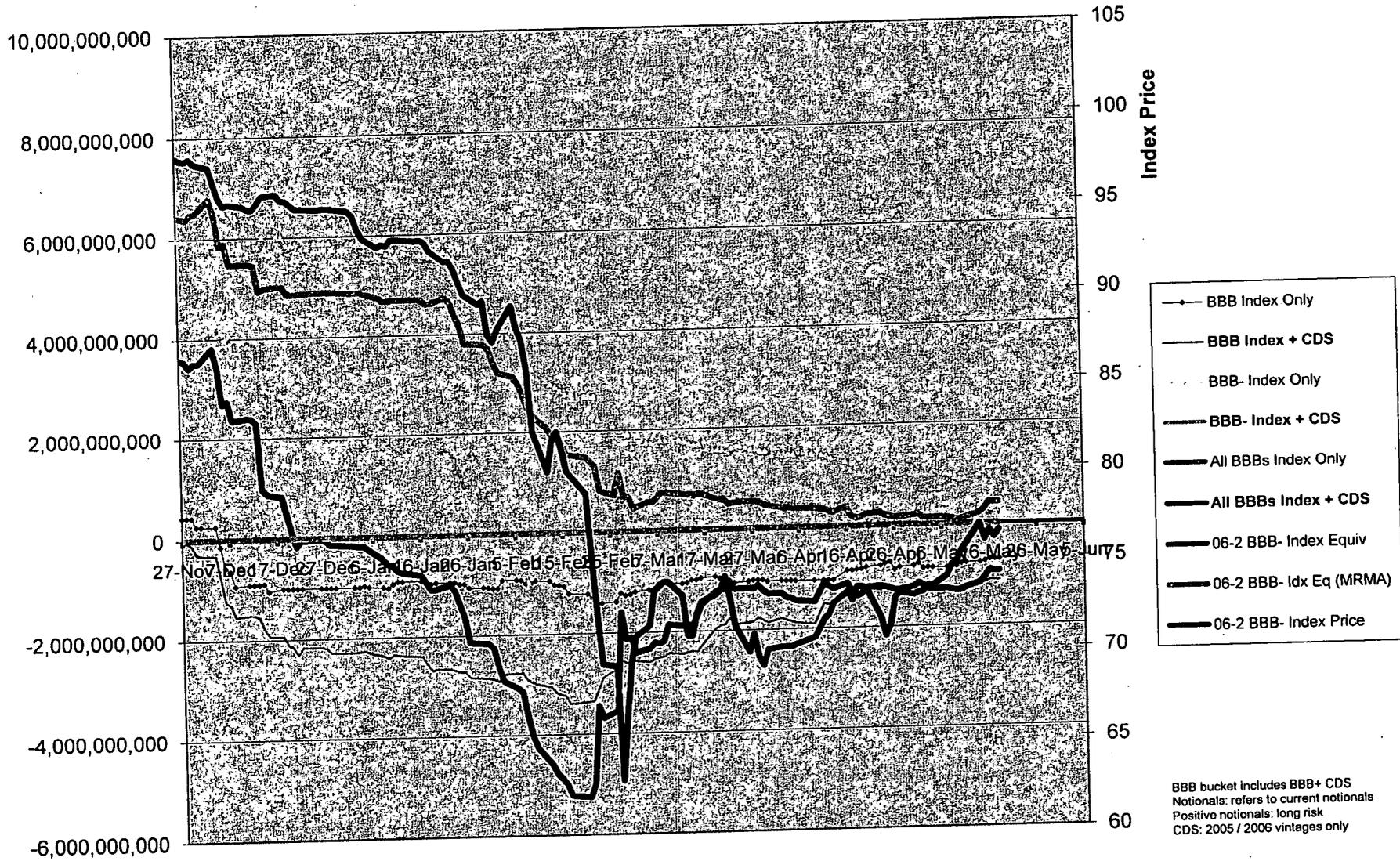
Index and Single
Name Position...

Notionals (ABX convention)



BBB bucket includes BBB+ CDS
 Notionals: refers to current notionals
 Positive notionals: long risk
 CDS: 2005 / 2006 vintages only

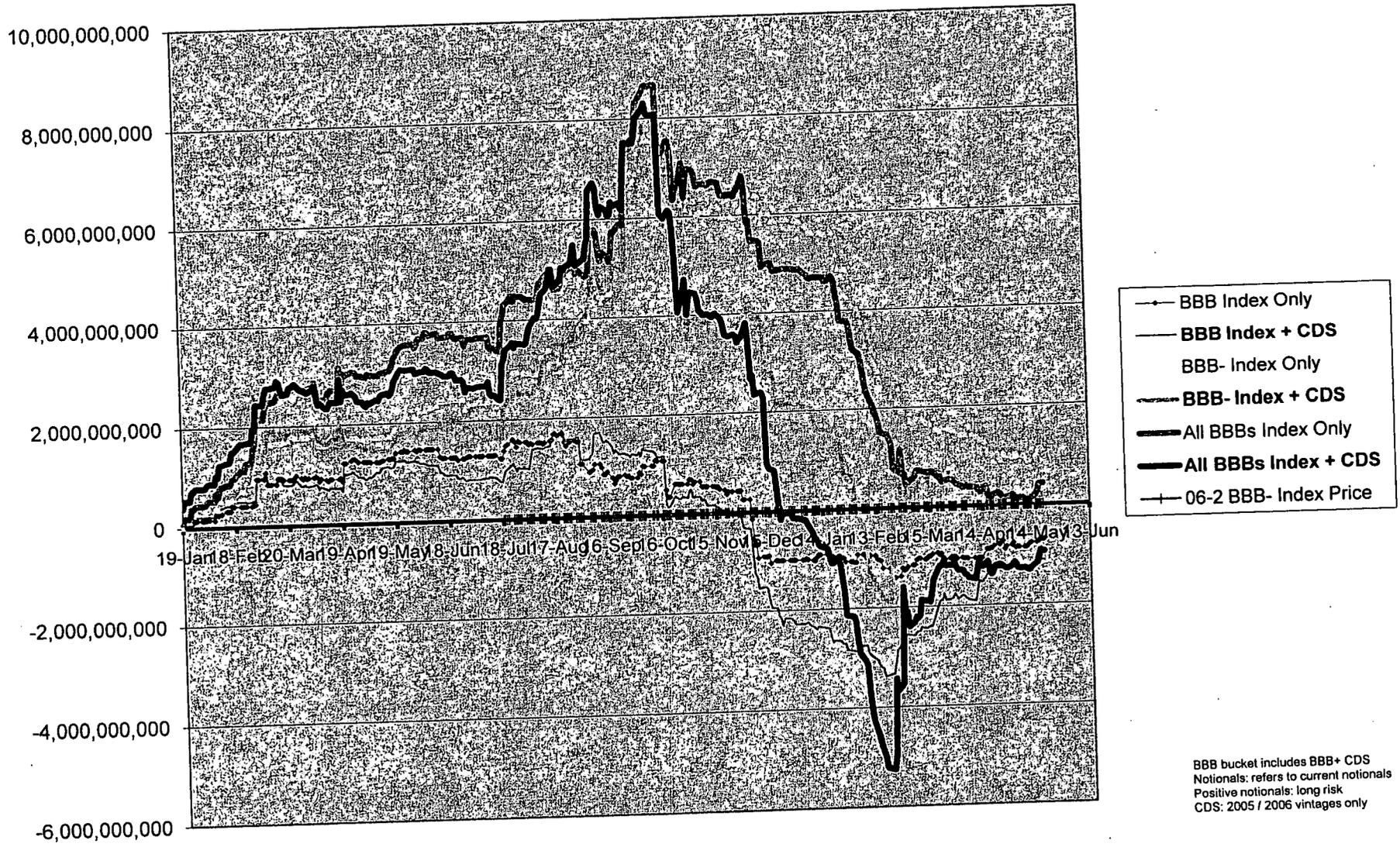
Notionals (ABX convention) - Fiscal Year 2007



BBB bucket includes BBB+ CDS
 Notionals: refers to current notionals
 Positive notionals: long risk
 CDS: 2005 / 2006 vintages only

INTERNAL ONLY

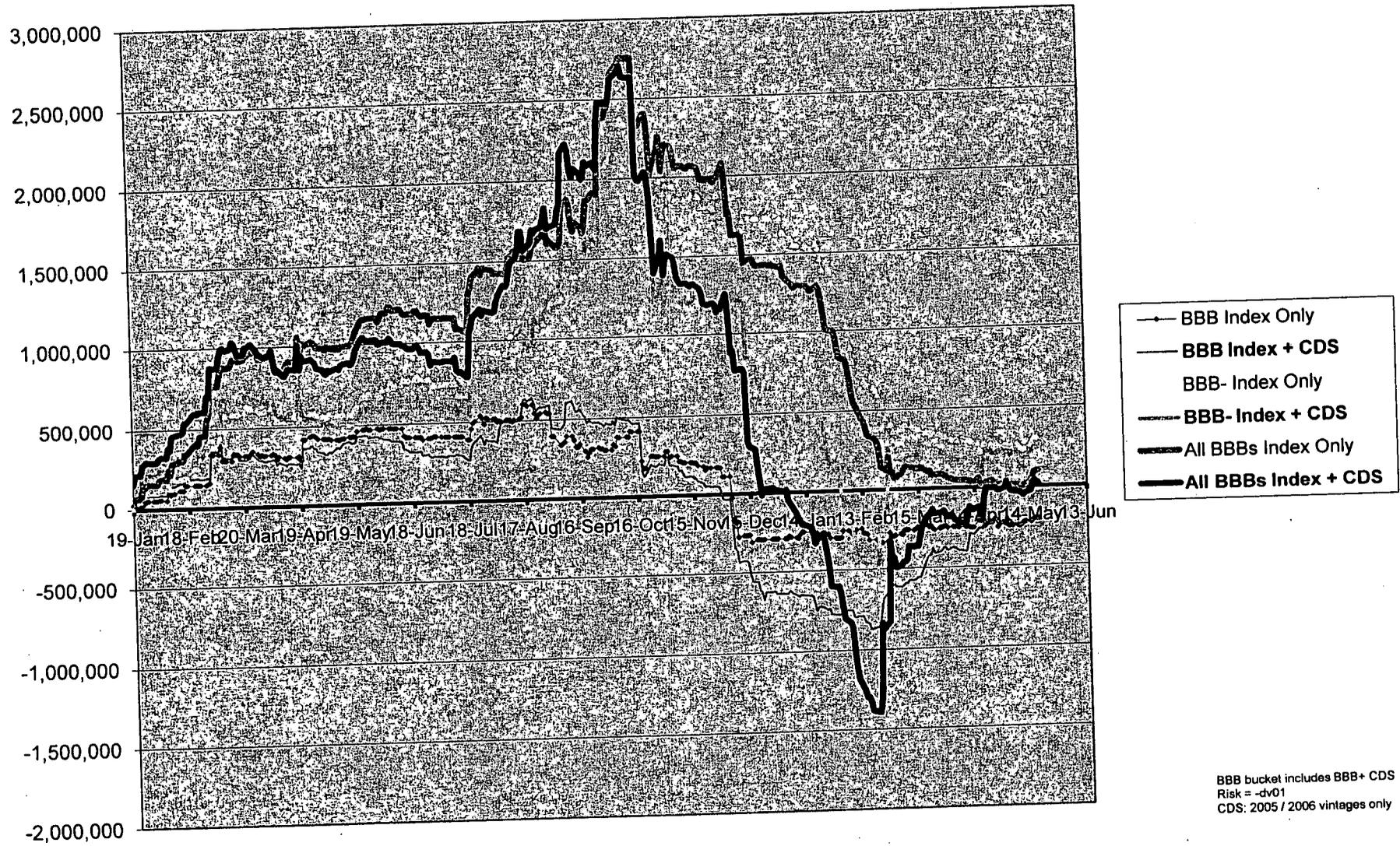
Notionals (ABX convention)



BBB bucket includes BBB+ CDS
 Notionals: refers to current notionals
 Positive notionals: long risk
 CDS: 2005 / 2006 vintages only

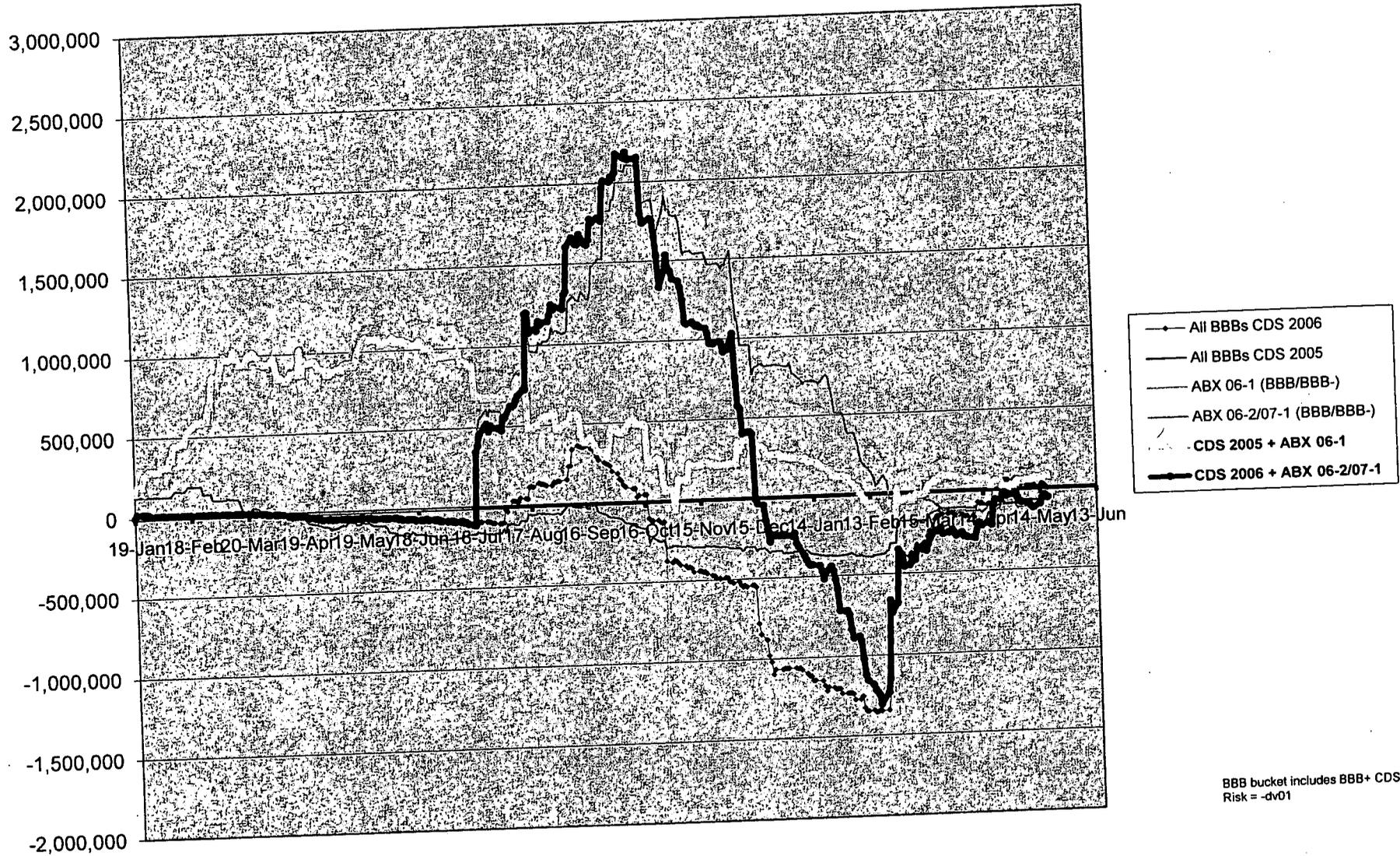
12/15

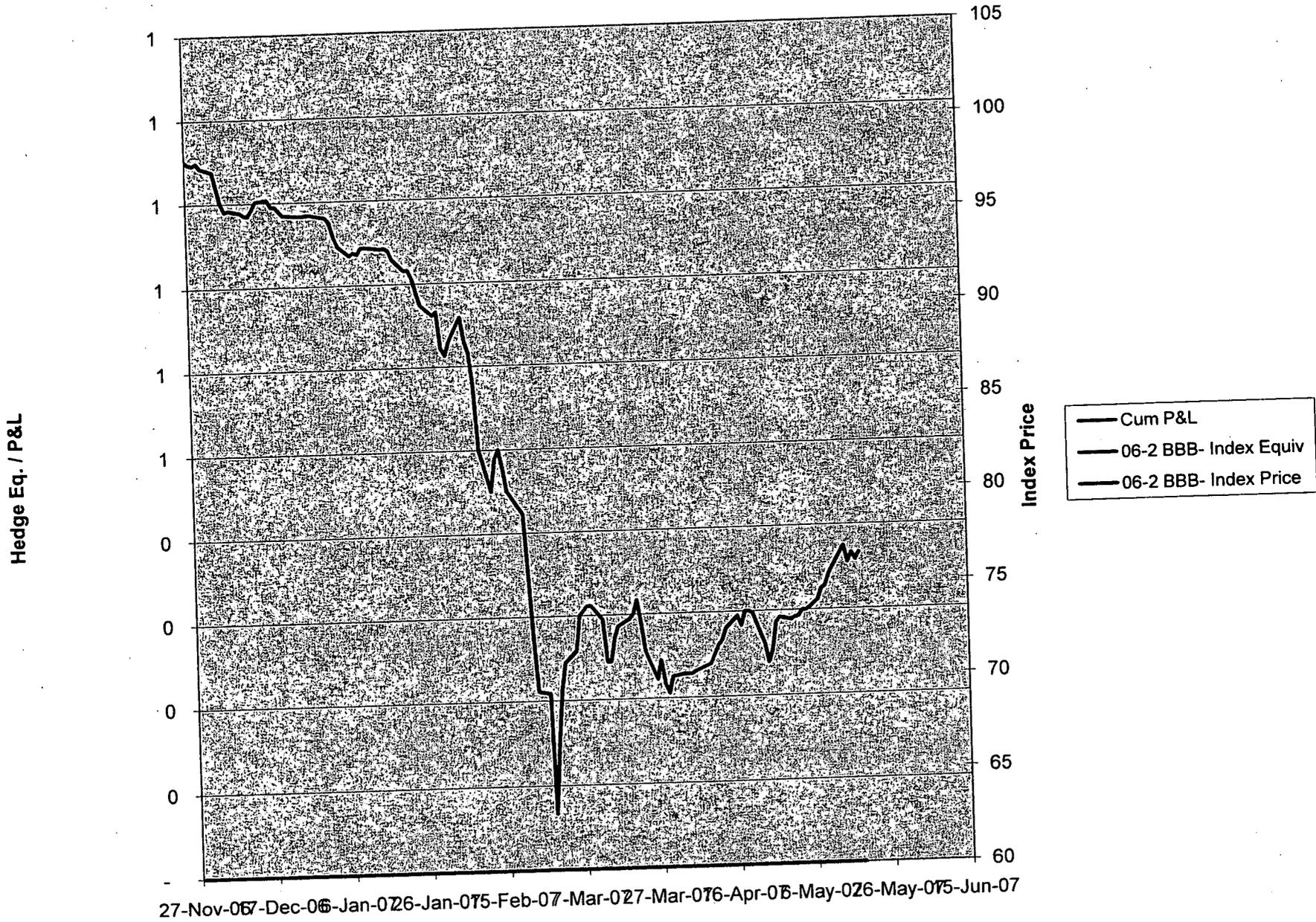
Risk



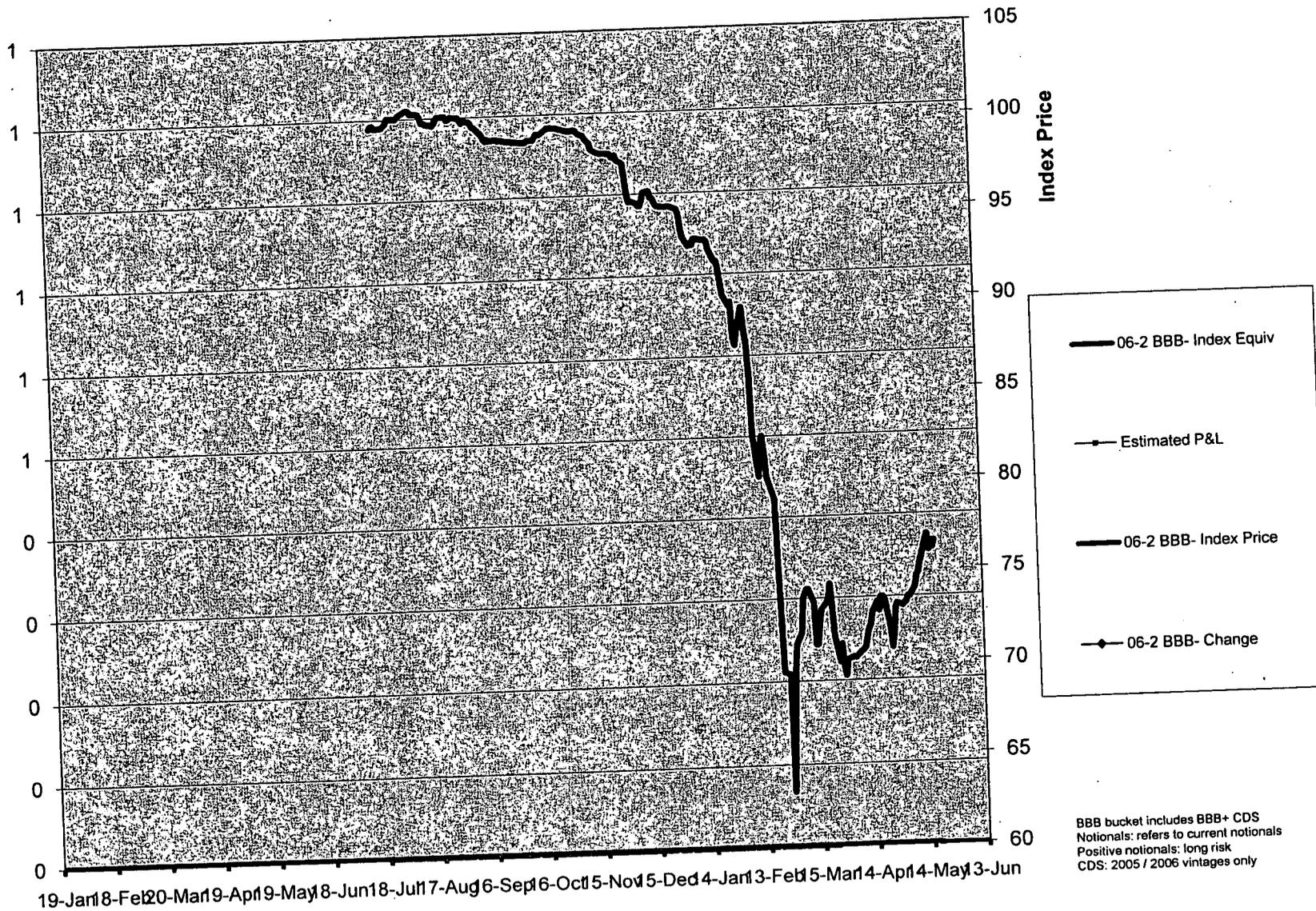
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Risk By Vintage / Index





Notionals (ABX convention)



From: Sparks, Daniel L
Sent: Sunday, March 04, 2007 12:02 PM
To: Gasvoda, Kevin
Subject: Re: Quick thoughts on ABX AAA risk

Good trading response and thought process We need to consider daily

----- Original Message -----

From: Gasvoda, Kevin
To: Sparks, Daniel L
Sent: Sun Mar 04 11:33:42 2007
Subject: Quick thoughts on ABX AAA risk

I talked to Nichols and Clay a/b the AAA ABX short. Think it offers a good amount of downside protection w/ relatively light pain if we're wrong. Below is a \$8B ABX AAA short #'s. It costs us \$5mm/quarter to carry. On the downside, if the market rallies to par (current spreads are in the low 20's, par is around 10) we drop \$50mm. Taking it to 0 spread we lose \$80mm.

On the upside front, we get good jump risk. If AAA's widen to current AA levels (low 40's) we gain \$70mm and if spreads move to super senior risk pricing in CDOs (75) we're up \$190mm.

A comment on the structure too. In many cases, I'd rather own AA risk than these last cflow AAA's that the index is comprised of. They are structurally locked out and in many cases can get paid after the AA's return a lot of principal. As bad deal performance gets more backloaded, the AAA last cflow gets even worse.

Net, think this is a good position to have on given downside protection and relatively light upside pain. If we get an opportunity to buy some back early this week, think we should but I'm thinking buy back \$1-2B, not \$8B. Also gives us some coverage to take advantage of long opportunities as they present themselves. Agree that correlation btwn index and our other assets has broken down but not hard to imagine ABX rallying to par being a positive sign for our ability to get securitizations done and slightly more favorable market conditions.

position \$8,000 mm's
price 99.38%
spread dur 4.50%
cur spread 23

annual cost (\$18.4)
qtrly cost (\$4.6)

	Mark-to-market	imp spread	
	100.38% (\$80.0)	1	
Rally	100.00% (\$50.0)	9	
	99.75% (\$30.0)	15	
	99.00% \$30.0	31	
Sell off	98.50% \$70.0	42	- AA levels currently
	97.00% \$190.0	76	- super snr prints in CDO
ABX AA's	trading high 30's to high 40's		
ABX A's	trading low 200's		

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Report Footnote #1716

From: Ostrom, Peter L
Sent: Monday, March 05, 2007 5:41 PM
To: Pouraghabagher, Cyrus; Rosenblum, David J.
Subject: RE: Peter and Dave - "Open Kimono" for ABX hedges

Here is our ABX hedge book:

			Size	Previous Mark	Curr. Bid	Curr. Ask	Closes	Chg
2/28/2007	2006-1	AAA	-500,000,000.00	99.78	99.13	100.13	99.63	781,250
2/26/2007	2006-1	AAA	-1,500,000,000.00	99.78	99.13	100.13	99.63	2,343,750
2/26/2007	2006-1	AAA	-250,000,000.00	99.78	99.13	100.13	99.63	390,625
2/28/2007	2006-1	A	-250,000,000.00	97.50	95.50	97.50	96.50	2,500,000
3/5/2007	2006-1	A	-500,000,000.00	96.50	95.50	97.50	96.50	0
2/28/2007	2006-1	BBB	-25,000,000.00	91.00	89.00	93.00	91.00	0
2/28/2007	2006-2	BBB	-75,000,000.00	81.00	79.25	83.25	81.25	-187,500
2/28/2007	2006-2	BBB-	-50,000,000.00	71.00	69.75	73.75	71.75	-375,000

From: Pouraghabagher, Cyrus
Sent: Monday, March 05, 2007 5:32 PM
To: Ostrom, Peter L; Rosenblum, David J.
Subject: Peter and Dave - "Open Kimono" for ABX hedges

Peter and Dave,

Please see below for a summary of current ABX hedge positions across our Resi books and what we're leaning to do over next few days (mostly looking to cover \$1-2 billion of 06-2 and 06-1 AAA shorts, but also small potential buy interest in A, BBB). Would be happy to continue to post you on our hedge axes, and likewise would appreciate you giving us the look on any axes you may have coming up so that we might be able to accommodate in context of mid-market levels between desks if a mutual fit. We've found liquidity to be lacking in recent weeks even at the AAA level given the volatility, so would appreciate the "open kimono" ABX relationship between our desks to help facilitate liquidity, when a fit.

Let me know if you agree, and also to the extent you can tally up current position summary that could be helpful.

Thx

From: Pouraghabagher, Cyrus
Sent: Monday, March 05, 2007 9:46 AM
To: Birnbaum, Josh; Salem, Deeb
Cc: Swenson, Michael; Sparks, Daniel L; Gasvoda, Kevin; Gmelich, Justin; Rosenblum, David J.; Ostrom, Peter L; Nichols, Matthew; DeGiacinto, Clayton; Cawthon, Michael; Pouraghabagher, Dariush; Nestor, Genevieve; Prakash, Arvin; Finck, Greg; Pouraghabagher, Cyrus
Subject: ABX hedges for Resi businesses

Below are all our ABX hedges across our Resi Credit + Prime books. Please keep us posted on all material flows and index buy axes in particular (with clients or internally across other groups). We'd like to *opportunistically* cover some shorts, primarily in the 06-1 and 06-2 AAAs and possibly small amounts of lower rated A, BBB.

In particular, we're considering covering some ABX shorts in the following areas (not necessarily all at once/today):

Subprime: 250mm 06-1 AAA and 500-750 06-2 AAA
Hybrids: 500-1000 06-1 AAA vs possibly selling 50mm BBB- *long* (will most likely pair off BBB- long with other desk shorts, however)

Initially thinking 99-area 06-2 AAA, and mid 99s 06-1, but would like your guidance on this and what's best for the

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firm. Please let us know your thoughts or market clearing levels as we are setup to provide market liquidity and want to capitalize on this to the extent possible.

Additionally, other books in total may look to cover pieces 50-100mm across each A, BBB.

<< File: ABX_packet_out.pdf >>

All ABX	Prime	S&D	2nds	AltA	Hybrid	Subs	Prm Fix	All
AAA	(2,250)	0	(300)	(1,775)	(2,500)	(100)	0	(6,925)
AA	(50)	(100)	0	0	0	0	0	(150)
A	(150)	(200)	(60)	(100)	0	0	0	(510)
BBB	(170)	(70)	(50)	(50)	0	0	0	(340)
BBB-	(25)	0	(25)	(50)	50	0	0	(50)

ABX.HE.07-1	Prime	S&D	2nds	AltA	Hybrid	Subs	Prm Fix	All
AAA	0	0	0	0	0	0	0	0
AA	(50)	(50)	0	0	0	0	0	(100)
A	0	(100)	0	0	0	0	0	(100)
BBB	0	0	0	0	0	0	0	0
BBB-	0	0	0	0	0	0	0	0

ABX.HE.06-2

AAA	(2,000)	0	(300)	(1,150)	(200)	0	0	(3,650)
AA	0	(50)	0	0	0	0	0	(50)
A	(150)	0	(60)	(100)	0	0	0	(310)
BBB	(50)	0	(50)	(50)	0	0	0	(150)
BBB-	(25)	0	(25)	(50)	50	0	0	(50)

ABX.HE.06-1

AAA	(250)	0	0	(625)	(2,300)	(100)	0	(3,275)
AA	0	0	0	0	0	0	0	0
A	0	(100)	0	0	0	0	0	(100)
BBB	(120)	(70)	0	0	0	0	0	(190)
BBB-	0	0	0	0	0	0	0	0

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From: Toure, Fabrice
Sent: Wednesday, February 28, 2007 8:37 PM
To: Egol, Jonathan
Subject: RE: Hedges Status Report

Is Rosenblum back in business ?

-----Original Message-----

From: Egol, Jonathan
Sent: Wednesday, February 28, 2007 8:35 PM
To: Toure, Fabrice
Subject: Fw: Hedges Status Report

Love that huge AAA abx short

----- Original Message -----

From: Rosenblum, David J.
To: Ostrem, Peter L; Egol, Jonathan; Lehman, David A.; Swenson, Michael; Case, Benjamin
Cc: Sparks, Daniel L
Sent: Wed Feb 28 20:02:24 2007
Subject: Hedges Status Report

In sp cdo biz, can you now describe to me the total hedge position in:

1. AAA ABX is short 2.25bln correct? (Against retained s. seniors and altius 4) 2. AA ABX is nothing done correct? (Against cdo warehouses generally) 3. A ABX is short 250mm correct? (Against cdo warehouses generally) 4. BBB ABX is short 100mm correct? (Against retained hudson mezz / cdo debt) 5. BBB- ABX is short 50mm correct? (Against retained hudson mezz / cdo debt) 6. CDS of CDO shorts - pls describe - thought we were short 150 or so here - this should be against CDO warehouses generally now

Pls correct / confirm

Tx
D

From: Lehman, David A.
Sent: Wednesday, May 30, 2007 12:42 PM
To: Creed, Christopher J; Bieber, Matthew G.
Subject: FW: ABX hedges - Buy order

Do not fwd

From: Lehman, David A.
Sent: Wednesday, May 30, 2007 12:36 PM
To: Chin, Edwin; Salem, Deeb; Bruns, William; Kaufman, Jordan
Cc: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Case, Benjamin
Subject: ABX hedges - Buy order

Please work to buy the below ABX risk on a best efforts basis

We want to begin unwinding certain ABX hedges vs. the CDO WH and transition book

This can happen over several days, pls use appropriate discretion and ask Mike/Josh/Myself if you have any questions

I understand the issues w/r/t to current positions where there is overlap in shorts (i.e. 06-1 A, 06-1 AAA), we will deal with that appropriately to the extent there is no external liquidity

	ABX 06-1	ABX 06-2	ABX 07-1
AAA	1,550		
AA	122		
A	987		
BBB			90
BBB-	50	50	100

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Presentation to GS Board of Directors Subprime Mortgage Business

[16-Mar-2007]

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GS MBS-E-002207710

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 - II. Subprime Overview
 - III. Recent Events in the Subprime Mortgage Sector
 - IV. Looking Forward
 - V. Appendix

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I. GS Mortgage Business Overview

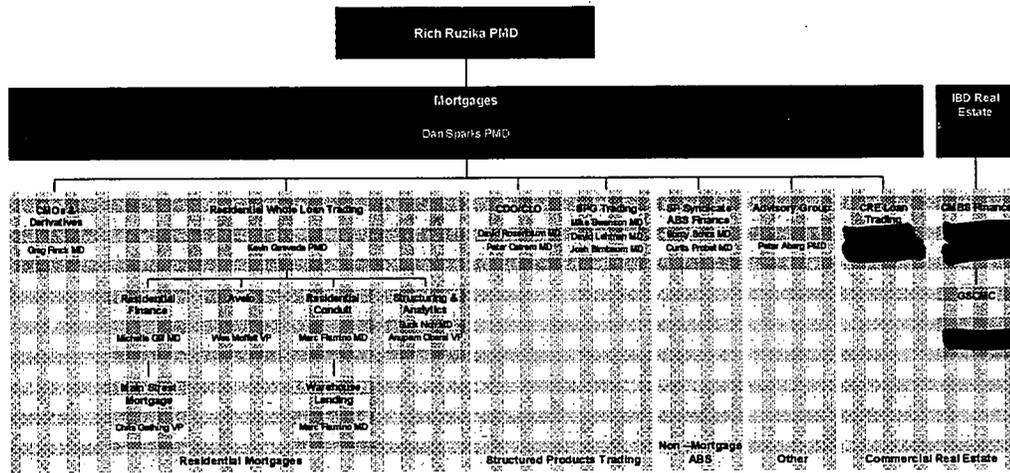
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Mortgage Business Organizational Structure

North America Mortgages



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Business Unit Descriptions

Residential Mortgage Businesses

Department	Description of function
Residential mortgages, including warehouse lending	<ul style="list-style-type: none"> ■ Trading, pricing and risk management of residential mortgage loans and residual interests ■ Manage the underwriting process of our securitization business (\$18bn subprime volume through August 2006) ■ Perform due diligence of residential mortgage loans purchased, monitor performance of the loans over time ■ Servicing of residential mortgage loans: collection of payments from borrowers, management of delinquency and foreclosure processes (\$10bn boarded in 2006) ■ Wholesale origination of loan inventory: purchase closed loans from correspondents (2006 volumes - \$17bn total, \$6bn subprime) ■ Extend lines of credit directly to residential and commercial mortgage and other asset backed (autos, credit cards) lenders in order to fund loans (\$2.8bn average funding in 2006) ■ Manage the structuring of the securitization in order to meet credit rating criteria and cash flow requirements
Commercial real estate	<ul style="list-style-type: none"> ■ Aggregate and securitize commercial real estate related loans
Non-mortgage ABS	<ul style="list-style-type: none"> ■ Aggregate and securitize non-mortgage assets such as credit card and auto loans
Structured Products Trading (including derivatives)	<ul style="list-style-type: none"> ■ Secondary trading of residential and commercial mortgage and other asset backed securities, as well as single name and index derivatives. ■ Warehousing of mortgage and other asset backed securities as well as bank loans, securitization of these pools of assets
Other	<ul style="list-style-type: none"> ■ Includes the Advisory Group, which [to come]

GS Mortgage Business Overview 3

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Mortgage Business at GS

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Product / Business	YTD 2Q 07	1Q 07	2006	2005
Residential mortgages	(15)	34	311	277
Warehouse Lending	6	5	24	26
Commercial real estate	[REDACTED]			
Non-mortgage ABS (credit card, auto)	[REDACTED]			
Structured Products Trading (including derivatives)	199	174	401	245
Other	15	30	86	95
TOTAL, Gross	327	359	1,029	885

Of which, the portion which relates to subprime is as follows

Product / Business	YTD 2Q 07	1Q 07	2006	2005
Residential mortgages	(115)	(61)	215	173
Warehouse Lending	1	1	9	8
Commercial real estate	[REDACTED]			
Non-mortgage ABS (credit card, auto)	[REDACTED]			
Structured Products Trading (including derivatives)	181	114	292	134
Other	-	-	-	-
TOTAL, Gross	67	54	516	315

GS Mortgage Business Overview 4

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II. Subprime Overview

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Subprime Mortgage Overview

Definitions

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Mortgage Classification	FICO Score Range	Percentage of Recent Mortgage Originations	Size of Market (2006 origination volume)	Description
Prime	>700	72%	■ \$2.6tr	<ul style="list-style-type: none"> ■ Highest credit quality: no recent foreclosures, delinquencies or bankruptcies
Alt-A ¹	640-730	11%	■ \$400bn	<ul style="list-style-type: none"> ■ Self-employed and/or non-resident borrowers ■ Limited disclosures on income and assets of borrower ■ Agency non-conforming due to credit issues, payment history or minimal documentation
Subprime	605-640	17%	■ \$600bn	<ul style="list-style-type: none"> ■ Lowest credit quality: borrowers with average to poor credit profiles, including first time homebuyers, people who did not previously have credit available to them ■ Agency non-conforming due to credit issues, payment history or minimal documentation ■ Percentage of stated income loans grew significantly in the past year

¹ Alt-A category is sometimes broken out into "Prime Alt-A" (FICO Score Range 680-730) and "Alt-B" (FICO Score Range 640-690).

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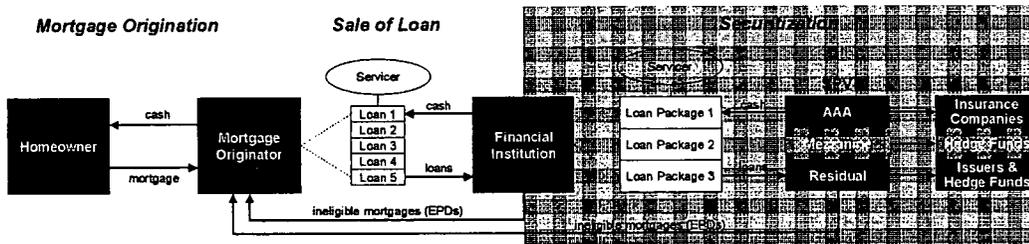


Subprime Mortgage Overview

How the securitization process works

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Participants:

- Homeowner: Classified as subprime based on FICO scores
- Mortgage Originator: Includes large diversified players, REITS, and small mortgage finance companies. Origination volume is dominated by larger players, however there are many small, mono-line players with limited track records and very small equity bases. Many mortgages are not originated directly from homeowners but rather through independent brokers
- Financial Institution: Firms such as GS purchase pools of loans to repackage, underwrite and sell into the asset-backed market
- SPV: Tranches pool of mortgages into super-senior, mezzanine and subordinated pieces and sells into secondary market

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GS Subprime Mortgage Business

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Type of Business	Market Risk	Credit Risk
Loans		
Financing <i>GS extends lines of credit directly to subprime mortgage originators to fund mortgages while they are held on the companies' balance sheets.</i>	<ul style="list-style-type: none"> ■ None 	<ul style="list-style-type: none"> ■ Lending is done on a secured basis with a first lien on the underlying mortgage assets and a haircut on the value of the loans
Aggregation <i>GS buys and holds subprime loans from mortgage originators for the purpose of securitization.</i>	<ul style="list-style-type: none"> ■ Mark to market losses on loans during accumulation period (if securitizations are not completed) ■ Some loss sharing arrangements exist 	<ul style="list-style-type: none"> ■ Counterparty risk during the extended settlement period (typically 30-60 days) ■ Put option to originator if individual mortgages suffer from early homeowner defaults (EPDs) or reps and warranties are breached
Securitization		
Securitization Underwriting <i>GS underwrites, structures and distributes securities for ourselves and clients.</i>	<ul style="list-style-type: none"> ■ Mark to market gains and losses on securitized instrument until distribution 	<ul style="list-style-type: none"> ■ Reputational risk / underwriters liability ■ Trust and/or GS has put option to originator if individual mortgages suffer from early homeowner defaults (EPDs) or reps and warranties are breached
CDO Underwriting <i>GS structures and distributes liabilities related to pools of assets, many of which relate to subprime RMBS.</i>	<ul style="list-style-type: none"> ■ Mark to market risk during ramp up period if deal failure occurs ■ Mark to market risk on retained positions 	<ul style="list-style-type: none"> ■ Risk share partners ■ Forward commitments / pre-sold liabilities
Securities Trading		
Residential Mortgage Backed Securities <i>GS trades RMBS subprime securities as a secondary business.</i>	<ul style="list-style-type: none"> ■ Mark to market gains and losses on RMBS securities over the hold period 	<ul style="list-style-type: none"> ■ Counterparty risk on repo transactions with RMBS underliers
Residuals <i>GS retains all or a portion of mortgage residuals from securitization.</i>	<ul style="list-style-type: none"> ■ Mark to market gains and losses on residuals over the hold period 	<ul style="list-style-type: none"> ■ Counterparty risk on repo transactions with residual underliers
Derivatives <i>GS is an active user of derivatives as a part of our trading business as well as to hedge our long credit risk (ABX, single name, subprime RMBS and synthetic transactions)</i>	<ul style="list-style-type: none"> ■ Mark to market risk on long or short positions 	<ul style="list-style-type: none"> ■ Counterparty risk to writer of option or OTC derivatives counterpart
Equity stakes in mortgage originators	<ul style="list-style-type: none"> ■ Potential write down of investment 	<ul style="list-style-type: none"> ■ None

Subprime Overview 8

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III. Recent Events in the Subprime Mortgage Sector

Recent Events in the Subprime Mortgage Sector 9

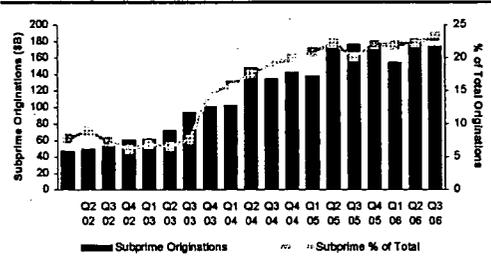
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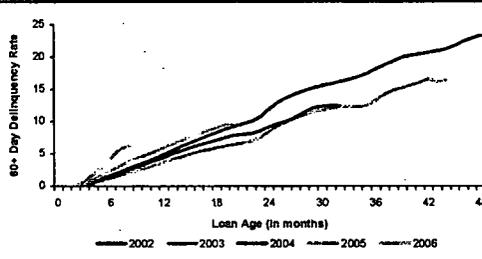
Market Trends

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Volumes Increase Significantly¹



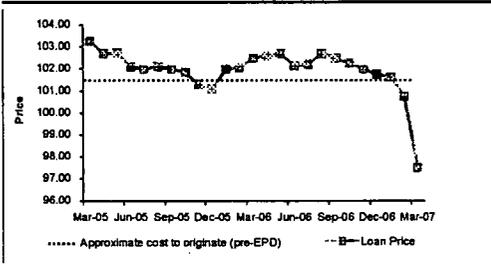
Credit Quality Declines: Relaxed Underwriting Standards



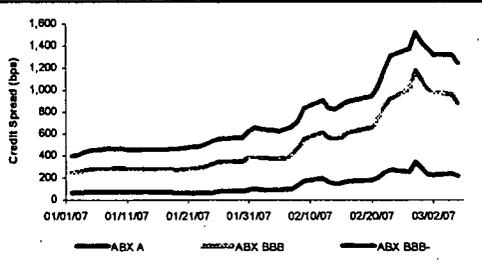
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Pricing Pressure: Subprime Mortgage Loan Pricing Levels



Credit Spreads Adjust



Comment [m5]: EXCEL SOURCE copied at 11-Mar-2007 21:46:54: FIRMWIDE\Talbot_Nathan\Page 8 Loan Price_01 (V2) approximate cost to originate (pre-EPD).xls\Sub Prime Mortgage Gain.rtd

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¹ Latest available data

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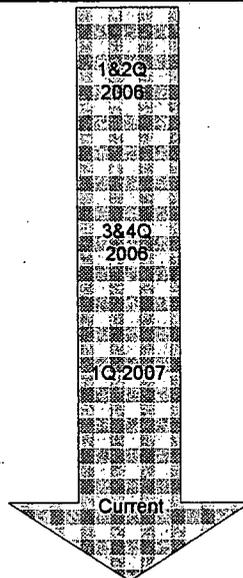
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Timeline of Major Events & GS Response

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Subprime Sector

- Easy access to credit allows subprime borrowers to purchase homes, raising the share of subprime mortgages to over 20% of market
- ABX indices launch in January tracking the performance of specific securitization tranches
- Investors seeking yield and broader global investor base drive demand for subprime securitizations
- Acoustic defaults (May 2006)
- Rumors of significant deterioration in underwriting standards and some borrower fraud
- Spreads on RMBS widen as hedge funds actively target subprime synthetics as a way to express negative views on the sector; prior to this activity, investor and CDO demand had pushed the market very high
- Bank regulators issue underwriting guidance on non-traditional mortgage products
- Widespread mortgage originator defaults begin including Sebring (Nov 06) and MLN (Jan 07)
- Bids for subprime loans fall below cost to originate; business is therefore no longer profitable for originators
- Large originators announce numerous accounting restatements and losses for 2006 triggering equity market sell off
- Securitization market for subprime slows significantly. Market for securities is dislocated



GS Response

- GS is inherently long the sector given market presence. Long position grows in 2006 with increased market activity
- GS long position is further increased via ABX indices trades (counterparts are primarily hedge funds)
- GS becomes more vigilant on EPD identification and workout
- Credit department steps up due diligence process on mortgage originators, creates watch list, suspends multiple names from further business
- Enhanced focus on independent valuation
- GS scales back purchasing of riskier loans
- GS reduces CDO activity
- Residual values decline to reflect market deterioration
- GS reverses long market position through purchases of single name CDS and reductions of ABX
- GS effectively halts new purchases of subprime loan pools through conservative bids
- Warehouse lending business reduced
- EPD claims continue to increase as market environment continues to soften
- Credit terms tightened further
- New Century closed out

Recent Events in the Subprime Mortgage Sector 11

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GS Subprime Mortgage Business

Subprime Risk

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	Residential Mortgages	Warehouse Lending	Structured Products Trading	Platforms
Current Position				
Long	\$2.9bn subprime loans \$0.4bn residuals	\$0.2bn loans funded \$0.2bn bonds funded	\$5.0bn bonds \$4.9bn CDO warehouse \$0.3bn index	\$25mm investments in originators
Short	\$6.1B ABX Index		\$1.4bn Resl Single Name \$8.7bn CDO Single Name	
Net	Short \$3.6bn	Flat - lines are over-collateralized	Flat	Long \$25mm
Primary Risk(s)	BASIS LIQUIDITY COUNTERPARTY CREDIT ¹	COUNTERPARTY CREDIT	BASIS LIQUIDITY	BUSINESS
YTD 2007 Revenues				
Long	\$264mm Loss	\$1mm Gain	\$1.0bn Loss	\$-
Short	\$149mm Gain	\$-	\$1.2bn Gain	\$-
Net	\$115mm Loss	\$1mm Gain	\$181mm Gain	\$-

¹ EPD or Reps & Warranties

Recent Events in the Subprime Mortgage Sector 12

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Credit Exposure Summary

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-
- Warehouse lending has declined substantially due to tighter credit terms and reduced originator demand; trend continues today, with net committed amounts of \$600mm and funded amounts of \$388mm (down from a peak of \$4.01bn committed/\$2.42bn funded)
 - Whole loan purchases have declined as well driven primarily by similar considerations
 - EPDs have risen reflecting continued market deterioration; current EPD claims are \$1.14bn in notional terms resulting in potential losses in the \$100mm range
 - Credit risk in securitization includes:
 - Standard underwriting risks (need to make a market, due diligence requirements, etc.)
 - Franchise / reputational risks
 - Representations and warranties risks

Recent Events in the Subprime Mortgage Sector 13

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Credit Exposure Summary

Most Worrisome Counterparts

Counterparty	Company Description	Recent Events	Total Exposure ¹ (\$ mm)
New Century	Publicly traded and largest non-captive subprime mortgage lender with \$45bn in the first nine months of 2006 originations and book equity of \$2bn as of Sept 2006. Ranked #3 by market share.	Restated 3rd quarter financial results and delayed filing 10-K; California Attorney-General launched criminal inquiry into securities trading and accounting errors. Company has stopped originating new mortgages given funding shortfalls.	\$45.2 ²
SouthStar	SouthStar is a privately held mortgage originator operating Alt-A, Sub-Prime, I/O, Option ARM and HELOC programs. Book equity of \$35.9mm as of 1Q07.	Reported 1st quarter 2007 loss of \$707K on revenues of \$18.5mm. Non-sales workforce to be reduced by 20% and one operations center to be closed this month.	\$19 ³
Fremont	Publicly traded mortgage originator with FDIC insured/regulated ILC subsidiary. Ranked #5 by market share and had \$1.5bn in book equity as of Sept 2006.	Entered cease and desist order with the FDIC. Company has said that it is exiting the subprime mortgage business and delaying the filing of 4Q06 results.	\$12.9 ⁴
Novastar	Publicly traded mortgage originator structured as a REIT. Ranked #18 by market share and had \$514mm in book equity as of Sept 06.	Reported 4th quarter loss of \$14.4mm.	\$9.7 ⁵
Accredited	Publicly traded mortgage lender structured as a REIT. Ranked #14 in subprime mortgage originations. Book equity of \$739mm as of Dec 06.	Reported 4th quarter earning loss of \$37.8mm, filed form 12b-25 with SEC with respect to earnings delay.	\$5.9 ⁶

¹ Reflects EPD claims and warehouse loans on a potential exposure basis.

² New Century also owes GS \$0.1mm relating to MBS Extended Settlement trades settling in mid-April. Total exposure number has been reduced by \$5mm held back as collateral on whole loan trades plus \$0.8mm excess collateral retained on warehouse line. Does not include \$25mm reserve taken against potential losses.

³ As of 2/26, total exposure was \$19mm consisting of \$13.2mm on \$35.3mm in outstanding EPD claims and \$5.8mm in pre-settlement risk from \$104.38mm pending settlement trades. Does not include \$1.04mm reserve taken against potential losses.

⁴ Does not include \$14.610 reserve taken against potential losses.

⁵ Does not include a \$637,013 reserve taken against potential losses.

⁶ GS also holds fully collateralized \$50mm commercial paper from Accredited's asset backed commercial paper program called Carmel Mountain Funding Trust.

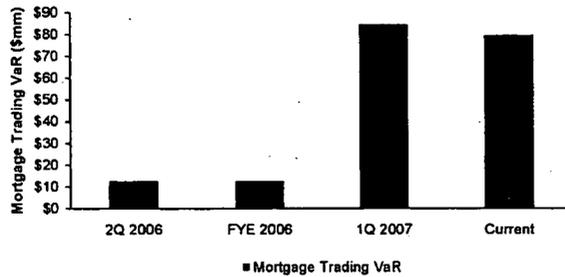
Recent Events in the Subprime Mortgage Sector 14

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Market Exposure Summary

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- The desk started the quarter with long \$6.0bn notional ABX BBB- risk and shifted the position to net short \$10bn notional by reducing the longs in ABX BBB- and increasing shorts in single name CDS
- The increase in VaR was driven by
 - An increase in ABS synthetics and an increase in the net short risk in the RMBS subprime sector
- GS also has \$25mm equity investments in subprime lenders

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Independent Price Verification

- A dedicated group within Product Control performs an independent price verification of the mortgage inventory. The team is highly specialized and has extensive experience in the valuation of mortgage related products
- The investment in this team over the last several years has led to a significant reduction in the mortgage related unverified cash inventory (Feb. 2007 unverified market value of \$0.7 billion vs. Nov. 2004 of \$9.1 billion). The close coordination of this team and desk management has ensured market movements are reflected in pricing and at times has lead to the remarking of certain positions
- The price verification results for the quarter ending 2/23/07 indicate that the mortgage inventory is marked prudently. A majority of conservativeness in the marks appropriately reflects decreased liquidity within the subprime market
- Price verification analysis utilizes four core strategies:
 1. External price comparison: prices received from third party vendors are compared against inventory positions
 2. Fundamental analysis: this analysis utilizes discounted cash flow (DCF), option adjusted spread (OAS) or securitization analysis. Observable market data or inputs are incorporated when available and appropriate
 3. Trade comparison: this utilizes a review of recent market transactions against inventory positions with similar collateral and/or risk profiles and is an important determinant of market technicals or risk premium
 4. Collateral analysis: two way collateral agreements are commonly utilized by market counterparts for mortgage derivatives. These agreements call for the posting of collateral against outstanding contracts when their market value falls. The exchange of collateral margin against derivative transactions is a strong indicator of market levels

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Recent Events in the Subprime Mortgage Sector 16

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IV. Looking Forward

Looking Forward 17

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Lessons Learned

DRAFT

-
- What went right
 - What went wrong
 - How well did our risk measures capture / reflect risk incurred
 - Observations for other businesses

Looking Forward 18

11. 2

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Looking Forward

DRAFT

- We believe the mono-line subprime mortgage originators will not be able to survive current market conditions for very long
 - Those with limited capital bases will quickly go out of business
- GS strategy going forward
 - Position ourselves to be flat to short
 - Increased due diligence performed on purchased loans
 - Collection of amounts owed by originators from buybacks
 - Aggressively manage deal performance via asset management team (oversight of servicer actions)
 - Hedge all purchases
 - Work through inevitable defaults with minimal operational and credit risk losses
 - Conservative management of warehouse lines; review appropriate haircut levels
 - Communicate with originators, servicers, investors
- GS will evaluate ongoing opportunities on a case by case basis
 - Opportunistic purchases of potential loan packages / portfolios
 - Potential equity investments
- GS will also protect itself against credit deterioration spreading to other markets by keeping limits tight, transactions short and making full use of risk mitigants

Looking Forward 19

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V. Appendix

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Impact on Originators

DRAFT

Rank	Originator	Status
1	Wells Fargo Home Mortgage	
2	HSBC Finance	Increased loan loss reserves by \$1.8bn
3	New Century Financial	Criminal investigation; liquidity impaired
4	Countrywide Financial	
5	Fremont Investment & Loan.	Exited subprime business
6	CitiMortgage	
7	Ameriquest Mortgage (ACC)	Citigroup providing financing with option to buy
8	Option One Mortgage (H&R Block)	For sale
9	Washington Mutual	
10	First Franklin Financial Corp.	Acquired by Merrill Lynch
11	Residential Capital Corp. (GM)	Potential write down of up to \$1bn on subprime portfolio
12	BNC Mortgage/Finance America (Lehman)	
13	Aegis Mortgage Corp.	Scaling back operations
14	Accredited Home Lenders	Delayed SEC filings
15	American General Finance (AIG)	
16	Chase Home Finance	
17	Ownit Mortgage Solutions	Out of business
18	NovaStar Financial	Loss in latest quarter; little, if any, income forecast through 2011
19	Equifirst (Regions Financial)	Acquired by Barclays Bank
20	ResMae Mortgage Corporation	Acquired by Citadel
21	WMC (GE)	Scaling back operations
22	MLN	Out of business
23	Decision One (HSBC)	
24	ECC/Encore	Acquired by Bear Stearns
25	Fieldstone	Acquired by C-BASS

Appendix 21

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Key Players Involved Today

Origination vs. Securitization

Top 10 Subprime Mortgage Originators			Top 10 Subprime MBS Securitization Shelves		
Rank	Lender	3Q06YTD Market Share	Rank	Lender	3Q06YTD Market Share
1	Wells Fargo Home Mortgage	13.1%	1	Morgan Stanley ABS Capital	7.5%
2	HSBC Finance	8.5%	2	SASCO (Lehman)	7.2%
3	New Century Financial	7.8%	3	CWABS	6.8%
4	Countrywide Financial	6.0%	4	Merrill Lynch Mortgage Inv	6.0%
5	Fremont Investment & Loan	5.5%	5	Long Beach Securities	5.9%
6	CitiMortgage	4.8%	6	FASC (RBS GC)	5.8%
7	Ameriquest Mortgage	4.7%	7	GS Mortgage Securities	4.9%
8	Option One Mortgage	4.4%	8	Ace Securities (Deutsche)	4.1%
9	Washington Mutual	4.2%	9	Argent Securities	3.5%
10	First Franklin Financial Corp	3.9%	10	JP Morgan Acceptance Corp	3.1%

Appendix 22

From: Raazi, Cactus
Sent: Thursday, April 05, 2007 10:36 AM
To: Brad Rosenberg
Subject: Brad - please take a look at this

Brad - please take a look at this portfolio. These are all dirty '06 originations that we are going to trade as a block. You are not the only client seeing this so time will be of the essence.

Save the price discussion for later - at the moment you might want to figure out whether this portfolio suits your objectives.

- 30 Baa2 ref obs that we could offer as a package at +625bps (\$15mm per name, \$450mm total)

ACCR 2006-2 M8	00437NAM4
ACE 2006-HE2 M8	004421ZD8
BSABS 2006-HE6 1M8	07388UAL4
FFML 2006-FF4 M8	362334GC2
FMIC 2006-2 M8	31659EAM0
GSAMP 2006-HE4 M8	362439AN1
HEAT 2006-4 M8	437084VY9
HEAT 2006-8 M8	43709QAP1
IXIS 2006-HE1 B2	45071KDN1
JPMAC 2006-HE2 M8	46625SAN6
JPMAC 2006-HE3 M8	46629VAN5
MABS 2006-NC1 M8	57643LNP7
MLMI 2006-MLN1 B2	59023AAN6
MLMI 2006-RM4 B2	59023QAN1
MSAC 2006-WMC1 B2	61744CXV3
MSC 2006-HE1 B2	617451DZ9
NCMT 2006-1 M8	65106AAV5
NHELI 2006-WF1 M8	65536RAM8
NHELI 2007-2 M8	65537MAN6
OOMLT 2007-1 M8	68400DAP9
RAMC 2006-1 M8	759950HG6
RAMP 2006-EFC1 M8	76112BW63
RASC 2006-EMX3 M8	76113ACJ8
SABR 2006-OP1 B2	81375WJN7
SABR 2007-NC2 B2	81378GAM0
SAIL 2006-BNC3 M7	86361KAM9
SAST 2006-2 B2	80556XAP2
SVHE 2006-OPT5 M8	83612CAN9
WMABS 2006-HE2 M8	93934JAM6
WMABS 2006-HE3 M8	93934MAN7

From: Cornacchia, Thomas
Sent: Thursday, April 05, 2007 9:46 AM
To: Raazi, Cactus; LoBue, Lindsay; Grinstein, Veronica; Bhavsar, Avanish R
Cc: Swenson, Michael; Salem, Deeb
Subject: FW: let's sell ~200mm in Baa2 protection...

Get this done please - who is the better salespaerson??

From: Swenson, Michael
Sent: Thursday, April 05, 2007 9:42 AM

To: Salem, Deeb; Cornacchia, Thomas
Subject: RE: let's sell ~200mm in Baa2 protection...

Make that 500mm

From: Salem, Deeb
Sent: Thursday, April 05, 2007 9:35 AM
To: Cornacchia, Thomas
Cc: Swenson, Michael
Subject: let's sell ~200mm in Baa2 protection...

From: Swenson, Michael
Sent: Friday, May 25, 2007 12:08 PM
To: Chin, Edwin; Salem, Deeb
Subject: Re:

We should be offering sn protection down on the offer side to the street on tier one stuff to cause maximum pain

----- Original Message -----

From: Chin, Edwin
To: Bhavsar, Avanish R
Cc: Swenson, Michael; Salem, Deeb
Sent: Fri May 25 11:41:59 2007
Subject: RE:

We can offer protection on the following mezz CDO names @ 795 as a package. Levels good up to 10MM each.

Deal Name	Tranche	Rating	Issuer	Ref Ob	Px Date
BFCGE 2006-1A	A3L	A	BFC Genesee CDO Ltd	BFCGE 2006-1A A3L	Feb-06
BWIC 2006-1A	C	A	Broadwick Funding Ltd	BWIC 2006-1A C	Apr-06
CAMBR 6A	D	A	Camber	CAMBR 6A D	May-06
CRNMZ 2006-1A	5	A	Cairn CRNMZ 2006-1A	5	Aug-06
CRNMZ 2006-2A	C	A	Cairn CRNMZ 2006-2A	C	Oct-06
DUKEF 2006-10A	A3	A	Duke Funding Ltd	DUKEF 2006-10A A3	Apr-06
ETRD 2006-5A	A3	A	E*Trade CDO I	ETRD 2006-5A A3	Aug-06
GLCR 2006-4A	C	A	Glacier Funding CDO Ltd	GLCR 2006-4A C	Mar-06
HGCDO 2006-1A	C	A	Hamilton Gardens CDO Ltd	HGCDO 2006-1A C	Sep-06
HLCDO 2006-1A	C	A	Halcyon	HLCDO 2006-1A C	Sep-06
IXCBO 2006-2A	C	A	IXIS ABS CDO 1 Ltd	IXCBO 2006-2A C	May-06
LRDG 2006-1A	C	A	Longridge ABS CDO Ltd	LRDG 2006-1A C	Sep-06
PINEM 2006-AA	C	A	Pine Mountain	PINEM 2006-AA C	Oct-06
TOPG 2006-2A	B	A	Topanga CDO Ltd	TOPG 2006-2A B	Nov-06
TOURM 2006-2A	D	A	Tourmaline CDO	TOURM 2006-2A D	Mar-06

-----Original Message-----

From: Bhavsar, Avanish R
Sent: Friday, May 25, 2007 11:19 AM
To: Chin, Edwin
Subject: RE:

whats eta?

-----Original Message-----

From: Chin, Edwin
Sent: Friday, May 25, 2007 10:38 AM
To: Bhavsar, Avanish R; Salem, Deeb
Cc: Swenson, Michael
Subject: RE:

Let's start with these RMBS offers. 10MM each.

ABFC 2006-OPT2 M8	355
CWL 2006-15 M9	315
FHLT 2006-E M8	345
FMIC 2006-3 M8	415
GSAMP 2006-FM2 M8	465
GSAMP 2006-HE8 M8	375

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JPMAC 2006-FRE2 M8	525
JPMAC 2006-NC2 M8	295
SAST 2006-3 B3	450
SVHE 2006-EQ2 M8	375

From: Bhavsar, Avanish R
 Sent: Friday, May 25, 2007 9:36 AM
 To: Salem, Deeb; Chin, Edwin
 Cc: Swenson, Michael
 Subject:

We have a new equity acct Kensico, they are interested in seeing offerings on the following

- 1) CDS on CDOs late 06, early 07 mezz deals, BBB thru AA
- 2) Single names RMBS 2nd half '06, BBB- or BBB

They are axed to buy protection.

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 Capital Structure Sales
 Securities Division

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From: Swenson, Michael
Sent: Tuesday, May 29, 2007 11:06 AM
To: Salem, Deeb
Subject: Re: they want to think about doing this again...

We should start killing the sn shorts in the street - let's pick some high quality stuff that guys are hoping is wider today and offer protection tight - this will have people totally demoralized

----- Original Message -----

From: Salem, Deeb
To: Swenson, Michael
Sent: Tue May 29 10:41:55 2007
Subject: RE: they want to think about doing this again...

the index wont close where it is this morning in my opinion...

-----Original Message-----

From: Swenson, Michael
Sent: Tuesday, May 29, 2007 10:21 AM
To: Salem, Deeb
Subject: Re: they want to think about doing this again...

Then you need to be prepared to widen their marks we also need credit approval

----- Original Message -----

From: Salem, Deeb
To: Bhavsar, Avani R; Swenson, Michael
Cc: Chin, Edwin; Birnbaum, Josh
Sent: Tue May 29 10:05:52 2007
Subject: RE: they want to think about doing this again...

indices ~125bps wider since trades 1 week ago

Ref Ob	CUSIP	Offer
ACE 2006-CW1 M9	00441QAP4	500
BSABS 2006-HE3 M8	07387UHZ7	650
CARR 2006-NC2 M9	14453FAN9	650
GSAMP 2006-NC2 M8	362463AN1	715
IXIS 2006-HE3 B2	46602UAM0	725
JPMAC 2006-ACC1 M9	46628RAP0	625
JPMAC 2006-FRE1 M8	46626LFV7	595
JPMAC 2006-NC2 M9	46629FAN0	525
LBMLT 2006-8 M8	54251UAN6	875
LBMLT 2006-WL1 M9	542514RE6	595
MSAC 2005-HE5 B3	61744CVA1	600
RAMP 2006-NC3 M9	76112B4X5	700
SVHE 2006-OPT3 M8	83611MPS1	575
WMABS 2006-HE2 M9	93934JAN4	650

-----Original Message-----

From: Bhavsar, Avani R
Sent: Tuesday, May 29, 2007 9:20 AM
To: Salem, Deeb; Swenson, Michael
Cc: Chin, Edwin
Subject: they want to think about doing this again...

last trade with Harbinger...

Protection Buyer: Harbinger

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Protection Seller: Goldman Sachs
Size: \$105mm total (\$7.5mm x 14 reference obs)

ACE 2006-CW1 M9	00441QAP4	415bps
BSABS 2006-HE3 M8	07387UHZ7	575bps
CARR 2006-NC2 M9	14453FAN9	490bps
GSAMP 2006-NC2 M8	362463AN1	625bps
IXIS 2006-HE3 B2	46602UAM0	550bps
JPMAC 2006-ACCI M9	46628RAP0	515bps
JPMAC 2006-FRE1 M8	46626LFV7	500bps
JPMAC 2006-NC2 M9	46629FAN0	415bps
LBMLT 2006-8 M8	54251UAN6	800bps
LBMLT 2006-WL1 M9	542514RE6	465bps
MSAC 2005-HE5 B3	61744CVA1	490bps
RAMP 2006-NC3 M9	76112B4X5	590bps
SVHE 2006-OPT3 M8	83611MPS1	490bps
WMABS 2006-HE2 M9	93934JAN4	540bps

From: Salem, Deeb
Sent: Monday, May 21, 2007 12:02 AM
To: Swenson, Michael; Chin, Edwin
Subject: A few things...pain related

1. [REDACTED] is going to buy back their 06-1 abx short on monday. Fund is having a bad month and needs cash. It's only 30mm. He does not check away. I'd just go offer side on the run for him

2. Guys r gonna complain about their marks (kbass already emailed me). I would talk about the recent flow of OWICs and the levels were they have been trading as the reason we moved marks on friday...scsf lost 6 pct based on fridays moves

Sent from my BlackBerry Wireless Device

[REDACTED] = Redacted by the Permanent
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From: Swenson, Michael
Sent: Monday, May 21, 2007 2:59 PM
To: Chin, Edwin; Salem, Deeb
Subject: RE: Edwin - Important - Stanfield levels

We are ok with that they do not have much more gun powder

From: Chin, Edwin
Sent: Monday, May 21, 2007 2:56 PM
To: Swenson, Michael; Salem, Deeb
Subject: FW: Edwin - Important - Stanfield levels
Importance: High

FYI

From: Raazi, Cactus
Sent: Monday, May 21, 2007 2:46 PM
To: Chin, Edwin; Bruns, William
Subject: Edwin - Important - Stanfield levels
Importance: High

Hi Edwin - I know you're very busy, but your attention to this matter is important.

Stanfield feels we are marking them tighter than other dealers with whom they have similar protection.

In addition, 14 of the 25 names below were marked over 100bps tighter week-on-week. That is a massive move and is creating major stress at the client, as we can't see a similar move in the broader mkt.

Finally, be aware that Stanfield may look for you to offer protection very close to your mark. Cornacchia has gone up there with me and promised he is available to address any problems Stanfield might have. I'm hoping your attention to the marks below will defuse a situation in which they think we're messing with them via our marks on their protection.

Your attention to this matter is very much appreciated.

CDS	Coupon	Mark
BNCMT 2006-1 M8 / BNC06001 M8 (055682AM0)	615	550
BSABS 2006-EC1 M7 / BSHE06E1 M7 (07387UAK7)	615	475
BSABS 2006-PC1 M7 / BSHE06P1 M7 (07387UBD2)	615	245
CWL 2006-13 MV8 / CWHE0613 MV8 (23242EAT6)	615	425
CWL 2006-BC2 M8 / CWHE06B2 M8 (22237JAN7)	615	425
GSAMP 2005-AHL M5 / GSA05AHL M5 (36242D2E2)	615	325
GSAMP 2005-HE6 M8 / GSA05HE6 M8 (362341H36)	615	375
GSAMP 2006-HE3 M8 / GSA06HE3 M8 (36244KAN5)	615	400
JPMAC 2006-FRE1 M8 / JPA06FR1 M8 (46626LFV7)	615	500
JPMAC 2006-RM1 M8 / JPA06RM1 M8 (46629NAP8)	615	400
JPMAC 2006-WMC1 M8 / JPA06WM1 M8 (46626LJC5)	615	575
LBMLT 2005-2 M8 / LBML0502 M8 (542514KY9)	615	500
MABS 2005-NC2 M8 / MABS05N2 M8 (57643LMX1)	615	300
MLMI 2005-NC1 B2 / MLHE05N1 B2 (59020URT4)	615	225
MLMI 2005-WMC1 B2 / MLHE05W1 B2 (59020URA5)	615	200
MLMI 2006-RM4 B2 / MLHE06R4 B2 (59023QAN1)	615	450
MSAC 2006-WMC1 B2 / MSAB06W1 B2 (61744CXV3)	615	325
MSAC 2006-HE1 B2 / MSAB06H1 B2 (617451DZ9)	615	600
NHELI 2006-HE3 M8 / NMHE06H3 M8 (65536QAN8)	615	500
PCHLT 2005-3 M8 / PCH05003 M8 (71085PCY7)	615	215

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RAMP 2006-NC3 M8 / RFC06NC3 M8 (76112B4W7)	615	525
SAIL 2006-BNC3 M7 / SAIL06B3 M7 (86361KAM9)	615	650
SASC 2005-WMC1 M4 / SAS05WM1 M4 (86359B6K2)	615	225
BNCMT 2007-1 M8 / BNC07001 M8 (05569GAN6)	615	500
RASC 2006-KS2 M8 / RFC06KS2 M8 (75406BAM9)	615	425

Cactus Raazi
212.902.3943 direct
917. [REDACTED] mobile

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From: Raazi, Cactus
Sent: Friday, May 25, 2007 10:29 AM
To: Ryan Rolfert; Jonathan Kalikow
Subject: RE: Jon & Ryan: Our thoughts on single-A RMBS CDS

Ryan - my comments are in navy blue below:

From: Ryan Rolfert [mailto:rrolfert@Stanfieldcp.com]
Sent: Thursday, May 24, 2007 6:17 PM
To: Raazi, Cactus; Jonathan Kalikow
Subject: RE: Jon & Ryan: Our thoughts on single-A RMBS CDS

Cactus,

When we put on the Single A protection trade the underlying names were suppose to have a large similarity to the index. Over the past couple of months that correlation has broken down significantly. What concerns me is trying to figure out why this correlation broke down. The indexes are only up a couple of points since we did the trade. Looking at the mid's on our Single A trades we have tightened roughly 33%. By no means, when we did the trade was this portfolio suppose to be "cherry picked". Can you ask your strategist his thoughts on why this correlation broke down so much? Are there are only sellers of single name single-A protection? Is no one a seller of the index? Should we sell index protection with the thought this correlation may return and the index should rally back harder than Single-A single name protection? I'm just trying to figure out how we can reverse some of the losses we have incurred.

[At the time of our trade, the single-A protection we sold you did indeed have a high degree of similarity to the index. I recall sending you summary stats related to Loan Age and Delinquencies (30, 60, 90, FLC, REO) which were virtually identical in aggregate to the like-vintage index. I will rerun these stats - I think what you're going to see is that the protection you own is still quite similar in aggregate composition to the index. At the time of our trade I verified with my trading desk that the portfolios we sold you were not cherry picked. I'd like to revisit this and demonstrate that the protection you own is seasoning similarly to the index in aggregate. After we agree that the single-name protection you own is similar to like-vintage index in aggregate, let's think about possibly selling index protection (buying index) against your single-names. My desk certainly feels the spread between index and single-names is unsustainable over the long term. The CDO selling of single-name CDS is a technical in the mkt that has created this current situation. If mkt conditions deteriorate, CDOs will not be able to get done, and will no longer be selling single-name protection. If mkt conditions improve, you should see the index tighten to your single-name levels - and you will be hedged in this regard. Let's talk further on these points with my desk - you ask good questions and I want to make sure to give you complete answers.]

Also, from where our BBB trade was marked last Friday around 413. Using a 25bps bid offer spread we would be down to a mid of 400. This trade is tighter by 35% percent as well. Does your strategist have any thoughts on the BBB's? I would expect we could leverage your below thoughts into that trade as well but we are open to any comments. [Our thoughts on BBBs will be similar to those above - the tightening is also due to the CDO technical. In fact, we have seen good buying of BBB protection from our client base at these levels - over the last week there have been several hundred million in BBB OWICs. Both my trading desk and clients feel that '06 vintage single-name BBBs have tightened far too much, regardless of where the index is. When you look at how wide the index is trading this only emphasizes the degree to which single-name BBBs have rallied.]

I had always thought that these trades were meant to be the start of a partnership building of future business between Stanfield and Goldman Sachs. I know we are big boys and we did the trade there is no doubt on that. What I am attempting to do is either cut our losses and get out or determine what I can say to keep this trade on to hopefully see benefits by the end of the year. I've lost a lot of creditability on the desk with this trade. Maybe I was naive to trust the pitch on the trade. It has cost me a lot.

[This is the hardest part of this mail. The intention was very much to create a partnership, and I do feel that we would be having a different conversation right now had single-name CDS not rallied so dramatically. I have worked with you and your team for a long while through a variety of crises - hopefully you will keep that in mind when evaluating my (and my firm's) motives in facilitating this trade for you. I can't do a good job giving you comfort on the ultimate outcome of RMBS protection. But I can tell you that the tightening in single-names over the past couple of months is due to CDO selling of single-name protection. We have not seen an improvement in the fundamental picture. We have not seen capitulation by

clients who have large shorts in RMBS. We have not seen any news that would suggest the situation for subprime RMBS is improving. Today we are getting remits - early color is that prepay speeds have come in slower than expected, and that delinquencies are spiking. Both factors point to the fact that the subprime borrower is experiencing financial distress and cannot refinance as planned (slower prepays.) I do think the idea of selling index protection here is something worth talking about, but the main point I want to make is that the reasons you put on this trade (and the reasons we have the same trade on) still exist. The investment thesis is playing out. Whether we will see total doomsday for subprime, or whether it'll be bad but not a complete disaster, is yet to be seen. But my opinion is that this is not a good time to get out of your protection - you would be acting on a technical, not on a change in the fundamentals.]

Let me know your or GS strategist's thoughts.

[I'd like to get you the remit info as it comes out. Initial read on today's numbers shows all three indices have increases in 60+ delinquencies of over 1% relative to last month. We will be doing some analysis over the weekend. On Tuesday I'd like to present you with my strategist's thoughts. We can also speak with my head single-name trader, Deeb. We'll give you the straight facts, our opinions, and then we will do any additional analytical work that you would like us to perform. Hopefully we can be helpful to you as you evaluate your options at this stage.]

Thanks,
Ryan

From: Raazi, Cactus [mailto:Cactus.Raazi@gs.com]
Sent: Thursday, May 24, 2007 4:08 PM
To: Jonathan Kalikow; Ryan Rolfert
Subject: Jon & Ryan: Our thoughts on single-A RMBS CDS

We have seen the mkt for single-A RMBS CDS tighten meaningfully over the past couple of months - in particular over the last month. In considering whether to buy or sell protection at the current levels, it is important to bear in mind the following fundamentals:

1) Thus far, delinquency patterns look to be about as bad as, but not meaningfully worse than the peak delinquencies we saw in 2000. Some of the CDS pricing we saw in the mkt (especially in BBB-) implied a delinquency/default experience worse than what we experienced in 2000 - certainly possible but not yet observed. That said, we are now heading into resets on late '05 production deals. It's tough to correctly forecast the effects of the recent subprime credit crunch on late '05 deals, but the general consensus is that the typical subprime borrower is going to have a tough time qualifying for a new loan on their property absent of a meaningful equity cushion. Remits over the next six months could show an uptick in delinquencies on late '05 originations as borrowers struggle with higher payments.

2) Housing prices continue to deteriorate. The rally we have seen in RMBS spreads over the past weeks turns a blind eye to the fundamental fact that home prices are deteriorating. If home prices continue to deteriorate we are going to see higher severities as borrowers default. As an example, today's new home sales number showed a strong topline sales number but an 11% decline in average price. A similar decline in existing home prices would be devastating for many of the late '05 and '06 originated subprime deals.

3) Please bear in mind that 06-1 single-A index (2H '05 deals) is trading at 100bps mid, and the 06-2 single-A index (1H '06 deals) is trading at 170 mid. Your single-names are trading meaningfully tight to the index despite very similar aggregate credit characteristics.

My strategist feels that late '05 single-A protection at 50bps doesn't have much room to tighten further absent of sharply positive news. 2006 single-A protection at 100 could rally in the absence of bad news. Alternatively, '06 vintage protection also has less HPA build into it than '05 production.

On a technical note, there has been better selling of CDS over the past few weeks from the CDO community - and few buyers. Recently, we have seen buyers of protection emerge at these tight spread levels. In fact, some spreads are all the way back to Fall '06 levels despite the sharp deterioration in the fundamental picture.

I can't tell you which way the mkt is going to go, but I think if you look at where single-A protection is currently trading, the more likely direction for spreads is wider. This is particularly true of '05 protection given imminent resets and the very tight spread levels. GS will have additional fundamental research on subprime mortgages as remits come in. We will keep our analysis in front of you.

PLEASE come back to me with any questions you may have.

Cactus Raazi

212.902.3943 direct

917-██████████ mobile

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██████████ = Redacted by the Permanent
Subcommittee on Investigations

From: Salem, Deeb
Sent: Thursday, May 31, 2007 12:18 PM
To: Gaddi, Robert; Chin, Edwin; Swenson, Michael
Subject: RE: Stark CDO CDS potential trade 5/31

you couldnt be more wrong robert

From: Gaddi, Robert
Sent: Thursday, May 31, 2007 12:17 PM
To: Chin, Edwin; Salem, Deeb; Swenson, Michael
Subject: Stark CDO CDS potential trade 5/31

Stark has an interest in looking at this trade; but here is an obstacle that we need to address: They feel Goldman is very inconsistent in the single name HEL CDS marks that we provide them. We are drastically different in marking positions versus other dealers. It is an annoyance that would potentially limit their interest in putting on incremental CDS trades. I can name specific examples if you would like. Please advise.

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Tel: 312-655-4895 | Fax: 312-655-5368
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Goldman
Sachs

Robert S. Gaddi
Vice President
Fixed Income Currency & Commodities Division

Valuation & Pricing Related to Transactions with AIG

In July 2007, as the housing market continued to deteriorate, financial markets began to significantly re-price risk in U.S. mortgage products, including super senior Collateralized Debt Obligations (CDOs). As required by US GAAP, our policy of fair value accounting, which recognizes the value of an asset or liability as the price at which willing buyers and sellers transact, prompted us, as always, to mark our positions to the then prevailing market prices. We believe our marks were accurate and reflected the value markets were placing on the transactions.

Over subsequent weeks and months, we made collateral calls to AIG, and other counterparties, consistent with the further deterioration in the market. We made those collateral calls based on prices that reflected the deteriorating conditions in the market for the underlying collateral in Residential Mortgage Backed Securities (RMBS) and CDOs and specific transactions in comparable securities – transactions in which we acted as a market maker and transactions we observed between other market participants. Goldman Sachs called for and paid (known as “posting”) collateral consistent with the marks we used for our internal and external reporting purposes as well as for our own collateral posting calculations.

The foundation of our approach to risk management is based upon disciplined mark-to-market accounting. This involves the daily practice of valuing the firm’s assets and liabilities to current market levels – that is, the value one might expect to find on the open market. Without a realistic view of our own financial position, we would not be able to properly assess or manage our risk. Goldman Sachs is one of the few financial institutions in the world that carries virtually all financial instruments held in its inventory at current market value, with any changes reflected immediately in our risk management systems.

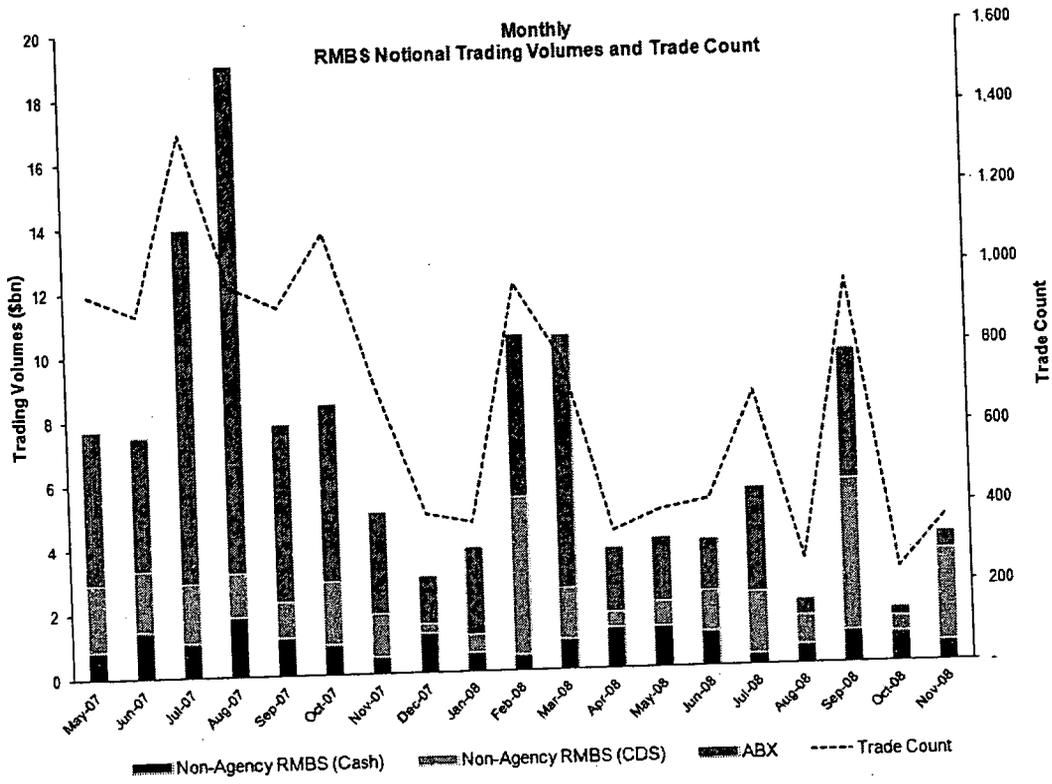
Significant Trading Activity On Behalf of Clients Informed Pricing

Throughout 2007 and 2008, Goldman Sachs was an active market maker in cash and credit default swap (CDS) mortgage products. This market activity provided a strong foundation for our marks:

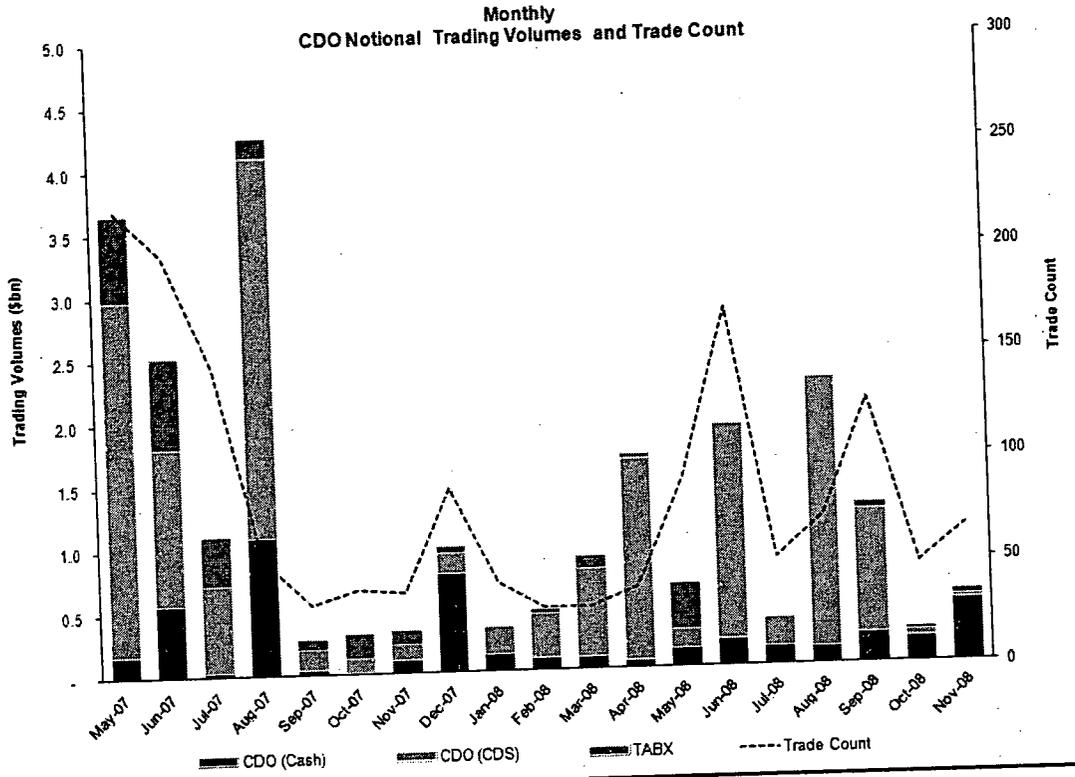
For example, from May 2007 through November 2008, our Mortgage Department bought and sold approximately:

- \$85 billion notional amount of the ABX and TABX indices, representing 5,000 trades
- \$17 billion principal amount of RMBS cash securities, representing 2,000 trades
- \$32 billion notional amount of RMBS CDS, comprising 5,000 trades
- \$5 billion principal amount of CDO cash securities, in more than 350 trades
- \$16 billion notional amount of CDO CDS, in more than 800 trades

The following graphs provide for RMBS and CDOs the total notional traded and trade count on a monthly basis from May of 2007 through November 2008. In addition, we have provided to the Commission the detailed list of all transactions executed during that time (bearing production number GS MBS 0000039095).



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How We Determined Pricing

Our marks were based upon the best available market information at the time, including observed trades, actionable bids or offers from other parties, and other market information sourced through our franchise.

Consistent with other cash and derivative markets, it was not unusual for there to be an absence of transactions in specific RMBS, CDO securities and derivatives. In addition, certain securities often had only one or a limited numbers of holders. As a result, we used observed transactions in comparable instruments (e.g., instruments having similar underlying collateral, structure, and/or risk/reward profile) to help inform our valuations.

Market information we used in connection with determining valuations extended beyond trades executed by Goldman Sachs. We were frequently asked to bid and/or offer securities or derivatives. Whether or not we executed a transaction, we were able to obtain additional useful pricing information from client feedback as well as other market color.

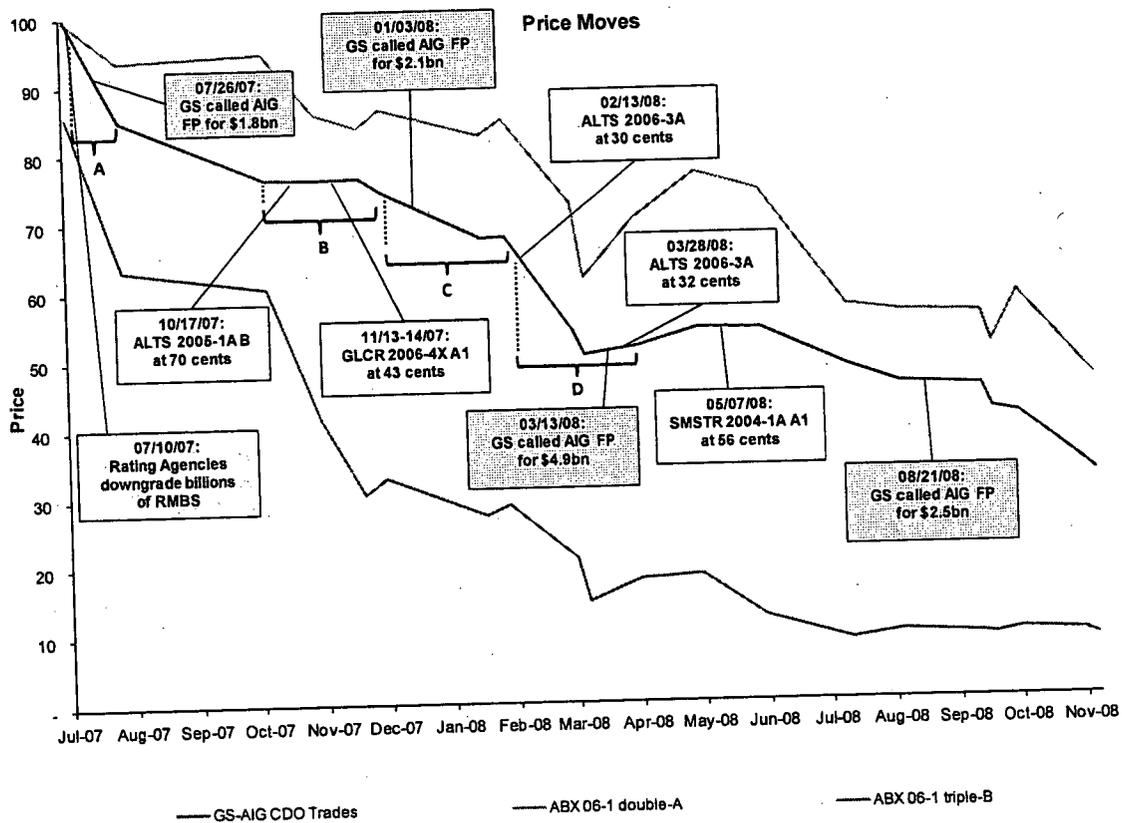
At times, in order to gauge the fair value of the CDO securities, we would also value the collateral underlying the CDO. This approach, referred to as a net asset value ("NAV") analysis, valued the underlying collateral based upon the best available market information for the underlying RMBS and other securities at that time.

This NAV analysis incorporated additional factors into the valuation process. For example:

- CDO securities began to trade at a discount to NAV-implied values as market participants penalized less liquid and complex instruments during the market deterioration in 2007 and 2008;
- Valuations of the CDO securities reflected the allocation of NAV across the CDO's capital structure (e.g., senior classes vs. subordinate classes).

While a certain degree of judgment was necessary in these valuations, we were able to access the best available market information to price these CDO securities and to ensure that our pricing represented actual fair market values at the time.

Market Moves, Examples of Comparable Transactions and Timeline



The above graph depicts Goldman Sachs' weighted average price of the back-to-back CDO trades (i.e., trades in which AIG sold credit protection to Goldman Sachs and Goldman Sachs sold credit protection to another counterparty referencing the same security), hereafter referred to as the "AIG portfolio". These trades constituted the substantial majority of the CDS transactions we undertook with AIG. AIG's CDO trades predominantly consisted of high-grade (typically double-A average rating) and mezzanine (typically triple-B average rating) CDOs from the 2003 to early 2006 vintages. Also shown are two indices referencing subprime securities issued in the second half of 2005 -- the double-A rated and triple-B rated tranches of the ABX

06-1 index. These indices represented the most liquid and observable proxy for the vintage and ratings of the RMBS underlying the AIG CDO positions.

From July of 2007 through November of 2008 there was observable market data which provided the basis for our collateral requests to AIG.

A) July 2007:

- In mid-July 2007, before our first collateral call to AIG, rating agencies downgraded hundreds of subprime RMBS and put hundreds more securities on watch for further downgrades. With tens of billions of dollars of subprime securities negatively impacted, ABX and subprime RMBS prices dropped sharply and significantly over the month.
 - Specifically, in July, the ABX 06-1 AA index dropped 7 points from \$100 to \$93, and ABX 06-1 BBB index dropped 21 points from \$86 to \$65. At the time, these were unprecedented drops and new market lows.
- Over the course of July, after the subprime ratings downgrades, a number of our clients requested that dealers bid on more than \$1 billion of CDO risk. Clients wanted to sell their risk, but frequently could not find buyers at prices they liked.
- Dealers were aggressively buying CDS protection on CDOs across the vintage spectrum. During July 2007, we observed CDS on subordinate classes from 2005 and earlier vintage CDOs trading at 70 cents on the dollar or lower in competitive auctions. In particular, this was the case for high grade CDOs such as ALTS 2005-1A, ALTS 2005-2A, and BUCK 2005-2A and mezzanine CDOs such as DUKEF 2005-9A, GSCSF 2005-1A, PS 2A, SCF 5A, TOPG 2005-2A and TRNTY 2005-1A. Although, of the above CDOs, only ALTS 2005-2A CDO was specifically referenced in the AIG portfolio, the observed transactions clearly substantiated widespread re-pricing of 2005 and earlier vintage CDOs in the market.
- In July, we traded approximately \$14 billion RMBS and approximately \$1 billion CDOs across cash securities, single name CDS, and CDS indices.
- The observed significant re-pricing of CDO liabilities and the relevant market moves necessitated the initial collateral call to AIG, as illustrated by the graph on page 4.

B) October - November 2007:

- During October and November 2007, based upon increasing delinquencies and clear credit deterioration in underlying subprime RMBS, rating agencies downgraded dozens of CDO transactions with billions of dollars in outstanding securities. CDO prices continued to fall during this period, as the following examples reflect.

- On October 17th, we bought at 70 cents on the dollar ALTS 2005-1A B, the double-A rated subordinate tranche from a 2005 vintage high grade CDO. The ALTS 2005-1A CDO is very similar to the ALTS 2005-2A CDO on which AIG had written super senior protection to Goldman Sachs. In particular, the two ALTS CDOs have similar type and vintage of collateral, similar structures and the same collateral manager. The trade on the subordinate ALTS 2005-1A B tranche at 70 clearly demonstrated that market pricing at the time reflected a significant degree of stress for 2005 vintage high grade CDOs. On October 30th, the mark we used for the AIG collateral call on ALTS 2005-2A super senior was 87.
- On November 30th, we owned SMSTR 2004-1A A1, the super senior class of a 2004 vintage mezzanine CDO, marked on our books at a price of 68. We viewed this particular security as better quality and more desirable versus the mezzanine CDO transactions in the AIG portfolio, which had a weighted average price of approximately 69 as of November 30th in the AIG collateral call. SMSTR 2004-1A A1 was ultimately sold on May 7, 2008 at 56 cents on the dollar.
- From the beginning of October through the end of November 2007, the ABX 06-1 AA index dropped 9 points from \$95 to \$86 and ABX 06-1 BBB index dropped 28 points from \$61 to \$33, as illustrated by the graph on page 4.
- During this period, we traded more than \$13 billion RMBS and approximately \$700 million CDOs across cash securities, single name CDS and CDS indices.

C) December 2007 - January 2008:

- Cash CDO trading activity picked up considerably in late 2007 and into early 2008. In December 2007, we purchased almost \$800 million notional of various senior and subordinate CDO securities.
- On November 13th and 14th, we purchased at a blended price of approximately 43 cents on the dollar almost \$67 million of GLCR 2006-4A A1, an early 2006 vintage mezzanine CDO. This transaction was comparable to specific line items in the AIG CDO portfolio, in particular SCF 8A A1, which was marked at 55 cents on the dollar as of November 30th.
- We observed that approximately \$90 million of the super senior class from TRAIN 3A A1, a 2003 vintage mezzanine CDO, traded at a approximately 70 cents on the dollar. Although this specific bond was not in AIG's portfolio, this observation clearly substantiated the fact that even highly seasoned super senior CDO tranches traded at a significant discount to par value at the time.
- From the beginning of December 2007 through the end of January 2008, the ABX 06-1 AA index dropped 2 points from \$86 to \$84 and the ABX 06-1 BBB index dropped 4 points from \$33 to \$29, as illustrated by the graph on page 4.

- During this period, we traded approximately \$7 billion RMBS and approximately \$1.4 billion CDOs across cash securities, single name CDS and CDS indices.

D) February-March 2008:

- The RMBS and CDO markets became further stressed in February and March 2008 as Bear Stearns nearly failed, the hedge fund Peloton Partners collapsed and other mortgage participants experienced financial distress and investors were concerned that a substantial amount of assets would be sold into the market.
- On February 13th, we facilitated a client unwind of \$296 million notional credit protection referencing the super senior tranche of ALTS 2006-3A, an early 2006 vintage high grade CDO, at approximately 30 cents on the dollar. This high grade CDO security was similar to early 2006 vintage high grade CDOs on which AIG had sold Goldman Sachs credit protection, and in particular WESTC 2006-1A which was marked at 33 on February 29th.
- On March 28th, we purchased \$38 million of the super senior class of the same ALTS 2006-3A high grade CDO at approximately 32 cents on the dollar from a different client. The price of WESTC 2006-1A super senior was marked at 33 on March 28th.
- From the beginning of February through the end of March 2008, the ABX 06-1 AA index dropped 13 points from \$83 to \$70 and ABX 06-1 BBB index dropped 11 points from \$29 to \$18, as illustrated by the graph on page 4.
- During this period, we traded approximately \$21 billion RMBS and approximately \$1.4 billion CDOs across cash securities, single name CDS and CDS indices.

CDO Valuation Discussion with AIG

Throughout the period of the collateral dispute, we continued to augment and refine tools to provide additional analysis for our valuations.

In particular, in January 2008, in order to have a very detailed dialogue with AIG about our pricing, we performed an extensive analysis on our CDO transactions with AIG.

- **ALTS 2005-2A A1** is a super senior tranche from a late 2005 vintage high grade CDO. The valuation approach we used began with the underlying portfolio net asset value ("NAV"). The underlying portfolio was 96% RMBS, comprised of alt-A (43%), subprime (36%) and prime (15%), with the other 4% of the portfolio comprised of various other types of asset backed securities. Almost 95% of the collateral was issued in 2005 and had original ratings of triple-A (46%), double-A (25%) and single-A (29%). Informed by our market making activities in RMBS, Goldman Sachs used the large amount of available trade information to price the underlying assets. The result of this analysis was

an average price of \$73 for alt-A, \$67 for subprime and \$87 for prime arriving at a weighted average portfolio NAV of approximately 71 cents on the dollar.

The super senior notes comprised approximately 87.1% of the overall CDO capital structure. Therefore, the portfolio market value was equal to approximately 81.4% of the face amount of the super senior class (71.0/87.1). The portfolio NAV divided by the super senior tranche size ignores the cashflows owed as well as the value of the other parts of the CDO capital structure, such as subordinate tranches, swap counterparties, and other fees and expenses (collectively referred to as cashflow "leakage"). For ALTS 2005-2A A1, we estimated the leakage (using market pricing for the subordinate CDO liabilities and the embedded fixed/floating interest rate swap) to be approximately 6% of the super senior face amount. Deducting this 6% leakage from 81.4% resulted in a NAV-based calculated value of 75.4 for the super senior tranche.

Goldman Sachs' bid and offer for ALTS 2005-2A A1 was 67.5 / 77.5, further informed by the market supply/demand dynamic, other market pricing information, in depth portfolio analysis and relative value tools. The mid-market price of 72.5 was used for purposes of margining the CDS protection with AIG.

- **BROD 2005-1A A1NA and A1B1** are *pari passu* super senior tranches from a 2005 vintage high grade CDO issued in late 2005. The underlying portfolio was 80% RMBS, comprised of subprime (45%), alt-A (26%), and prime (9%), with the other 20% of the portfolio comprised mostly of CDOs. Over 90% of the collateral was issued in 2005 and had original ratings of triple-A (25%), double-A (47%) and single-A (27%). Informed by our market making activities in RMBS and other products, Goldman Sachs used the large amount of available trade information to price the underlying assets. The result of this analysis was an average price of \$57 for 2005 collateral and \$70 for 2004 vintage collateral arriving at an NAV of 57 cents on the dollar.

The super senior class comprised approximately 84.0% of the overall CDO capital structure. The leakage was estimated to be approximately 4.0% of the super senior class face amount on this date. Therefore, the NAV-based calculated value was 64.4 (i.e., 57.5 / 84.0 - 4.0).

Incorporating the market supply/demand dynamic and other market pricing information, our bid and offer for BROD 2005-1A A1NA and A1B1 was 55 / 65. The mid-market price of 60 was used for purposes of margining the CDS protection with AIG.

- **SCF 8A A1NV** is an early 2006 vintage mezzanine super senior CDO. The underlying portfolio was 88% RMBS, comprised mostly of subprime (73%) and alt-A (14%) with the other 12% of the portfolio consisted mostly of CDOs and CMBS. More than 85% of the collateral was issued in 2005 or later and had original ratings of triple-B (98%), and single-A (2%). Informed by our market making activities in RMBS and other products, we used the large amount of available trade information to price the underlying assets. The result of this analysis was an average price of \$43 for the RMBS, \$86 for the CMBS and \$5 for the CDOs, resulting in a portfolio NAV of 41 cents on the dollar.

The super senior class size was 68.1% of the overall CDO capital structure. We estimated the leakage to be approximately 10.6% of the super senior class face amount. Therefore, the NAV-based value was 49.4.

Incorporating the market supply/demand dynamic and other market pricing information, our bid and offer for SCF 8A A1NV was 37.5 / 47.5. The mid-market price of 42.5 was used for purposes of margining the CDS protection with AIG.

Although we did not conduct the same level of analysis as the January 2008 exercise summarized above, throughout the course of our collateral dispute with AIG we performed analyses of comparable transactions and actionable bids and offers using a similar methodology.

Conclusion

We believe that our marks on the GS-AIG trades were accurate for a number of reasons, including:

- As we have demonstrated, our fair value marks were based upon the best available market information at that time because we were an active market maker in cash and credit default swap mortgage products throughout 2007 and 2008.
- We were willing and ready to make a two-way market. If AIG believed that our marks were too low relative to the rest of the market, it could have bought additional risk at those significantly lower prices. It did not.
- We told AIG that it could offer our prices to other counter parties in an effort to find clearing levels for the specific reference obligations if it was not interested in adding risk.
- The prices at which we marked the securities were consistent with the prices we had on similar securities that we held in our inventory.
- We used consistent prices to post collateral to clients on the other side of the AIG transactions.
- We felt confident enough in the accuracy of our marks to pay a premium to other financial institutions in order to hedge our uncollateralized credit risk to AIG.

We questioned AIG's view of the value of super senior CDO risk they insured because:

- We provided our individual marks to AIG on a daily basis, but AIG did not provide us with its marks, despite repeated requests to do so. This was not consistent with how other counterparties looked to resolve valuation disputes.
- AIG stated on numerous occasions in our discussions with them that they were not actively trading in the market.
- AIG depended on third party marks but confirmed on multiple occasions that it could not buy or sell on those prices. In other words, the marks they cited were not actionable.
- During early discussions with AIG, they stated they were looking at their positions on a "more fundamental" basis and were accordingly not incorporating actual current market values.

Indeed, as AIG stated during its testimony before the FCIC, it did not have an internal pricing system to value the securities on which they sold credit protection until December 2007.

From: Swenson, Michael
Sent: Thursday, May 31, 2007 12:35 PM
To: Gaddi, Robert
Subject: RE: Stark CDO CDS potential trade 5/31

You need to manage their opinions on marks - that has been fully vetted over here

From: Gaddi, Robert
Sent: Thursday, May 31, 2007 12:34 PM
To: Swenson, Michael
Subject: RE: Stark CDO CDS potential trade 5/31

I know. Just stating that I want to team up with you guys. It is based on the simple frustration I've had with Stark They are printing business and we can't seem to hit. Like I said yseterday:

NIMs
 Reremic NIMs
 Residuals
 Whole loan packages
 CDO equity
 Their opinions on our marks
 The list is long.

From: Swenson, Michael
Sent: Thursday, May 31, 2007 11:30 AM
To: Gaddi, Robert
Subject: RE: Stark CDO CDS potential trade 5/31

You make it sound like it is impossible - this trade is not broadly disseminated (we can not print a lot of it and many people ask for it)

From: Gaddi, Robert
Sent: Thursday, May 31, 2007 12:29 PM
To: Swenson, Michael
Subject: RE: Stark CDO CDS potential trade 5/31

I am trying to work with you guys.

From: Swenson, Michael
Sent: Thursday, May 31, 2007 11:27 AM
To: Gaddi, Robert
Subject: RE: Stark CDO CDS potential trade 5/31

ok

From: Gaddi, Robert
Sent: Thursday, May 31, 2007 12:26 PM
To: Swenson, Michael
Subject: RE: Stark CDO CDS potential trade 5/31

OK. Fair enough. I'd like you to spearhead any call.

From: Swenson, Michael
Sent: Thursday, May 31, 2007 11:23 AM
To: Gaddi, Robert; Chin, Edwin; Salem, Deeb

1

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1753

Subject: RE: Stark CDO CDS potential trade 5/31

Frankly we believe we are best in class and have numerous data from controllers, collateral posting and markit data (the company not market) that reflect upon this. This process is thoroughly reviewed by all levels of senior management at GS.

However, they are the client and they are allowed to feel that way . . . Unlike other dealers we stand by our marks and are willing to transact in the context of our marks. We are happy to address that if they wish.

We also do not mark our book wide if we are long protection and tight if we are short. we mark to market.

From: Gaddi, Robert
Sent: Thursday, May 31, 2007 12:17 PM
To: Chin, Edwin; Salem, Deeb; Swenson, Michael
Subject: Stark CDO CDS potential trade 5/31

Stark has an interest in looking at this trade; but here is an obstacle that we need to address: They feel Goldman is very inconsistent in the single name HEL CDS marks that we provide them. We are drastically different in marking positions versus other dealers. It is an annoyance that would potentially limit their interest in putting on incremental CDS trades. I can name specific examples if you would like. Please advise.

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Goldman
Sachs

Robert S. Gaddi
Vice President
Fixed Income Currency & Commodities Division

From: Swenson, Michael
Sent: Thursday, June 07, 2007 9:34 PM
To: Lehman, David A.
Subject: Re: BSAM Post

----- = Redacted by the Permanent
Subcommittee on Investigations

No not really

----- Original Message -----
From: Lehman, David A.
To: Swenson, Michael
Sent: Thu Jun 07 21:20:03 2007
Subject: Re: BSAM Post

Ur fired up tonight

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- Original Message -----
From: Swenson, Michael
To: Lehman, David A.
Sent: Thu Jun 07 21:15:35 2007
Subject: Re: BSAM Post

He is done

----- Original Message -----
From: Lehman, David A.
To: Swenson, Michael
Sent: Thu Jun 07 21:13:37 2007
Subject: Re: BSAM Post

I disagree on this one

Let's talk tomorrow

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1754

— = Redacted by the Permanent
Subcommittee on Investigations

----- Original Message -----
From: Swenson, Michael
To: Lehman, David A.
Sent: Thu Jun 07 21:11:47 2007
Subject: Re: BSAM Post

A lot

----- Original Message -----
From: Lehman, David A.
To: Swenson, Michael
Sent: Thu Jun 07 21:10:35 2007
Subject: Re: BSAM Post

How much do u want to mark him by?

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- Original Message -----
From: Swenson, Michael
To: Lehman, David A.
Sent: Thu Jun 07 21:09:43 2007
Subject: Re: BSAM Post

We need to mark him he is the biggest elephant by far and it has an impact on the m\$arket

----- Original Message -----
From: Lehman, David A.
To: Swenson, Michael
Sent: Thu Jun 07 21:07:36 2007
Subject: Re: BSAM Post

Told Egol I'm comfortable w/ the prices, especially when u include the 5 pt HC

Don't think marling him down 1 or 2 pts makes sense or sends the right message

I wud run it by Dan and get his take

He already took the riskiest tranche off the line and we just have the 60-80 and 80-90 tranche

If Sparks feels like u and Egol I wud go for it, but my opinion is that the Firm is appropriatley protected w/ current HC and mark

David A. Lehman
Goldman, Sachs & Co.

85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- Original Message -----
From: Swenson, Michael
To: Lehman, David A.
Sent: Thu Jun 07 20:59:12 2007
Subject: Fw: BSAM Post

Redacted by the Permanent Subcommittee on Investigations

I am on the same page as egol we need to mark him

----- Original Message -----
From: Mullen, Donald
To: Swenson, Michael; Lehman, David A.
Sent: Thu Jun 07 20:52:43 2007
Subject: Fw: BSAM Post

Fyi

----- Original Message -----
From: Ouderkirk, Gerald
To: Mullen, Donald; Roberts, William; Brafman, Lester R
Cc: Davilman, Andrew
Sent: Thu Jun 07 17:44:11 2007
Subject: BSAM Post

Got an incoming from BSAM today via Davilman. It sounds like given the noise around his fund and the requests for redemptions, he would be open to entertaining bids on select positions in his portfolio. He sent over a list of holdings in his two funds: High Grade Structured Credit Strategies & High Grade Structured Credit Strategies Enhanced Leverage. The 'Structured Credit' portion of these fund names is a bit of a misnomer given they contain almost entirely ABS CDO positions. A brief look at the credit positions in these two funds indicate that they are below average at best; lots of Highland, some Mariner, hardly any super senior and quite a few middle market exposures. In total these two portfolios add up to roughly 17bil in total exposure after leverage. It goes without saying that if this portfolio were to be released into the market the implications would be pretty severe. While we think that this is a very low probability given he has been granted a freeze on redemptions, it is clear that about 30% of his investors want out. His plan is to commence a controlled sell-down to lower leverage and cash people out slowly. He feels given his redemption freeze, he will not be a forced seller. We are going to try to show a handful of bids in on his CLO line items to test willingness to sell and curry some good favor. We should know a lot more once we see his response to our bids. Will keep you all posted.
-Jerry

Jerry Ouderkirk
Goldman, Sachs & Co.
Secondary CDO & Cat Bond Trading
One New York Plaza, 50th Floor
New York, NY 10004

Tel: (212) 902-8140
Fax: (212) 428-3341

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From: Chin, Edwin
Sent: Thursday, June 07, 2007 9:49 AM
To: Swenson, Michael; Salem, Deeb
Subject: RE:

I had drinks with PK at ellington yesterday and he is looking to add at least about \$500MM of BBB risk in the near term. I mentioned there was a hedge fund on the side and he was very axed to do something. He is also axed to sell protection on dicey single-A names.

-----Original Message-----

From: Swenson, Michael
Sent: Thursday, June 07, 2007 9:34 AM
To: Salem, Deeb; Chin, Edwin
Subject: RE:

We need to be careful

-----Original Message-----

From: Salem, Deeb
Sent: Thursday, June 07, 2007 9:30 AM
To: Swenson, Michael; Chin, Edwin
Subject: Re:

Should we also send an email to select sales people in the mtg salesforce saying that we r looking to buy a block of single name protection vs a cdo OUT OF COMP? Its a no lose situation...either we get some sn protection that we want or we gave these guys a chance and nobody can say we aren't working with them

Sent from my BlackBerry Wireless Device

----- Original Message -----

From: Swenson, Michael
To: Salem, Deeb; Chin, Edwin
Sent: Thu Jun 07 09:05:43 2007
Subject: RE:

Great idea

-----Original Message-----

From: Salem, Deeb
Sent: Thursday, June 07, 2007 9:04 AM
To: Swenson, Michael; Chin, Edwin
Subject:

We need to go to magnetar and see if we can buy a bunch of the cdo protection. Nice thing about it is that they have low cpn trades that we can step into.

Can tell them we have a protection buyer, who is looking to get into this trade now that spreads have tightened back in

Sent from my BlackBerry Wireless Device

1
Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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From: Swenson, Michael
Sent: Friday, June 08, 2007 11:09 AM
To: Case, Benjamin; Chin, Edwin; Salem, Deeb
Subject: RE: CDO CDS protection offers

Want to slow down on cdo protection offers

From: Case, Benjamin
Sent: Wednesday, June 06, 2007 6:14 PM
To: Chin, Edwin; Salem, Deeb; Swenson, Michael
Subject: CDO CDS protection offers

Here's what I'm thinking for offers for protection for Fortis (who said they want to buy protection on names like Cairn Mezz, Sherwood, and Glacier in the 700-800 range) and Pardus (new to the CDO market and likes the idea of seeing a slice of protection from our book as a package) -- you guys ok with this?

25 names, 5mm a name, offer protection as a package at +750. Can kick out up to 3 names if they want and keep the same level on the package.

TOPG 2006-2A B
 BFCGE 2006-1A A3L
 CRNMZ 2006-2A C
 SHERW 2005-2A C
 IXBO 2006-2A C
 MNPT 2006-2A A4
 CAMBR 6A D
 PINEM 2006-AA C
 DUKEF 2006-10A A3
 TOURM 2006-2A D
 GEMST 2005-3A C
 CRNMZ 2006-1A 5
 BFCSL 2006-1A D
 TOPG 2005-1A B
 GSCSF 2006-1A B
 DUKEF 2005-9A A3V
 HGCD0 2006-1A C
 SHERW 2006-3A A3 (this name only for Fortis since they specifically asked for it, not for others)
 ALPHA 2007-1A 5
 FTDRB 2005-1A A3L
 RIVER 2005-1A C
 LHILL 2006-1A A3
 BARM 2006-1A C
 GLCR 2006-4A C
 BWIC 2006-1A C

From: Swenson, Michael
Sent: Sunday, June 10, 2007 3:56 PM
To: Salem, Deeb; Bhavsar, Avanish R; Chin, Edwin
Subject: Re: CDS on CDOs

Really don't want to offer any

----- Original Message -----

From: Salem, Deeb
To: Bhavsar, Avanish R; Chin, Edwin; Swenson, Michael
Sent: Sun Jun 10 13:21:03 2007
Subject: Re: CDS on CDOs

Not sure if we have any to offer any more. Let's discuss monday

Sent from my BlackBerry Wireless Device

----- Original Message -----

From: Bhavsar, Avanish R
To: Salem, Deeb; Chin, Edwin
Sent: Sun Jun 10 12:07:08 2007
Subject: Fw: CDS on CDOs

Can I get levels gor chad thx

----- Original Message -----

From: C. Klinghoffer <cklinghoffer@glenviewcapital.com>
To: Bhavsar, Avanish R
Sent: Sun Jun 10 12:05:58 2007
Subject: Re: CDS on CDOs

<<Glenview_Disclaimer.txt>>
K thanks

----- Original Message -----

From: Bhavsar, Avanish R <avanish.bhavsar@gs.com>
To: C. Klinghoffer
Sent: Sun Jun 10 12:02:51 2007
Subject: Re: CDS on CDOs

I can get mon, range 6-900 roughly

----- Original Message -----

From: C. Klinghoffer <cklinghoffer@glenviewcapital.com>
To: Bhavsar, Avanish R
Sent: Sat Jun 09 18:59:08 2007
Subject: RE: CDS on CDOs

hey av, what levels are these at?

From: Bhavsar, Avanish R [mailto:avanish.bhavsar@gs.com]
Sent: Thursday, June 07, 2007 3:10 PM
To: C. Klinghoffer
Subject: CDS on CDOs

Deal Name Tranche Rating

BFCGE 2006-1A	A3L	A
BWIC 2006-1A	C	A
CAMBR 6A	D	A
CBCL 15A	C	A
CBCL 16A	C	A
CRNMZ 2006-1A	5	A
CRNMZ 2006-2A	C	A
DUKEF 2006-10A	A3	A
ETRD 2006-5A	A3	A
GEMST 2005-3A	C	A
GLCR 2006-4A	C	A
HGCD0 2006-1A	C	A
HLCDO 2006-1A	C	A
ICM 2005-2A	C	A
IXCBO 2006-2A	C	A
LRDG 2006-1A	C	A
PINEM 2006-AA	C	A
RIVER 2005-1A	C	A
SHERW 2005-2A	C	A
SMSTR 2005-1A	B	A
TOPG 2006-2A	B	A
TOURM 2006-2A	D	A
ALPHA 2007-1A	3	AA
ACCD0 10A	B	AA
CAMBR 5A	A3	AA
CBCL 15A	B	AA
DUKEF 2006-12A	A2	AA
SHERW 2005-2A	B	AA
TOURM 2005-1A	III	AA

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Subcommittee on Investigations

Avanish R. Bhavsar
Managing Director
Capital Structure Sales
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From: Salem, Deeb
Sent: Wednesday, June 13, 2007 9:59 AM
To: Case, Benjamin; Chin, Edwin; Swenson, Michael
Subject: RE: CDO protection

too late!

From: Case, Benjamin
Sent: Wednesday, June 13, 2007 9:58 AM
To: Chin, Edwin; Salem, Deeb; Swenson, Michael
Subject: FW: CDO protection

From: Cagnassola, Michael
Sent: Wednesday, June 13, 2007 9:50 AM
To: Case, Benjamin
Cc: Hancock, Samuel; Cagnassola, Michael
Subject: CDO protection

Dwight is looking to buy protection on cdos
AA or A tranche
>5% seconds
High ltv

Michael A. Cagnassola
Goldman Sachs & Co
Mortgage Sales
212-902-4570
800-242-4796
212-902-0686 Fax
michael.cagnassola@gs.com

From: Babikian, Aram
Sent: Tuesday, June 12, 2007 6:06 PM
To: Salem, Deeb; Davilman, Andrew; Swenson, Michael; ficc-abs-desk; Nehushtan, Liran
Cc: ficc-valuations-ny; Fan, Ronald; Lin, Jennifer C. (NY); Fredman, Sheara; Fortunato, Salvatore
Subject: RE: Please advise- Client challenging marks

CC'ing controllers

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From: Salem, Deeb
Sent: Tuesday, June 12, 2007 6:05 PM
To: Babikian, Aram; Davilman, Andrew; Swenson, Michael; ficc-abs-desk; Nehushtan, Liran
Cc: ficc-valuations-ny; Fan, Ronald; Lin, Jennifer C. (NY)
Subject: RE: Please advise- Client challenging marks

marks should come thru in the reports being generated tonight

From: Babikian, Aram
Sent: Tuesday, June 12, 2007 6:04 PM
To: Davilman, Andrew; Swenson, Michael; ficc-abs-desk; Nehushtan, Liran
Cc: ficc-valuations-ny; Fan, Ronald; Lin, Jennifer C. (NY)
Subject: RE: Please advise- Client challenging marks

Michael,

Has the system been updated with the new marks?

Regards,
Aram

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From: Davilman, Andrew
Sent: Tuesday, June 12, 2007 12:39 PM
To: Babikian, Aram; Swenson, Michael; ficc-abs-desk; Nehushtan, Liran
Cc: ficc-valuations-ny; Fan, Ronald; Lin, Jennifer C. (NY)
Subject: RE: Please advise- Client challenging marks

will these updated marks go out to the client?

From: Babikian, Aram
Sent: Monday, June 11, 2007 3:06 PM
To: Swenson, Michael; ficc-abs-desk; Davilman, Andrew
Cc: ficc-valuations-ny; Fan, Ronald; Lin, Jennifer C. (NY)
Subject: RE: Please advise- Client challenging marks

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1763

Michael,

Thank you very much.

--CC'ing compliance--

Jennifer,

Please be advised that GS needs to change their marks on the below trades due to a price disagreement.

Trading has agreed to change below marks in yellow.

Please approve.

GS Reference #	Product Type	B/S	Credit Market/Ref Ob	CUSIP	Cur
SDB981728144	Mtg Default Swap	Buy	FHLT 2005-1 M9 / FRHE0501 M9	35729PJK7	USD
SDB981024636.1	Mtg Default Swap	Buy	FHLT 2005-B M10 / FRHE05B M10	35729PKE9	USD
SDB981644490.0	Mtg Default Swap	Buy	MABS 2005-NC2 M9 / MABS05N2 M9	57643LMY9	USD
SDB981644493.1	Mtg Default Swap	Buy	MABS 2006-NC1 M9 / MAB06NC1 M9	57643LNQ5	USD

New marks per GS trading desk:

FHLT 05-1 M9 +547 will change to +750
 FHLT 05-B M10 +747 will change to +950
 MABS 05-NC2 M9 +565 on 5/17 this traded at +480 - mark will be 480 as it was unchanged after 5/17
 MABS 06-NC1 M9 +1001 offered at +1150 on 5/30 we did not trade or cover - mark will be 1150 since it was unchanged.

Thank you very much.

Regards,
 Aram

From: Swenson, Michael
Sent: Monday, June 11, 2007 2:14 PM
To: Swenson, Michael; Babikian, Aram; ficc-abs-desk; Davilman, Andrew
Cc: ficc-valuations-ny
Subject: RE: Please advise- Client challenging marks

FHLT 05-1 M9 +547 will change to +750
 FHLT 05-B M10 +747 will change to +950

From: Swenson, Michael
Sent: Monday, June 11, 2007 1:04 PM
To: Babikian, Aram; ficc-abs-desk; Davilman, Andrew
Cc: ficc-valuations-ny
Subject: RE: Please advise- Client challenging marks

FHLT 05-1 M9 +547 we will be
 back to you
 FHLT 05-B M10 +747 we will be
 back to you
 MABS 05-NC2 M9 +565 on 5/17 this
 traded at +480
 MABS 06-NC1 M9 +1001 offered at
 +1150 on 5/30 we did not trade or cover

From: Babikian, Aram
Sent: Monday, June 11, 2007 12:51 PM
To: ficc-abs-desk
Cc: ficc-valuations-ny
Subject: Please advise- Client challenging marks

GS Reference #	Product Type	B/S	Credit I
SDB981728144	Mtg Default Swap	Buy	FHLT 21 M9
SDB981024636.1	Mtg Default Swap	Buy	FHLT 21 M10
SDB981644490.0	Mtg Default Swap	Buy	MABS 2 MABS0
SDB981644493.1	Mtg Default Swap	Buy	MABS 2 MAB061

Team,

We show the above marks for COB 31MAY2007. The client has comeback to us and has challenged the marks. Do you stand by the above or is the system incorrect?

Thank you.

Regards,
 Aram

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From: Swenson, Michael
Sent: Tuesday, June 12, 2007 12:26 PM
To: Salem, Deeb
Subject: FW: CDS

I tild him 4:15 be ready

From: Mazumdar, Sanjay
Sent: Tuesday, June 12, 2007 12:10 PM
To: Swenson, Michael
Cc: Fortunato, Salvatore
Subject: CDS

Mike-

Given recent gyrations in the ABX and CDS markets when can I come by to discuss how you are marking the book tonight.

From: Swenson, Michael
Sent: Tuesday, June 19, 2007 6:26 PM
To: Fortunato, Salvatore
Subject: Re: A3 subprime bonds in transition account

Tier 4 bonds talk with deeb

----- Original Message -----

From: Fortunato, Salvatore
To: Swenson, Michael
Sent: Tue Jun 19 18:20:06 2007
Subject: RE: A3 subprime bonds in transition account

Mike,

These levels look quite wide. Do you have any specific market color that points in this direction?

From: Swenson, Michael
Sent: Tuesday, June 19, 2007 6:02 PM
To: Fortunato, Salvatore; Fredman, Sheara
Cc: Swenson, Michael; Lehman, David A.
Subject: A3 subprime bonds in transition account

fyi

<< File: Book1.xls >>

From: Egol, Jonathan
Sent: Friday, June 08, 2007 3:46 PM
To: Sparks, Daniel L
Cc: Swenson, Michael; Lehman, David A.; Brafman, Lester R; Egol, Jonathan
Subject: BSAM mark recap

We lowered the marks on 4 bonds down 2 pts each:

TWOLF 071 A1B 98 (from 100), BSAM has \$200mm
TWOLF 071 A1C 95 (from 97), BSAM has \$100mm
OCTANS 062 A3A 90 (from 92) -- not sold to them by GS but moved \$40mm onto our line
ABACUS 06HG1A AMSS 85 (from 87), BSAM has \$135mm

I talked to Saunders re: rationale for these mark changes, can post you live if there are any questions.

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Jonathan M. Egol
Structured Products Trading

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1770

204-3

From: Egol, Jonathan
Sent: Thursday, June 07, 2007 11:00 AM
To: Sparks, Daniel L
Subject: FW:

Attachments: Book12.xls

GS exposure to BSAM as of today. ABACUS mark corrected to 87 handle.

From: Malloy, Breanne
Sent: Thursday, June 07, 2007 11:00 AM
To: Tourre, Fabrice; Egol, Jonathan; Case, Benjamin
Cc: Davilman, Andrew
Subject:



Book12.xls

From: Williams, Geoffrey
Sent: Tuesday, June 12, 2007 6:39 AM
To: Sparks, Daniel L
Subject: Re: BSAM Exposure Summary

Marks for everything but the correlation positions are taken from work egol did last thurs. Correlation marks are as of friday's cob.

----- Original Message -----
From: Sparks, Daniel L
To: Williams, Geoffrey
Sent: Mon Jun 11 22:51:22 2007
Subject: RE: BSAM Exposure Summary

Marks look stale

From: Williams, Geoffrey
Sent: Monday, June 11, 2007 10:20 PM
To: Sparks, Daniel L
Cc: Swenson, Michael; Birnbaum, Josh; Lehman, David A.; Salem, Deeb; Egol, Jonathan; Kaufman, Jordan
Subject: BSAM Exposure Summary

Dan -- the attached spreadsheet summarizes all non-corporate cash/synthetic positions that BSAM's two high grade funds currently have on with GS either directly or through the repo desk. The spreadsheet also includes a separate tab which details each of the 225 individual positions (of which 86 are corporate related). Let us know if you have any questions or would like to see any additional analysis.

<< File: BSAM Exposure 20070611.xls >>

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: (212) 357-0818 | Fax: (212) 493-9565
e-mail: geoffrey.williams@gs.com

Goldman
Sachs

Geoff Williams
Structured Products Trading

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From: Young, Greg
Sent: Tuesday, June 12, 2007 7:08 PM
To: Broderick, Craig
Subject: BSAM Bullet Points

BSAM Bullet Points

Last week, GS learned that BSAM High Grade Structured Credit Strategies Enhanced Leverage Master Fund suspended redemptions at the end of February. The redemption requests at that time totaled \$250mm.

The fund strategy is essentially a 'carry book', trading primarily AAA and AA CDOs.

GS positions with the fund include mainly repo and CDS. We have 6-month committed financing with the fund via our Repos (a large part of the book). We committed to the 6-month financing b/c the deals financed were Goldman deals.

The fund is primarily long CDOs via repo (\$330mm of \$425mm)
 The fund is somewhat short CDOs via the CDS book (\$194mm of \$1,089mm)

GS has similar positions with the High Grade Structured Credit Strategies Master Fund.

BSAM is currently in the process of restating their performance figures for April, from down 5% to down 10%. This was due to many dealers changing the way they are marking their Repo positions. They said performance rebounded in May, being up 1.75%, so YTD performance should be roughly -14% as the end of May.

The GS Repo desk re-marked positions on Thursday. Collateral calls of \$13mm were sent and paid that afternoon.

BSAM also met calls on Friday.

On Monday, calls of \$6.8 mm were issued to the Enhanced Fund. \$2.4mm of this was not met. The portion not met was associated primarily with the remarking of two CDOs (Abacus and "Octan" - not sure of the spelling on the second)

In conversations on Monday with the PM, Ralph Cioffi, GS learned the following

The fund had approximately \$36mm of cash and \$66mm of liquid securities.

The fund had over \$60mm of calls on Monday, but that the majority of the calls had been extended

The fund hoped to organize a meeting of its 17 or so repo dealers to arrange a period of forbearance for 8 weeks while it liquidated assets

The fund hoped to raise an incremental \$200mm through liquidations

BSAM reported NAV of \$991mm, Total balance sheet assets of \$6.3 Bn

An additional call of \$1mm was issued on Tuesday morning, for a total call of \$3.45 for Enhanced (and also total \$2.3mm for Master)

The fund met the call in full at approximately 5:00 pm on Tuesday evening.

On Tuesday, GS discovered an incremental \$4.7mm in collateral relating to CDS that should be called from the Enhanced fund (and an incremental \$2.9mm from Master Fund). This amount will be incorporated into Wednesday morning's call. The incremental margin call should be less than this amount because before giving effect to this change, GS was holding excess collateral.

For both repo and CDS business, GS is currently fully collateralized. Open collateral calls are related to replenishing the maintenance margin. In all cases, initial margin / haircut exceeds the margin calls.

Settlement fails: both funds did fail to pay yesterday on a number of CD trades which is quite unusual (**12 fails** opened yesterday for two counterparties who have a total of 30 outstanding for CDs). They do have until 5:45 today to send payments. As of 5 pm, Treasury has not received anything. No fails are currently outstanding for other product areas or regions. Amounts are approximately \$110,000 for the Enhanced fund and \$45,000 for the Master Fund.

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BSAM is implementing a voluntary liquidation of [Warehouse facility? Still checking with Davilman]. BSAM believes it will free up \$135-140mm of liquidity they had posted as haircut. Bids are due Thursday 10am. Settlement will be either T+3 or T+4. They need to work the settlement date out with Dresdner. They will sell bonds before Thursday if their reserves are met.

From: Lehman, David A.
Sent: Monday, June 25, 2007 7:37 AM
To: Sparks, Daniel L.
Subject: FW: BSAM Repo Summary

He loves it

From: Montag, Tom
Sent: Monday, June 25, 2007 7:37 AM
To: Lehman, David A.
Subject: RE: BSAM Repo Summary

thanks--timberwolf outlook?

From: Lehman, David A.
Sent: Monday, June 25, 2007 7:17 AM
To: Lehman, David A.; Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael
Subject: RE: BSAM Repo Summary

Pls find an updated version of the BSAM repo summary

Some of the GS buy prices in the previous sheet were incorrect (too low)

Everything else is the same

Trading P+L (excluding correlation collapse) is +1.4mm

<< File: BSAM Repo Summary.xls >>

From: Lehman, David A.
Sent: Friday, June 22, 2007 5:03 PM
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael
Subject: BSAM Repo Summary

GS purchased ~664mm (9 line items) from BSAM

We have re-traded ~217mm (3 line items) and collapsed 135mm (1 line item) into our correlation book

Trading P+L (excluding correlation collapse) is +2mm

GS currently owns \$311mm bonds, \$300mm of which are TWOLF A1B and A1C

Details attached

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1770

CUSIP	Product Description	Buy Price	Sell Price	BSAM Repo Position	GS Current Position	Security Type	Rating
002561AF5	ABACUS 06HGS1 AMSS 144A 3(C)7	77.00	N/A**	135,000,000	-	CDO	AAA/Aaa
Redacted by the Permanent Subcommittee on Investigations							
88714PAC0	TWOLF 0701 A1B 144A 3(C)7 - RE	96.00		200,000,000	200,000,000	CDO	AAA/Aaa
88714PAD8	TWOLF 0701 A1C 144A 3(C)7 - RE	90.00		100,000,000	100,000,000	CDO	AAA/Aaa
Total				664,126,590	311,852,000		

** ABACUS deal was collapsed into the correlation book

709

CUSIP	Product Description	Buy Price	Sell Price	BSAM Repo Position	GS Current Position	Security Type	Rating
002561AF5	ABACUS 06HGS1 AMSS 144A 3(C)7	78.00	N/A**	135,000,000	-	CDO	AAA/Aaa
Redacted by the Permanent Subcommittee on Investigations							
88714PAC0	TWOLF 0701 A1B 144A 3(C)7 - RE	95.00		200,000,000	200,000,000	CDO	AAA/Aaa
88714PAD8	TWOLF 0701 A1C 144A 3(C)7 - RE	89.00		100,000,000	100,000,000	CDO	AAA/Aaa
Total				664,126,590	311,852,000		

** ABACUS deal was collapsed into the correlation book

From: Lehman, David A.
Sent: Monday, June 18, 2007 9:33 PM
To: Egol, Jonathan
Subject: FW: Today's Bear Stearns Prices

Attachments: BEAREXP.xls

Redacted by the Permanent Subcommittee on Investigations

From: Loftus, Colleen
Sent: Monday, June 18, 2007 7:11 PM
To: Cafagna, Francesco; Ryan, Brendan F; Reinhart, Erik
Cc: Piliago, Louls; Swann, Brian; Cameron, Patrick; Malloy, Breanne; Camacho, Robert; ficc-ops-repopricing; ficc-rcs-ny; Fong, Matthew A.; Surov, Kroum R.; Chin, Edwin; Case, Benjamin; Tourre, Fabrice; Mullen, Donald; Sparks, Daniel L; Brafman, Lester R; Swenson, Michael; Lehman, David A.; Surur, Paul R; Pradet, Steven; Godfrey, John
Subject: Today's Bear Stearns Prices

Good Afternoon,

We have received the following prices for today. Please advise if you do not agree with any of the prices listed below.

CUSIP	Product Description	Price as of 6/15	Price as of 6/18	Trader
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
002561AF5	ABAC 2006-HG1A AMSS	81	78	Fabrice Tourre
88714PAC0	TWOLF 2007-1A A1B	96	95	Ben Case
88714PAD8	TWOLF 2007-1A A1C	91	89	Ben Case

Current Exposure:

**** Please note this is a rough calculation. Prices have been adjusted. This calculation does not include the adjusted accrued coupon amount or overnight interest.**

BEAR STEARNS HIGH GRADE STRUCTURED CRED STRAT MASTER FD LTD: GS can mark Bear \$4,041,819
 BEAR STEARNS HIGH-GRADE STRC CR STRT ENHN LEVG MST FD, LTD: GS can mark Bear \$18,683,235



BEAREXP.xls

BEAR STEARNS HIGH-GRADE STRC CR STRT ENHN LEVG MST FD, LTD.

Notional (Loan Amt. + Accrued Interest) = \$404,038,103
 Security Value = \$405,636,702
 Haircut = 5%
 Haircut Cushion = \$20,281,835
 MTM = \$18,683,235

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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Exposure Net of Collateral = \$1,598,599 in GS' favor

BEAR STEARNS HIGH GRADE STRUCTURED CRED STRAT MASTER FD LTD.

Notional (Loan Amt. + Accrued Interest) = \$190,774,530

Security Value = \$196,560,748

Haircut = 5%

Haircut Cushion = \$9,828,037

MTM = \$4,041,819

Exposure Net of Collateral = \$5,786,218 in GS' favor

Thank you,
Colleen

From: Sparks, Daniel L
Sent: Wednesday, June 27, 2007 10:01 AM
To: Viniar, David
Subject: CDO^2's

Attachments: SP CDO MTM - 6-25.xls

Below is an update of CDO^2 retained positions that we had the primary valuation discussions on. We included CDS protection buys as sales.

Bond	End May (MM)	6/27/07 (MM)	Sales (MM)	Current Price	Current Mkt Value
Point Pleasant Jr AAA front class	127	107	(20)	87	93
Point Pleasant Jr AAA second class	35	35		76	27
Point Pleasant AA	50	50		60	30
Point Pleasant A	10	10		54	5
Point Pleasant BBB	3	3		50	2
Point Pleasant Equity	10	10		71	7
Timberwolf Jr AAA (20-50 attachment)	245	99	(146)	75	74
Timberwolf AA	107	57	(50)	66	38
Total	588	372	(216)		276
Bought from BSAM					
Timberwolf Super Sr AAA (70-90 attachment)		200		96	192
Timberwolf Super Sr AAA (60-70 attachment)		100		90	90
		300			282

Below is the spreadsheet with some minor revisions of the print-out I gave you today.

From: Lehman, David A.
Sent: Wednesday, June 27, 2007 9:18 AM
To: Salame, Pablo
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Brafman, Lester R
Subject: CDO MTM spreadsheet from 6/25

As per Lester, pls find the attached detail on the SP CDO MTM that was put through on Monday



SP CDO MTM -
6-25.xls

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Subcommittee on Investigations**

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-
e-mail: david.lehman@gs.com

Goldman
Sachs

**Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1770**

David Lehman
Fixed Income, Currency & Commodities

Disclaimer:

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P+L from CDO cash and CDS re-mark

	(\$mm)
ABS Trading	
Cash	(7)
CDS	92
Correlation Trading (CDS)	23
CMBS Trading (CDS)	4
Total - SPG Trading	111
CDO Retained and WH	
CDO Retained Cash	(63)
CDO Retained CDO^2	(22)
CDO Retained CDS (longs)	(18)
CDO Retained CDS (hedges)	17
Total - CDO Retained and WH	(86)
TOTAL - Mtg Dept	25

2009

GS MBS-E-009747489

Bond	C/F (MM)	Old Price	New Price		P&L
PTPLS 0701 A1 144A	107.47	90.00	87.00	3.00	(3.22)
PTPLS 0701 A2 144A	35.00	82.50	76.00	6.50	(2.28)
PTPLS 0701 B 144A	50.00	65.00	60.00	5.00	(2.50)
PTPLS 0701 C 144A	3.90	54.00	54.00	-	-
PTPLS 0701 C REGS	6.20	54.00	54.00	-	-
PTPLS 0701 D REGS	3.00	48.00	50.00	(2.00)	0.06
PTPLS 0701 INCOME NOTES REGS	10.09	71.00	71.00	-	-
TWOLF 0701 A1B 144A	200.00	96.00	96.00	-	-
TWOLF 0701 A1C 144A	100.00	90.00	90.00	-	-
TWOLF 0701 A2 144A	149.00	82.00	75.00	7.00	(10.43)
TWOLF 0701 B 144A	107.00	69.25	66.00	3.25	(3.48)
CDS TWOLF 0701 A2 144A	(50.00)	84.00	77.00	7.00	N/A
CDS TWOLF 0701 B 144A	(50.00)	78.00	71.00	7.00	N/A
Total					(21.85)

From: Lee, Jay
Sent: Friday, June 08, 2007 6:14 AM
To: Sparks, Daniel L
Cc: Bohra, Bunty
Subject: FW: Heads up -- rates market volatile

FYI -- I have been trying to reach the cellphones of people in risk-taking roles about the unprecedented overnight market volatility. Given rates volatility (10yrs currently off 14bp, curve 11bp steeper, swap spreads 3-4bp wider) and widening of corporates spreads, it probably makes sense for Passthrough, CMO, and ABX traders to come in early. Much of IRP is already in the office.

From: Lee, Jay
Sent: Friday, June 08, 2007 7:06 PM
To: ficc-spgsyn
Cc: Lehman, David A.; Swenson, Michael; Chin, Edwin; Salem, Deeb; Birnbaum, Josh; Williams, Geoffrey
Subject: Heads up -- rates market volatile
Importance: High

When London came in, [REDACTED] sold off through stop-loss levels and UST sold off in sympathy without any flows. GS isn't seeing anything in [REDACTED] either. This is the most volatile market move I have ever seen overnight -- we're off 12.5bp from the close and 10bp steeper. 10yr yields are 5.23% (previous day's close was 4.97%). Swap spreads 3-4bp wider on the day, I would price mortgages at least 4-6 wider to swaps, and vol guaranteed to rise. Corporate credit spreads wider as well.

Given recent correlation of risk assume this is not a good sign for RMBS / ABS spreads.

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1771

From: Birnbaum, Josh
Sent: Friday, June 08, 2007 11:41 AM
To: [REDACTED]
Subject: RE: * ABX Markets 07-1, 06-2, 06-1: 11:00am

Patience, patience. The CDO unwind has only begun.

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----

From: [REDACTED]
Sent: Friday, June 08, 2007 11:39 AM
To: Birnbaum, Josh
Subject: RE: * ABX Markets 07-1, 06-2, 06-1: 11:00am

These markets are devastating Joshua; my colleagues and I are getting crushed!

-----Original Message-----

From: Birnbaum, Josh [mailto:josh.birnbaum@gs.com]
Sent: Friday, June 08, 2007 11:04 AM
Subject: * ABX Markets 07-1, 06-2, 06-1: 11:00am

ABX.HE.07-1

Cpn	Price	Ch	Spread	Ch	Size
SpDur					
AAA 9	99-05 / 99-29	-0-002	27 / 11	+0.2	50x 50 4.75
AA 15	98-31 / 99-31	-0-003	44 / 16	+0.3	25x 25 3.55
A 64	92-20 / 93-20	-0-125	283 / 254	+11.8	25x 25 3.36
BBB 224	73-04 / 74-04	-0-302	1048 / 1018	+29.0	10x 10
3.26					
BBB- 389	65-24 / 66-24	-0-226	1469 / 1438	+22.4	10x 10
3.17					

ABX.HE.06-2

Cpn	Price	Ch	Spread	Ch	Size
SpDur					
AAA 11	99-08 / 100-00	0-01+	28 / 11	-1.0	50x 50 4.49
AA 17	99-01 / 100-01	-0-002	48 / 16	+0.3	25x 25 3.09
A 44	95-00 / 96-00	-0-16	211 / 178	+16.7	25x 25 2.99
BBB 133	81-20 / 82-20	-0-096	771 / 736	+10.6	10x 10 2.88
BBB- 242	72-00 / 73-00	-0-117	1249 / 1213	+13.3	10x 10
2.78					

ABX.HE.07-1/ABX.HE.06-2 Roll

	Price	Ch	Spread	Ch	Size
AAA	-0-01 / 0-07	0-016	3 / -2	-1.2	50x 50
AA	-0-02 / 0-06	0-001	6 / -1	-0.0	50x 50
A	1-28 / 2-28	-0-033	-59 / -89	+5.0	25x 25
BBB	7-24 / 9-08	0-20+	-256 / -302	-18.4	25x 25
BBB-	5-16 / 7-00	0-107	-199 / -246	-9.1	25x 25

ABX.HE.06-1

Cpn	Price	Ch	Spread	Ch	Size
SpDur					
AAA 18	99-24 / 100-16	0-011	24 / 5	-0.9	50x 50 3.92
AA 32	99-17 / 100-17	-0-002	49 / 13	+0.3	25x 25 2.76
A 54	97-20 / 98-20	-0-113	146 / 108	+13.8	25x 25 2.57
BBB 154	92-20 / 93-20	-0-147	455 / 414	+19.0	10x 10 2.45
BBB- 267	86-16 / 87-16	-0-165	825 / 784	+21.5	10x 10 2.42

**Spreads computed from prices using a weighted average spread duration (generated at the base Bloomberg speed) for all 20 reference obligations in the index.

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Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1773

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From: Sparks, Daniel L
Sent: Tuesday, July 17, 2007 6:34 PM
To: Mullen, Donald; Montag, Tom
Subject: FW: Mortgages Estimate

We moved a significant amount of positions today from origination desks to secondary and took hits related to that. The only positions not moved are Prime Hybrid subs (we will do in next day or 2 and we reserved \$5mm for it which should be close to internal transfer cost) and the scratch and dent subs (not currently planning to move for business reasons). Finck did a very good job mediating - Clay and Nestor are very unhappy with me but I have given them months to do this and it was time.

Large move down and visibility in option ARM subs today from bid list that traded poorly.

Gain today in Alt A space as hedge gains had been reserved too much - team understands going forward to flow through vol.

In case you did not see it, BSAM funds returning 9 cents and 0 cents on the dollar in less-levered and more levered funds.

Separately, I really want to speak about Will Roberts and what you think this will achieve that is not either happening or in process - and a little more about me.

From: Bin, Ki-Jun
Sent: Tuesday, July 17, 2007 6:19 PM
To: ficc-eod
Subject: Mortgages Estimate

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FICC Mortgages - Daily P&L Estimate

I. SUMMARY

Structured Products	(9,415,000)
- Resi Prime/Mtg Derivs	(26,750,000)
- Resi Credit	5,000,000
- CRE LT	
- ABS L&F	
- SPG Trading	15,000,000
- CDO / CLO	(5,200,000)
- Other Structure	
Products	
Europe	
Other (Advisory, PFG, Managers/Other)	
MORTGAGES	(9,415,000)
Mortgages WTD	28,140,357
Mortgages MTD	(41,586,278)

II. DETAIL

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1775

Business Strategy	Desk	Daily Total	Comments
STRUCTURED PRODUCTS			
Mortgage Derivative		250,000	
	Agency Derivatives	250,000	
	Whole Loan Derivs		
	MSR		
Residential Prime		(27,000,000)	
	FHA/VA - Primary		
	FHA/VA - Secondary		
	Prime Hybrid - Primary		
	Prime Hybrid - Secondary	(15,000,000)	
	Agency Hybrid	(5,000,000)	
	Prime Fixed	(7,000,000)	subs transfer/write down
	Agency CMO - Primary		
	Agency CMO - Secondary		
Residential Credit		5,000,000	
	Scratch and Dent	(6,500,000)	ABX AAA tightening
	Subprime		
	Alt-A	18,000,000	loans & ABX
	2nd Liens	(500,000)	ABX AAA tightening
	Subs	(6,000,000)	
	Residuals - Scratch & Dent		
	Residuals - Subprime		
	Residuals - Alt-A		
	Residuals - 2nd Liens		
CRE Loan Trading			
	Fixed Large Loan		
	Floater Large Loan		
	Fixed Conduit		
	Transitional Loans		
	CRE CDO		
ABS Loans & Finance			
	Consumer		
	Commercial		
	Europe		
	Warehouse		
SPG Trading		15,000,000	
	CMBS Trading	8,000,000	CMBS CDS
	CRE CDO		
	ABS Trading	6,000,000	ABS CDS
	Property Derivatives		
	Correlation	1,000,000	ABS CDS, CMBS CDS, New CMBX Tr.
CDO/CLO		(5,200,000)	
	ABS / MBS CDO	(5,200,000)	retained debt markdowns/ gain on AI
	GSI SP Credit Warehouse		
	US CLO		
	EURO CLO		
	CRE CDO		

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	<i>Retained Principal Positions</i>	
Tax Related Securities	<i>Non-economic residuals</i> <i>Economic residuals</i>	
Warehouse Lending	<i>Residential</i> <i>Commercial</i> <i>Asset Backed</i>	
Syndicate	<i>ABS</i> <i>CMBS</i> <i>CDO</i> <i>RMBS</i>	
Other		
Total Structured Products		(9,415,000)
EUROPE Acquisition Finance	<i>Syndicate</i> <i>Trading</i>	
European CMBS	<i>Syndicate</i> <i>Trading</i>	
Total Europe		
Total Advisory		
Total PFG JV		
Total Manager's Account / Other		

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 e-mail: ki-jun.bin@gs.com

Goldman
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Ki-Jun Bin
 Finance Division

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<http://www.gs.com/disclaimer/email/>

225-3

From: Montag, Tom
Sent: Friday, June 22, 2007 4:32 PM
To: Sparks, Daniel L
Subject: RE: Few trade posts

boy that timeberwof was one shitty deal

-----Original Message-----
From: Sparks, Daniel L
Sent: Friday, June 22, 2007 4:30 PM
To: Montag, Tom
Subject: Re: Few trade posts

Yes - main thing left is 300mm timberwolfs Other large positions were tmts - gone, octan - gone, abacus - we will collapse against short There were some small rmbs positions

I will get you a complete summary with details

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Fri Jun 22 16:22:56 2007
Subject: RE: Few trade posts

can I get complete rundown on everything we bought from BSAM and whats left?

-----Original Message-----
From: Sparks, Daniel L
Sent: Friday, June 22, 2007 3:00 PM
To: Montag, Tom
Subject: Fw: Few trade posts

----- Original Message -----
From: Lehman, David A.
To: Mullen, Donald; Sparks, Daniel L; Brafman, Lester R
Cc: Swenson, Michael; Birnbaum, Josh
Sent: Fri Jun 22 14:28:20 2007
Subject: Few trade posts

Traded \$20mm of the OCTAN 06-2 A3A mezz CDO bonds to Magnetar @ \$82...we bot these bonds @ \$80 from BSAM..trying to upsize the ticket to 40mm @ \$82 which will clean us out...Egol did a great job w/ Magnetar on this one.

Also, we have sold \$40mm RMBS A3/A- out of the WH account to MS prop and another \$10mm to Ellington.

Only 40mm RMBS A3/A- remain in the WH accounts, 1/2 of which is Long Beach paper - Edwin/Deeb continue to work.

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85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-
e-mail: david.lehman@gs.com

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David Lehman

**Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1778**

From: CHARMAINE LEE - GOLDMAN, SACHS & CO. [charmaine.lee@hk.email.gs.com]
Sent: Monday, June 18, 2007 7:12 PM
To: Chin, Edwin
Subject: [BB2inet Log Message] [3858985629] [Fwd: ABX Open.....Comments on pg 2]

'X-GS-Communications-System' => 'Bloomberg to Internet', 'X-Bloomberg-Original-From' => CLEEE1@bloomberg.net|CHARMAINE LEE|GOLDMAN, SACHS & CO.|3788|, 'X-Bloomberg-Original-To' => EKC9@bloomberg.net|EDWIN CHIN|GOLDMAN, SACHS & CO.|3788|2270779 'X-Bloomberg-Original-Date' => 2007-06-18-19.11.55.000000, 'X-Bloomberg-Original-TimeZone' => 'New York Time',

----- Original Message -----

From: ROBERT LYNN, CREDIT SUISSE SECURI
At: 6/18 13:07:21

----- Original Msg from: TED MORAN, CREDIT SUISSE SECURI At: 6/18 9:06:58

ABX 2007-1	strike	size	bid	offer
ABX.HE.AAA	9	50x50	99-0	100-0
ABX.HE.AA	15	25x25	98-24	99-24
ABX.HE.A	64	25x25	90-0	91-16
ABX.HE.BBB	224	10x10	69-0	71-0
ABX.HE.BBB-	389	10x10	60-0	62-0

ABX 2006-2	strike	size	bid	offer
ABX.HE.AAA	11	50x50	99-0	100-0
ABX.HE.AA	17	25x25	99-0	100-0
ABX.HE.A	44	25x25	92-0	94-24
ABX.HE.BBB	133	10x10	75-0	77-0
ABX.HE.BBB-	242	10x10	66-8	68-8

ABX 2006-1	strike	size	bid	offer
ABX.HE.AAA	18	50x50	99-24	100-10
ABX.HE.AA	32	25x25	99-16	100-8
ABX.HE.A	54	25x25	96-8	98-0
ABX.HE.BBB	154	10x10	90-0	92-0
ABX.HE.BBB-	267	10x10	82-8	84-8

Comments:

Wild ride to close the week on Friday, with the 07-1 bbb- trading thru \$60-00 briefly Friday afternoon, and setting a new closing low (\$60-30).....the sell off in ABX was precipitated by a rout in TABX 40% - 100% tranche which was rumoured to be related to the BSAM liquidation.....after setting a new trading low we saw significant short covering interest which helped the index to close off its lows.....the BSAM story will dictate the tone in the ABX market in the short term, as a continued liquidation of their holdings will put further downward price pressure on TABX which will then leak into ABX trading

From: rkelly10@bloomberg.net on behalf of RYAN KELLY, GOLDMAN, SACHS & CO. [rkelly10@bloomberg.net]
Sent: Thursday, June 21, 2007 9:35 AM
To: Salem, Deeb
Subject: yo - who the F- is getting short ABX at these levels.

yo - who the F- is getting short ABX at these levels.

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Wall Street & The Financial Crisis
Report Footnote #1780

SPG Trading - 2007

Confidential Treatment Requested by Goldman Sachs

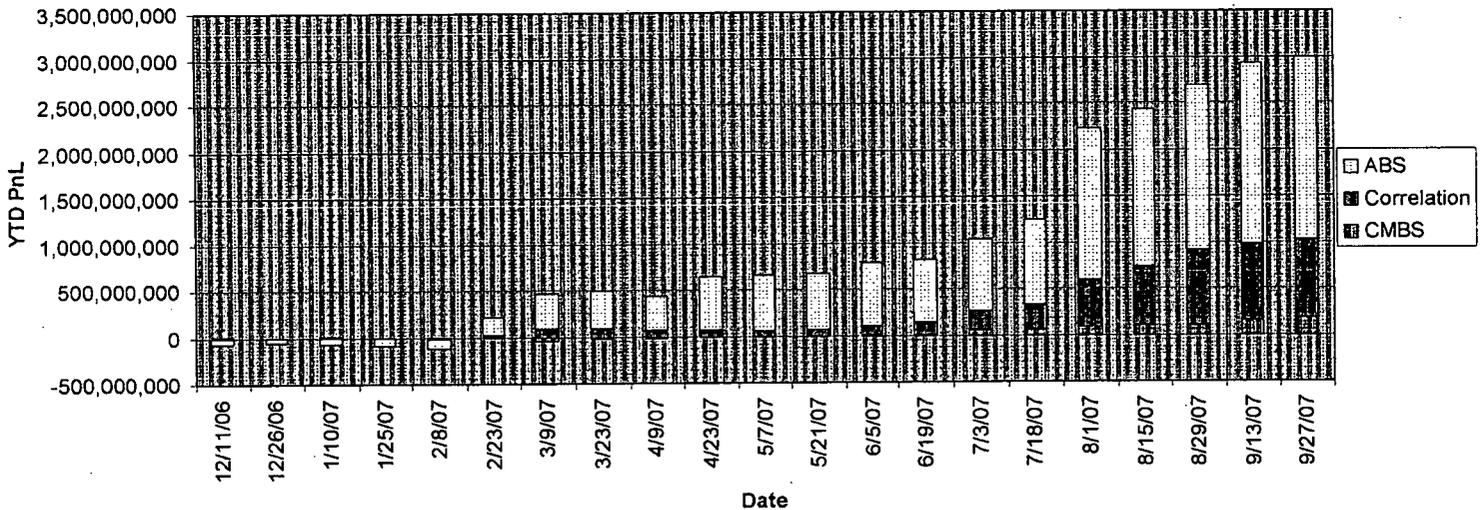
GS MBS-E-015654036

7

Highlights: Revenue

- YTD: \$3.0Bln, with revenue growing steadily over the year with little fluctuation. RMBS-related revenues: #1 on the street by a wide margin. #2 in the world behind Paulson Partners.

SPG Trading YTD PnL



Highlights: Franchise

- #1 Franchise on the street, perceived as *the* thought leaders by the customer base.
- Largest market share: est 30-40%
- Voted #1 franchise in ABS CDS based on *Risk Magazine* end user survey of institutional investors.

Highlights: Assumed responsibility for CDOs

- SPG Trading assumed responsibility for the CDO business and risk while the market was collapsing, helping mitigate losses and reduce risk (Warehouse and retained positions) before our competitors.
- Results out of DB, Citi, UBS, Bear, Lehman, etc. all bear evidence that we were far ahead of our competition in marking down positions and moving CDO risk before the market cratered and came to a standstill post-BSAM.

2002

Potential qualifications

- 1. "2007 was a unique event, desk made money primarily from a single short trade, results not likely to be repeatable."
- 2. "SPG trading would not have been permitted to be as short, if management was not attempting to offset risk in retained longs in other parts of department."
- 3. "Revenue was achieved taking very significant risk. Results less impressive when risk-adjusted."
- 4. "Discussing a HFE (hedge fund equivalent) percentage payout is inappropriate because much of the revenue came from the franchise, i.e. sitting in the seat."
- 5. "Cannot pay SPG trading team based on stand-alone p&l, must consider the results for the entire mortgage department."

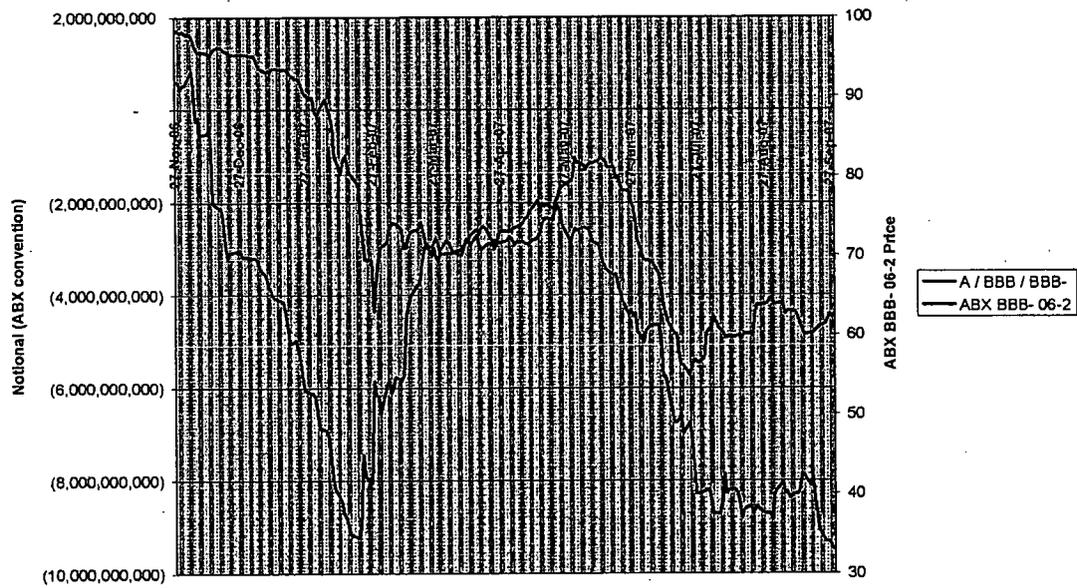
Responses to qualifications

- 1. "2007 was a unique event, desk made money primarily from a single short trade, results not likely to be repeatable."
- FALSE. Revenues in 2007 were diversified across many different strategies (directional both long and short, capital structure, index/SN basis, tiering, ideosyncratic, flow trading). We switched direction several times with well-timed calls relative to subsequent market moves (Graphs #1, #2). Most of these opportunities are in place for 2008. Revenue projection for 2008 is \$1.2 Bln reflecting a diverse set of opportunities. The opportunity set is much more than simply buying/trading distressed.

22

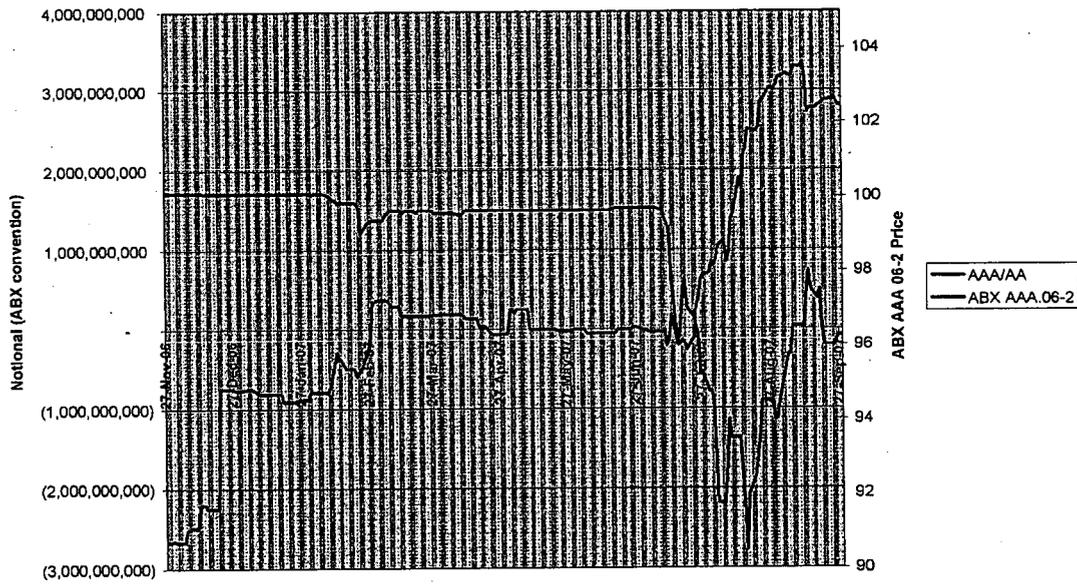
Graph #1

Graph #2: RMBS Subprime Notional History
- Mezzanine / bottom of the capital structure -
(ABS Base Portfolio)



Graph #2

Graph #1: RMBS Subprime Notional History
- Top of the capital structure -
(ABS Base Portfolio)



Responses to qualifications

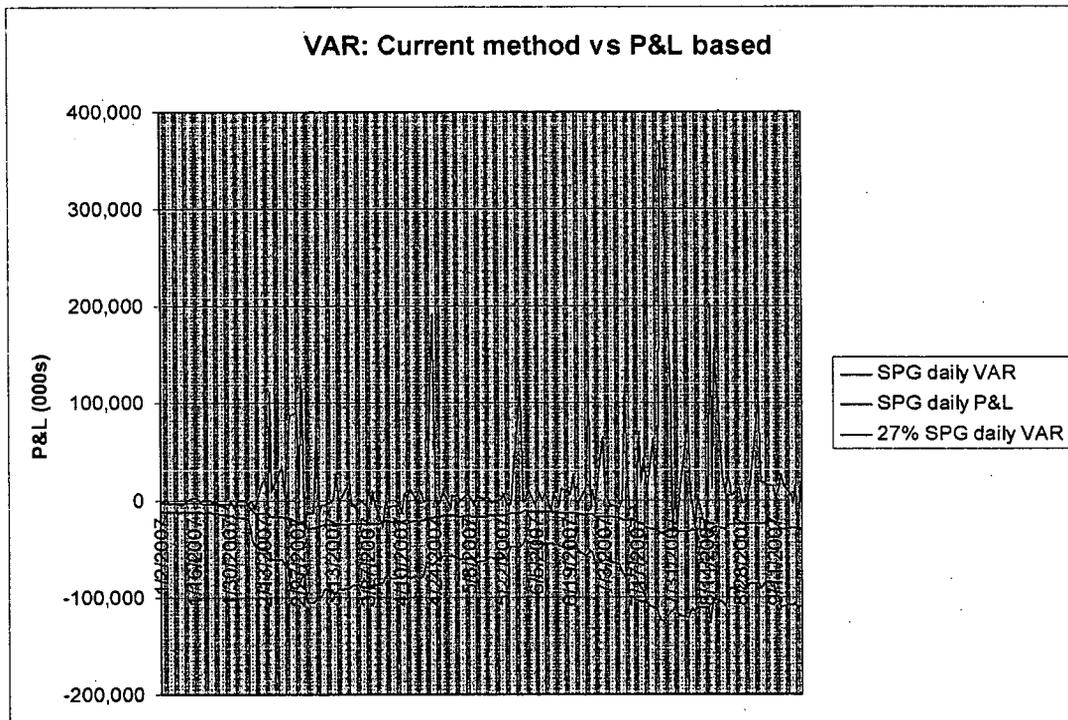
- 2. “SPG trading would not have been permitted to be as short, if management was not attempting to offset risk in retained longs in other parts of department.”
- FALSE. This statement is inconsistent with how the position evolved. By June, all retained CDO and RMBS positions were identified already hedged. As Graph #1 indicates, SPG trading re-initiated shorts post BSAM unwind on an outright basis with no accompanying CDO or RMBS retained position longs. In other words, the shorts *were not a hedge*.

Responses to qualifications

- 3. "Revenue was achieved taking very significant risk. Results less impressive when risk-adjusted."

FALSE. SPG Trading's largest down day in 2007 was (\$38mm) and SPG trading NEVER came close to losing more money than the daily VAR (Graph #2). In fact, to lose more money than the daily VAR 1 out of 20 times, SPG trading reported VAR would have to be 27% of the what has been reported. The ratio of profit / empirical VAR likely higher for SPG Trading than for the firm as a whole.

Graph #3



Responses to qualifications

- 4. "Discussing a HFE (hedge fund equivalent) percentage payout is inappropriate because much of the revenue came from the franchise, i.e. sitting in the seat."
- FALSE. If the seat is so valuable, why did no other street firm come close to our performance?

7/2/07

Responses to qualifications

- 5. "Cannot pay SPG trading team based on stand-alone p&l, must consider the results for the entire mortgage department."
- TRUE. SPG trading recognizes that compensation needs to fit rationally within the confines of the Mortgage Department compensation pool.

Proposed Mortgage Department Compensation Breakdown

- SPG trading accounts for 250%-300% of the department's revenue.
- SPG trading seeks ~150mm total comp pool, or roughly 40%-50% of the estimated department-wide pool.
- 141mm equates to a 4.0% payout on estimated revenues.
- The 4 businesses consisting of SPG Trading, CDOs, Resi Prime, Resi Credit account for 76% of dept revenue. Total proposed compensation for 4 businesses = \$240mm = 66% of dept revenue.
- Proposed net profit = \$441mm vs \$316mm in 2006.
- Proposed net profit margin = 36% vs 35% in 2006.

From: Birnbaum, Josh
Sent: Tuesday, October 02, 2007 9:28 AM
To: Lehman, David A.
Cc: Swenson, Michael
Subject: RE: SPG Trading - 2007.ppt

I added your bullet and 1 more:

Results out of Citi, UBS, Bear, Lehman, etc. all bear evidence that we were far ahead of our competition in marking down positions and moving CDO risk before the market cratered and came to a standstill post-BSAM.

-----Original Message-----

From: Lehman, David A.
Sent: Monday, October 01, 2007 4:37 PM
To: Birnbaum, Josh
Subject: RE: SPG Trading - 2007.ppt

Note sure if you need the below comments, I think you do just fine by stating "TRUE - SPG trading recognizes that compensation needs to fit rationally within the confines of the Mortgage Department compensation pool."

- members of SPG Trading had no responsibility for the areas which lost money,
- in Feb/Mar, we were shot down when we voiced concern about covering shorts because other areas in the department were longer than reported
- in Feb/Mar, we were told we had enough to worry about and that if the CDO business lost money, it would be the equivalent of a desk in the Equities Division losing money

Also it might help to point out that we assumed responsibility for the CDO business and risk while the market was collapsing, helping mitigate losses and reduce risk (Warehouse and retained positions) before our competitors

-----Original Message-----

From: Birnbaum, Josh
Sent: Monday, October 01, 2007 4:25 PM
To: Lehman, David A.
Subject: SPG Trading - 2007.ppt

Current draft. Handle with care.

From: Swenson, Michael
Sent: Thursday, October 04, 2007 10:45 AM
To: Lehman, David A.; Birnbaum, Josh
Subject: RE: How's this?

Sounds good

From: Lehman, David A.
Sent: Thursday, October 04, 2007 10:05 AM
To: Birnbaum, Josh; Swenson, Michael
Subject: RE: How's this?

Like it

From: Birnbaum, Josh
Sent: Thursday, October 04, 2007 10:01 AM
To: Swenson, Michael; Lehman, David A.
Subject: How's this?

- 5. "Cannot pay SPG trading team based on stand-alone p&l, must consider the results for the entire Mortgage Department, the Division, and the Firm."
- TRUE. SPG trading recognizes that compensation needs to fit rationally within the compensation pool of the Mortgage Department, the Division, and the Firm. The table on the following page outlines an example of how SPG trading can achieve compensation expectations within a reasonable compensation pool scenario for the Mortgage Department.

Btw, I found another 4mm for SPG, was over-estimating comp-related expenses a bit. I dialed down Oct, Nov p&l from 250 to 233 to make the dept hit exactly \$1.2 for year-end.

From: Swenson, Michael
Sent: Friday, June 29, 2007 3:57 PM
To: Lehman, David A.
Subject: RE: ABS Update

Funds

no

-----Original Message-----

From: Lehman, David A.
Sent: Friday, June 29, 2007 3:31 PM
To: Swenson, Michael
Subject: Re: ABS Update

Funds or dealers?

U out monday?

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-863-4678
e-mail: david.lehman@gs.com

----- Original Message -----

From: Swenson, Michael
To: Lehman, David A.
Sent: Fri Jun 29 15:26:46 2007
Subject: RE: ABS Update

I think we will see 3 to 5 guys go under next week

-----Original Message-----

From: Lehman, David A.
Sent: Friday, June 29, 2007 3:06 PM
To: Swenson, Michael
Subject: Re: ABS Update

Don't worry "bout seating

we r in the middle of a mkt meltdown

David A. Lehman
Goldman, Sachs & Co.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1783

From: Bash-Polley, Stacy
Sent: Saturday, July 28, 2007 3:01 PM
To: Montag, Tom; Sparks, Daniel L; Mullen, Donald
Cc: Schwartz, Harvey
Subject: Fw: Structured Products Weekly Update - 07/27/07 (Internal Use Only)

Pretty remarkable week
Some high quality business done with a lot of teamwork bw sales and trading.

----- Original Message -----

From: Radtke, Lorin
To: Montag, Tom; Mullen, Donald; Schwartz, Harvey; Bash-Polley, Stacy; Madoff, Paula; Pinkos, Steve; Kreitman, Gail; Gasvoda, Kevin; Icikson, David; Joseph, Alexandra A.; Kaprelian, Michael
Cc: Radtke, Lorin
Sent: Fri Jul 27 21:15:46 2007
Subject: Structured Products Weekly Update - 07/27/07 (Internal Use Only)

Market Update

Week on week move 7/13/07-7/20/07 (4:00 PM):

2yr notes rallied 24.9bps
10yr notes rallied 18.5bps
10yr spreads widened 7.9bps
ABX.07-1 BBB- widened 151.5bps (2395.5)
CMBX.3 BBB- widened 110bps (555)
TABX 40-100 widened 264bps (2249.5)
IG8 widened 28bps (80.5)
LCDX8 widened 109bps (373)
S&P 500 down 4.91% (1458.98)
Oil up \$1.49 (\$77.06)
\$/Yen down 2.63 (118.575)

Themes

Summary:

Whether you remember '94, '98, or '03, the general themes/patterns are consistent. An initial dislocation to the market (in this instance a credit deterioration in sub prime mortgages) acts as a tipping point and leads to spread widening in other sectors. This in turn quickly becomes a liquidity crunch/crisis. It appears that this is where the structured product market is now - searching for liquidity. This has produced numerous capitulation/liquidation situations and forced customers to trade. As evidenced by the highlight trades, sales/trading worked together in getting orders, crossing bonds and moving risk throughout the volatile week. The impact of this week leaves the account base in three camps:

- * The Paralyzed - This group is represented by traditional Money Managers and like accounts that have to manage their own customers and are spending a lot of time trying to explain performance. They want to buy but are fighting fires and need to put them out first.
- * The Wounded (some fatally) - Hedge funds on the wrong side of the trade and getting hit hard on financing, marks, and margin calls. CDO managers have/will start to disappear.
- * The Opportunistic - Hedge Funds, Prop desk, Insurance Cos, and Money Managers with dry powder. This group was on the right side of this move and is trading (at least trying to). A portion of this group hasn't played in subprime or CDOs in years. They are returning to look and selectively buy...very cautious because they believe more widening to come.

What next week will bring: The watch words for next week will be month end marks...and the impact on customers.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1787

**Redacted By The
Permanent Subcommittee
on Investigations**

From: Sparks, Daniel L
Sent: Saturday, August 11, 2007 3:41 PM
To: Montag, Tom; Lehman, David A.; Mullen, Donald; Swenson, Michael
Subject: Re: Japan exposure to CDOs

Loans are marked around 93, team thinks they should execute above but market tough. Stark agreed to take have the resid and looking at subs. Team shooting to get deal converted to securities this month, sell what it call. Could slip into sept

----- Original Message -----

From: Montag, Tom
To: Lehman, David A.; Mullen, Donald; Swenson, Michael; Sparks, Daniel L
Sent: Sat Aug 11 12:01:56 2007
Subject: Re: Japan exposure to CDOs

What is overall balance sheet now? What has happened the [REDACTED] loans u bought? Where are those marked?

----- Original Message -----

From: Lehman, David A.
To: Montag, Tom; Mullen, Donald; Swenson, Michael; Sparks, Daniel L
Sent: Sat Aug 11 11:35:03 2007
Subject: Re: Japan exposure to CDOs

Very general-

Long correlation in abs and cmbs via sup snr shorts in correlation book 3bb abs BBB/BBB- and 5bb cmbs A/BBB/BBB- (ie positive gamma and we benefit from systemic spd moves and get hurt from idiosyncratic defaults or spd moves)

Overall long cmbs AAA/AA, short A, flat BBB/BBB-, short BBs, short Commercial Real Estate CDOs

Short abs cdos overall from AAA to A, biggest concerns on the long side r 300mm TWOLF sup snr AAA bot from BSAM (60-90% tranche) and 450mm HOUT BAY AAA retained from new issue (15-45% tranche)

Hope to have traction with [REDACTED] on 450mm hout bay this week

Also, as swenny/deeb/josh have done an awesome job sourcing risk, the CDO transition book AAA ABX short decreased from 1.55bb to 250mm over the past 2 weeks - we love covering that trade, we might keep 1-150mm on as a way out-of-the-\$ option but feel it is not a great hedge for the long cdo risk in that book

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1792

2007-8

Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- = Redacted by the Permanent
Subcommittee on Investigations

----- Original Message -----

From: Montag, Tom
To: Lehman, David A.; Mullen, Donald; Swenson, Michael; Sparks, Daniel L
Sent: Sat Aug 11 10:58:17 2007
Subject: Re: Japan exposure to CDOs

What trades do we have on now?

----- Original Message -----

From: Lehman, David A.
To: Mullen, Donald; Swenson, Michael; Sparks, Daniel L
Cc: Montag, Tom
Sent: Sat Aug 11 10:27:57 2007
Subject: Re: Japan exposure to CDOs

Don't thk so - we haven't covered any CDO risk (we have gone the other way by 1.4bb since june 1st) and that is where the mkt still has bad longs - thk AAA rmbs is a very different trade

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- Original Message -----

From: Mullen, Donald
To: Swenson, Michael; Lehman, David A.; Sparks, Daniel L
Cc: Montag, Tom
Sent: Sat Aug 11 10:21:25 2007
Subject: Fw: Japan exposure to CDOs

Did we cover to soon? Looks like more selling at the higher end of cap stack

----- Original Message -----

From: Mensah, Bernard
To: Mullen, Donald; Salame, Pablo
Sent: Sat Aug 11 10:14:43 2007
Subject: FW: Japan exposure to CDOs

-----Original Message-----

From: Gottfried, Michael A
Sent: Friday, August 10, 2007 5:02 PM
To: Mensah, Bernard
Cc: Fernandez-Aller, Carlos; Chew, John
Subject: RE: Japan exposure to CDOs

BankThai also said today that they are more exposed to [REDACTED] -- sounds like through [REDACTED]. Most tranches were rated [REDACTED]

The article also said "BankThai's total investment in CDOs is about \$427 million, or 6.4 percent of its total assets".

Bank Thai bought [REDACTED] of CDOs backed by [REDACTED] -- both [REDACTED] portfolios. Sales tells me that we did not sell any of the [REDACTED] to BankThai.

RCBC in the Philippines said they may be liquidating CDOs currently marked [REDACTED]. The July month end marks we sent them were [REDACTED]

-----Original Message-----

From: Gottfried, Michael A
Sent: Tuesday, August 07, 2007 1:45 PM
To: Mensah, Bernard
Cc: Fernandez-Aller, Carlos; Chew, John
Subject: Japan exposure to CDOs

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Following up on your question about pan-Asia CDO exposure, there was the below story on Bloomberg this morning about Shinsei having some CDO of ABS exposure.

Of course there is also the Japanese corporate with a large exposure to CDOs through the trade with us.

Shinsei Has \$200 Million in Possible Subprime Loans (Update1)
2007-08-06 23:50 (New York)

(Adds earnings in last paragraph.)

By Takahiko Hyuga

Aug. 7 (Bloomberg) -- Shinsei Bank Ltd., the first Japanese bank bought by overseas investors, said it has about \$200 million invested in U.S. mortgage-backed securities that may contain subprime loans.

A quarter of the Tokyo-based bank's investments in U.S. mortgage-backed securities are of the riskiest type, known as equity tranches, the bank said. Losses on these at the end of June had reached as much as \$30 million, according to Tokyo-based Shinsei spokesman Shinji Hasumi.

Fallout from the slumping U.S. housing market continues to spread, with Bear Stearns Cos. yesterday ousting Co-President Warren Spector after errant trades that led to the collapse of hedge funds controlled by the firm. Investors have sold shares of banks and insurance companies in Australia, Singapore and Taiwan after they said they held securities backed by U.S. mortgages given to borrowers with patchy credit records.

Shinsei said on July 30 first-quarter profit rose 63 percent to 31.2 billion yen (\$263 million) on a 20.6 billion yen one-time gain after the sale of its housing loan unit to Sumitomo Trust & Banking Co. in April.

--Editor: Richardson.

To contact the reporters on this story:
Takahiko Hyuga in Tokyo at +813-3201-7498 or thyuga@bloomberg.net.

To contact the editor responsible for this story:
Ben Richardson at +852-2977-6467 or brichardson8@bloomberg.net.

[TAGINFO]

8303 JP <Equity>

23. 2

From: Swenson, Michael
Sent: Tuesday, August 21, 2007 7:36 PM
To: Alexander, Lee; Buono, Mark; Finck, Greg; Gasvoda, Kevin; Lehman, David A.; Birnbaum, Josh
Cc: Mullen, Donald; Salame, Pablo; Sparks, Daniel L; Petersen, Bruce; Brafman, Lester R; Kaprelian, Michael; Andrea, Mireille N.
Subject: RE: Mortgage Commentary for Firmwide Risk Committee

ABS Summary

1) ABX 07-1 Closing Price and Changes for the week ended August 21st:

		Weekly Change
AAA	92-16	+1.0 pts
AA	67-16	-2.5
A	44-16	-3.5
BBB	33-00	-4.5
BBB-	32-00	-5.0

— = Redacted by the Permanent Subcommittee on Investigation

2) General Color

- This evening S&P released negative rating actions on 4 out of 5 of the existing SIV Lites (market value CDOs funded by CP). The ratings actions affect \$5.5 billion of outstanding ABS CP.
- [REDACTED] liquidated [REDACTED] of cash [REDACTED] subprime bonds on Monday which was one of the 4 programs put on watch by S&P. Bonds traded at 84-00 (implied cumm losses >35%). 19 dealers were shown the list Goldman bought half of the list and sold 1/3 of what we bought.
- AAAs and AAs were much better bid on Tuesday as the street is net short ABX at the top of the capital structure.
- Index and synthetic flows are at a near standstill. We traded only \$125mm of Index risk in the past 2 days.

3) Current SPG Trading Desk Position Summary:

- RMBS AAA - long \$2.2bb
- RMBS AA - long \$1.0bb
- RMBS Single-As - net short \$0.9bb (100% in single-name CDS)
- RMBS BBB/BBB- - net short \$3.5bb (80% in single-name CDS - 60% in 2005 vintage)

4) August 14th - 21st

Total ABX Indices by Rating Bought this week:

AAA	\$730mm
AA	190
A	165
BBB	220
BBB-	280

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Total \$1,555mm

ABS and Correlation Desk Net ABX Risk Change on the Week:

AAA	+464mm
AA	+125
A	+ 40
BBB	+ 60
BBB-	+133
<hr/>	
Total	+822mm

From: Alexander, Lee
Sent: Tuesday, August 21, 2007 3:57 PM
To: Buono, Mark; Finck, Greg; Gasvoda, Kevin; Lehman, David A.; Swenson, Michael
Cc: Mullen, Donald; Salame, Pablo; Sparks, Daniel L; Petersen, Bruce; Brafman, Lester R; Kaprelian, Michael; Andrea, Mireille N.
Subject: Mortgage Commentary for Firmwide Risk Committee
Importance: High

Mark / Greg / Kevin / David / Mike -

Apologies for the short notice, however, in preparation for Risk Committee tomorrow morning, Don / Pablo / Dan / Bruce were hoping to receive commentary for your respective businesses between now and 7AM. Commentary should include market color, risk commentary, and information related to market flows.

Please copy all parties CC'd on the email - in order to facilitate the delivery of the information.

Appreciate your feedback - Thx, Lee

From: Montag, Tom
Sent: Wednesday, August 08, 2007 4:38 PM
To: Lehman, David A.; Swenson, Michael
Subject: RE:

great==now on to the 3 billion short

From: Lehman, David A.
Sent: Wednesday, August 08, 2007 4:36 PM
To: Montag, Tom; Swenson, Michael
Subject: RE:

Gamma helping get our cmbs short very close to home - if the mkt continues to rally we do not need to hedge much more, maybe another 100-200mm BBBs

From: Montag, Tom
Sent: Wednesday, August 08, 2007 4:35 PM
To: Swenson, Michael; Lehman, David A.
Subject: RE:

guess we are still short a lot--did gamma take us out of some risk? what is game plan?

From: Swenson, Michael
Sent: Wednesday, August 08, 2007 4:35 PM
To: Montag, Tom; Lehman, David A.
Subject: RE:

Lots of moving parts pre estimate estimate is down 100mm

From: Montag, Tom
Sent: Wednesday, August 08, 2007 4:29 PM
To: Swenson, Michael; Lehman, David A.
Subject: RE:

that's net of aaa--what about rest of cap structure? p and I?

From: Swenson, Michael
Sent: Wednesday, August 08, 2007 4:24 PM
To: Montag, Tom; Lehman, David A.
Subject: RE:

ABS

Market rallied especially at the top end of the capital structure - AAA (up 2pts), AA (up 3pts), A (up 2 pt).

We bought 300mm of AAA and redistributed to internal desks. Department net short is 3.1bb of AAA right now.

From: Montag, Tom

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1798

Sent: Wednesday, August 08, 2007 4:19 PM
To: Lehman, David A.; Swenson, Michael
Subject:

what happened today?

From: Winkelried, Jon
Sent: Thursday, August 09, 2007 2:06 PM
To: Blankfein, Lloyd; Cohn, Gary
Subject: FW:

fyi

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 Subcommittee on Investigations**

From: Montag, Tom
Sent: Thursday, August 09, 2007 2:01 PM
To: Winkelried, Jon
Subject: RE:

stat arb, gss, systems, mortgages, money markets, credit, munis

stat arb down 25 million, gss seeing nothing, systems hanging in, mortgages bought back 1 billion of 3 billion short in AAA indices at 1/2 to 1 point better than yesterday, money markets steady as she goes except for stctd vehicles--GS funded in CP well, munis no pain but no way to lower risk right now, credit weaker by about 1/2 of yesterday move--don't know on stctd credit

sat down with or visited ravi, mitch and george on 44
 visited barringer on 29
 ashok on 26
 swenson gasvoda on 26
 mullen and harvey on 50
 heller and russo and levin on 50
 scope on 50

talked to [REDACTED] about getting [REDACTED] to fund some of our commitment--calling [REDACTED] now getting price on option from [REDACTED] on buying our loans--tom talked to [REDACTED] directly--still think buying option would be good in land of [REDACTED]

things actually a bit quiet except for rumours, aaa short covering

From: Winkelried, Jon (EO 85B30)
Sent: Thursday, August 09, 2007 1:57 PM
To: Montag, Tom
Subject: RE:

Good. What have you been focusing on today

From: Montag, Tom
Sent: Thursday, August 09, 2007 1:51 PM
To: Winkelried, Jon
Subject:

fyi I didn't go

**Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1799**

From: Sparks, Daniel L
Sent: Tuesday, August 07, 2007 10:46 PM
To: Montag, Tom; Mullen, Donald
Subject: RE: Gsc ms prop/paulson swap

~~Not explicitly - but we keep buying risk We need to keep buying AAA ABX, and now we can start looking to cover some CDO CDS~~

-----Original Message-----

From: Montag, Tom
Sent: Tuesday, August 07, 2007 6:26 PM
To: Sparks, Daniel L; Mullen, Donald
Subject: Re: Gsc ms prop/paulson swap

Leaves us a lot shorter-did we take off anything else?

----- Original Message -----

From: Sparks, Daniel L
To: Cohn, Gary (EO 85B30); Montag, Tom; Mullen, Donald
Sent: Tue Aug 07 18:13:04 2007
Subject: Gsc ms prop/paulson swap

Done. We will recognize positive \$37mm, but market ran hard on us today so overall department revenue will be down.

1.085 billion gsc cdo super senior sold

From: Sparks, Daniel L
Sent: Monday, August 20, 2007 9:10 AM
To: Montag, Tom
Subject: RE: [REDACTED] loans

We are planning to continue to play offense. The big focus has been var, and how to cut. But the agreement was not to trade to manipulate var only, trade to do what we think is smart. The var numbers greatly overstate the shorts, and we did some calculations last week that say we are long. Discussions on the up the quality trade (top cap stack and top quality collateral) were had in various times with don, gary and bill. We aren't going crazy with it, just being opportunistic. Before we get large, we are going to lay out strategy for the four of you.

From: Montag, Tom
Sent: Monday, August 20, 2007 9:03 AM
To: Sparks, Daniel L
Subject: RE: [REDACTED] loans

we should reduce some basis IMO

who did you go through it with

— = Redacted by the Permanent
 Subcommittee on Investigations

From: Sparks, Daniel L
Sent: Monday, August 20, 2007 9:02 AM
To: Montag, Tom
Subject: RE: [REDACTED] loans

As a overall business, we're not short AAA's anymore. We are putting on the long index (mostly AAA)/short single name mezz trade on. We went through it with a bunch of people last week and should walk you through it today. Nestor has been reluctantly covering and has about 500 aaa to go and we are having high energy discussion on it.

From: Montag, Tom
Sent: Monday, August 20, 2007 8:57 AM
To: Sparks, Daniel L
Subject: RE: [REDACTED] loans

heavily isnt the half of it--we have bought back 4 - 5 billion and still short

From: Sparks, Daniel L
Sent: Monday, August 20, 2007 8:56 AM
To: Sparks, Daniel L; Montag, Tom
Subject: RE: [REDACTED] loans

And loan books had been heavily net short (still are some - especially nestor in alt a) and I have been forcing them to cover over the past 2 weeks

From: Sparks, Daniel L
Sent: Monday, August 20, 2007 8:55 AM
To: Montag, Tom
Subject: RE: [REDACTED] loans

Abx for spread, whatever the appropriate thing (probably 2 yrs) for rates

From: Montag, Tom
Sent: Monday, August 20, 2007 8:54 AM
To: Sparks, Daniel L
Subject: RE: [REDACTED] loans

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1802

hedged with?

**Redacted by the
Permanent Subcommittee on Investigations**

From: Swenson, Michael
Sent: Tuesday, August 14, 2007 10:31 PM
To: Mullen, Donald; Sparks, Daniel L; Salame, Pablo
Cc: Lehman, David A.; Brafman, Lester R; Swenson, Michael
Subject: FW: ABS Summary for Week Ended August 10th

Nothing new - extremely quiet over the past couple of days considering all of the issues surrounding the sector. . .

Top of the capital structure is where all the action is. AAAs are extremely cheap want to scale into a large long timing is the real issue with all that is going on in the CP market.

1) Current Desk Position Summary:

- RMBS Single-As - net short \$1.0bb 100% in single-name CDS
- RMBS BBB/BBB- - net short \$3.5bb (80% in single-name CDS - 60% in 2005 vintage)
- Correlation Desk - net short \$0.4bb of ABX 06-1 BBB and BBB-
- Mortgage Department ABX net falt AAAs

2) Week Ended August 14th

Total ABX Indices by Rating Bought this week:

AAA	\$3,840mm
AA	250
A	75
BBB	0
BBB-	42
Total	4,207mm

ABS and Correlation Desk Net ABX Risk Change on the Week:

AAA	+ 435mm
AA	+ 85mm
A	- 26mm
BBB	- 65mm
BBB-	- 11mm
Total	+ 428mm

Total Mortgage Dept Net ABX Risk Change on the Week:

AAA	+3,900mm
AA	+ 110mm
A	+ 19mm
BBB	- 55mm
BBB-	- 11mm
Total	+3,963mm

From: Birnbaum, Josh
Sent: Sunday, August 19, 2007 11:48 PM
To: Lehman, David A.; Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Finck, G
Subject: RE: Mtg Department Weekly Update

600
~~1781~~
 1805

On the AAA outperformance question, I think AAAs would have performed similarly without our adding. Given the remote likelihood of loss on "real" RMBS AAAs (i.e. not AAA CDOs), trading around 90 is mostly a liquidity trade and last week's injection of liquidity should have been particularly constructive for AAAs. Of note, we saw AAA buying from relatively conservative accounts not normally involved in outright strategies (III, for example).

-----Original Message-----

From: Lehman, David A.
Sent: Sunday, August 19, 2007 9:23 PM
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Finck, Greg; Birnbaum, Josh
Subject: Re: Mtg Department Weekly Update

Going back to your previous question - Net/net the department is long 600ish mm ABX AAAs (short the seasoned 06-1, long the newer 07-1 index)

Swenny or Birnbaum can speak to your question re: AAA ABX px action

Wrt correlation, just the super senior RMBS trades (40-100% or 50-100% of BBB/BBB-subprime portfolios) were impacted

The desk is currently evaluating the right parameter for the cmbs super senior shorts but we have not had as much observability as we have had in rmbs

_____ = Redacted by the Permanent
 Subcommittee on Investigations

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 e-mail: david.lehman@gs.com

----- Original Message -----

From: Montag, Tom
To: Lehman, David A.
Sent: Sun Aug 19 20:42:07 2007
Subject: Re: Mtg Department Weekly Update

How much of aaa outperforming was us buying?

What assets were affected by correlation change?

----- Original Message -----

From: Lehman, David A.
To: Montag, Tom
Cc: Mullen, Donald; Sparks, Daniel L; Swenson, Michael; Finck, Greg
Sent: Sun Aug 19 19:20:36 2007

Subject: RE: Mtg Department Weekly Update

Got it

Of the ~1.6bb AAA ABX bot I believe 900mm was SPG trading getting longer and 700mm was short covering in books (Alt A, Hybrids)

I don't have the current AAA ABX position @ the dept level in front of me but will get it and circle back

-----Original Message-----

From: Montag, Tom
Sent: Sunday, August 19, 2007 7:11 PM
To: Lehman, David A.
Subject: Re: Mtg Department Weekly Update

I saw the change. I wondered if that covered risk or took us long. Understand net is same we are longer

----- Original Message -----

From: Lehman, David A.
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Finck, Greg
Sent: Sun Aug 19 19:07:36 2007
Subject: RE: Mtg Department Weekly Update

Added Finck, he can speak to your first question re: Fixed Agcy

On your second question, the dept net added subprime risk via ABX and reduced risk in AAA CMBS (TRS and AAA CMBX)

The dept net added risk via ABX @ across the curve but predominantly @ the AAA level (below from Swenny)

Mortgage Dept Net ABX Change on the Week

AAA	+1,580mm
AA	+ 115
A	+ 50
BBB	+ 155
BBB-	+ 100

Total +2,000mm

On the CMBS side the dept reduced lbb of AAA risk which was the desk selling down a natural long (i.e. from long lbb to flat)

-----Original Message-----

From: Montag, Tom
Sent: Sunday, August 19, 2007 6:50 PM
To: Lehman, David A.
Subject: Re: Mtg Department Weekly Update

Fixed agency. Are we trying to get down? What did we buy?

How much did whole dept reduce risk this week? Was it all indices again or did we actually cover aby shorts?

----- Original Message -----

From: Lehman, David A.
To: Montag, Tom; Sparks, Daniel L; Mullen, Donald; Salame, Pablo
Cc: Swenson, Michael; Finck, Greg
Sent: Sun Aug 19 17:03:46 2007
Subject: Mtg Department Weekly Update

Resi Mortgage Update (Finck)

Mortgage Derivatives

- * Remains most stable and orderly Resi mortgage market
- * Flows are healthy: JPMIM selling ~1B Inverse IO, Countrywide selling 600mm PO, otherwise insignificant
- * Better demand for levered, non-balance-sheet-intensive positions (IOs, Inverse IOs)
- * P&L on week: +\$500k
- * Hedges: Pass-throughs, Swaps

Fixed Agency/Prime

- * Spreads continue to widen under selling pressure (AAA super-senior Pass-throughs now 1-24 back from FNMA)
 - Dealers (particularly Countrywide) are overloaded and dumping bonds into any available bid
 - Only 2-3 active street bidders: most dealers are passing on everything
- * Decent two-way flows: Sold roughly \$1B CMOs on week, and bought approximately \$700mm
- * P&L on Week: -10mm on spread widening: Making money trading, but losing more money on positions mark-downs in widening
- * Position size (Secondary, New issue, and Loans): ~ \$6B
- * Hedges: Predominantly Agency Pass-throughs, with some swaps

Hybrid Agency/Prime

- * Very heavy selling. Bid \$10B-\$15B on the week mostly out of Reits (Thornburg, KKR, FBR)
- * Spreads continue to push wider on supply pressure (AAA Libor Floaters now L+100)
- * Bought and sold over \$2B. Developing good supply/demand balance with large money managers becoming big buyers
- * P&L on Week: -\$15mm
- * Position Size (Secondary / Loans): ~\$4B
- * Hedges: ~500mm ABX (down from over \$1B), Agency Pass-throughs, and Swaps

Alt-A

- * Very light origination volumes: less than \$500mm on week
- * Significant widening in AAAs, both Fixed and ARMs
 - Super-Senior AAA pass-throughs widened a point on week from FNMA: now back 3-24 (3pts wider over month)
 - AAA Hybrids also much wider: 25+bps on week
- * P&L on week (ex Residual writedown): +10mm on ABX widening
- * Position Size: ~500mm loans
- * Hedges: Short \$1B ABX AAAs. Covered back 500+mm ABX on week, need to cover more

Subprime/Scratch and Dent

- * Very quiet with essentially no new origination
 - we continue to work on Cbass portfolio for potential buy opportunity
 - also, working on new deal with HSBC loans: weak investor interest
- * P&L on Week: 7mm (ABX widening)
- * \$1.3B ABX short vs \$1B Subprime and 600mm S&D position

ABS Summary (Swenson)

1) Closing Price and Changes for the week ended ABX 07-1:

		Weekly Change
AAA	91-00	+1.5pts
AA	67-00	-3.0pts
A	45-00	-3.5pts
BBB	35-00	-3.5pts
BBB-	33-16	-3.5pts

2) General Color

* Market was up as much as 6 or 7 points post Fed announcement this morning. Market came off the highs as fast money faded the rally with the market closing up 2 points on average

* Further liquidations from real money accounts facing redemptions. Multiple billions of AAA and AA home equity out for bid with roughly two-thirds trading

* Moody's downgraded 84% of the second lien universe including 78 AAA bonds, likely to trigger numerous forced sales

* S&P downgraded 158 Alt-A deals that had been previously on watch

3) Current SPG Trading Desk Position Summary:

* RMBS AAA - long \$2.2bb

* RMBS AA - long \$1.0bb

* RMBS Single-As - net short \$0.8bb 100% in single-name CDS

* RMBS BBB/BBB- - net short \$3.5bb (80% in single-name CDS - 60% in 2005 vintage)

4) August 13th - 17th

Total ABX Indices by Rating Bought this week:

AAA	\$1,580mm
AA	180
A	175
BBB	180
BBB-	282
Total	\$2,397mm

ABS and Correlation Desk Net ABX Risk Change on the Week:

AAA	+ 865mm
AA	+ 115
A	+ 50
BBB	+ 155
BBB-	+ 100
Total	+1,285mm

Mortgage Dept Net ABX Change on the Week

AAA	+1,580mm
AA	+ 115
A	+ 50
BBB	+ 155
BBB-	+ 100
Total	+2,000mm

CMBS (Lehman).

Summary

* Continued mezzanine underperformance - AAAs finally managed to rally, with both cash and CDS spreads 5 tighter on the week while AA/A/BBBs were off 30 bps (2 pts) and BBs were

unchanged

- * Real and fast \$ now putting cash to work @ the AAA level, with the market trading a bit short in the on-the-run names - BlackRock has been the largest buyer
- * Desk cmbs risk - Overall very close to home - small long in AAAs/AAs, short As, small long BBBs/BBB-s, and short BBs
- * CMBS Trading sold ~1+bb of AAA risk into the rally this week to take position from long ~1mm/bp to 200k/bp flat
- * AA through BB CMBS risk did not change materially wk/wk across CMBS Trading OR Correlation

Mkt moves week/week

- * 10yr AAA cash CMBS spds 5 tighter on the week @ S+65 bps middle
- * AA OTR CMBX spds were 30bps wider (~2pts) to 175 middle
- * A OTR CMBX spds were 30bps wider (~2pts) to 270 middle
- * BBB OTR CMBX spds were 30bps wider (~2pts) to 515 middle
- * BBB- OTR CMBX spds were 30bps wider (~2pts) to 630 middle
- * BB OTR CMBX spds were unchanged @ 975 middle

Customer Flows

- * AAA flow was better to buy, particularly on Friday after the Fed discount rate move, with real and levered \$ involved and adding risk - mkt trading in a 10 bp range on the week and closed @ the tightens (5 tighter wk/wk)
- * Not a lot of conviction down in credit - Market was 40 wider on Thursday and 40 tighter on Friday, with the Street largely playing defense and flows overall better for sale - the "easy" trade is to buy protection and we are seeing that across the board.
- * Most of the flow is new shorts being added to the market as opposed to longs capitulating, and the Street just does not want to position any risk in the context of the last print

Current Risk and wk/wk change

- * AAAs - Desk long risk 186k/bp in the CMBS trading book. Wk/wk cmbs trading sold 700k/bp in risk while correlation risk was +/- unchanged
- * AAs - Desk long risk 125k/bp via CDS, position entirely in CMBS trading - Wk/Wk this position is unchanged
- * As - Desk short risk 250k/bp in 2005 and newer vintages - cmbs trading short 75k/bp and correlation short 175k/bp -No significant risk change wk/wk in CMBS Trading or Correlation
- * BBBs/BBB-s - Desk long risk 150k/bp in 2005 and newer vintages - cmbs trading long 350k/bp and correlation short 200k/bp - No significant risk change wk/wk in CMBS Trading or Correlation
- * BBs - Desk short risk 290k/bp in 2005 and newer vintages, with both correlation and cmbs trading short - Wk/wk this position unchanged

CDOs (Lehman)

- * Desk was able to short 100+m notional on the week
- * Sold one cash "A" and bought protection from two different counterparties @ the "AA" and "A" level
- * Flows largely from hedge funds and fast money desks covering short risk positions - we still have not seen a lot of new longs in the market
- * First time in 6+ weeks we have seen decent trading activity
- * Market continues to be dislocated with few dealers making markets and nobody looking to get long risk

From: Avaneassians, Armen
Sent: Monday, July 30, 2007 6:06 PM
To: Broderick, Craig
Subject: FW: Some important questions about AAA subprime-- pls advise as to who can answer--

Fyi, thought you'd be interested as well..

-----Original Message-----

From: Brazil, Alan
Sent: Monday, July 30, 2007 6:03 PM
To: Avaneassians, Armen
Subject: FW: Some important questions about AAA subprime-- pls advise as to who can answer--

----- = Redacted by the Permanent Subcommittee on Investigations

Fyi, thought you would be interested. The questions was raised by rosenblum below.

-----Original Message-----

From: Brazil, Alan
Sent: Monday, July 30, 2007 8:47 AM
To: Rosenblum, David J.; Raz, Shlomi; Bohra, Bunty; Wiesel, Elisha
Cc: Sobel, Jonathan
Subject: RE: Some important questions about AAA subprime-- pls advise as to who can answer--

Well, as is becoming clearer to the market is that the subprime issue is really a triple-a issue, either directly as a aaa subprime or indirectly in a aaa cdo. As a rough guide, over 90% of a subprime deal are in aaas. And the main strategy for these triple-as is leverage, aka, bsam. And once you start downgrading bbb/bbb- you will ultimately be start downgrading aaas. And, in my view, that is significant escalation of the subprime meltdown.

1 and 2. sivs, or siv lites, these are the abs comical paper programs. These are structured vehicles that own highly rated assets, typically aaa, and finance it through commercial paper and medium term notes. Typically the leverage is 10 to 1, but can be as high as 20 to 1. It has two features, one is a backup line of credit from a sponsoring bank, and a mark-to-market threshold. There are three events that would dump assets into the market.

A. Mark-to-market. In the event of mark that wipes out the capital plus a margin, the deal needs to unwind. In this event, the sponsoring bank would step in and finance the assets until they are sold.

B. Downgrade. The other problem for these vehicles downgrades. In this case, they would need to sell the downgraded assets or come up with more capital.

C. Liquidity. If they vehicle cannot fund itself in the commercial paper market, it will need to sell assets, since the sponsoring bank's line of credit is limited.

Clearly, the most immediate problem that the sivs are now facing is liquidity. The commercial paper market is starting to tier based on subprime exposure. (I am adding jon to the list, since the money market world reports to him).

I would be watching for tiering and failed auctions. In terms of siv or siv lites, the latter are the most vulnerable, since they were a recent innovation, and have a large exposure to the sector.

3. [REDACTED]. A problem that will ultimately dwarf their [REDACTED] problem. They own aaa subprime with about 2.5 to 3% capital against. However, the market is more focused on them as a potential beneficiary of the subprime problem, see stock price. Both provide clues to their mark-to-market hits, and as subprime aaas go south, the extent of the problem will become clearer.

4. Monolines. Big problem with subprime/cdo. For example. ACA, has 10 billion of

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 Wall Street & The Financial Crisis
 Report Footnote #1807

super/senior mez cdo exposure that was originated in 2006-2007, think dollar price 60 to 80, and a mark-to-market loss of 2 to 4 billion. Unfortunately, they have only 400 mm of capital. Others are in better condition, either more capital or better assets. For example, [REDACTED] has 14 billion of super/senior exposure, of which 12 billion is high grade cdos (avg att 14%) , and 2 billion is mez cdo(avg att 36%) . Not sure of market for hg ss in cdo, but lets me optimistic and say 90. And lets be optimistic and say 70 on the mez. So, mark-to market hit of 1.5 billion or so. Oh and by the way they have 42 billion of cmbs aaa exposure.

However, these are not mark-to-market institution but rather mark to model and ratings. So, only a big problem when the rating agencies start downgrading, which they will, and soon. In that scenario, they will need to come into the market to get more capital, and that will be an issue.

Bigger problem with the industry, I think, is alt-a. Many of the monolines avoided the subprime mess directly. Instead, they moved into alt-a, and that sector is started to follow subprime, which it should, driven by housing price declines.

5. [REDACTED] not sure how to help. Investors who have talked to them say they are "comfortable with their marks", of course they still have first Franklyn at 1.5 billion, the price they paid for it.

6. [REDACTED] Difficult to sort out, lots of wrapping by corp parent, but it was a problem at the aaa level, ask fannie. I am looking at mh as we speak, so I can give you a little more info.

Also, the banks are the hidden players in all this at the aaa level. Not only were they the sponsor of many of the sivs, but they also had a large securitized lending business using aaas as collateral.

Over all, I think the aaa problem, as was brought up by the ny times this Sunday, is the main issue. And it slowly becoming the focus of the market. At its heart, the main shoe to fall will be when the rating agencies downgrade to the aaa level. I don't see as they have much of a choice. Mez aaa cdo trade in the 20 and 30s cannot be overlooked even by the agencies.

alan

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-----Original Message-----

From: Rosenblum, David J.
Sent: Monday, July 30, 2007 8:04 AM
To: Raz, Shlomi; Bohra, Bunty; Brazil, Alan; Wiesel, Elisha
Subject: FW: Some important questions about AAA subprime-- pls advise as to who can answer--

perhaps one of the four of you can dig in here?

would be very helpful

thanks
d

-----Original Message-----

From: Rosenblum, David J.
Sent: Monday, July 30, 2007 7:21 AM
To: Rosenblum, David J.; Kamilla, Rajiv; Egol, Jonathan; Swenson, Michael; Sparks, Daniel
L
Cc: Roberts, William; Gmelich, Justin; Mullen, Donald; Rosenblum, Steven
Subject: RE: Some important questions about AAA subprime-- pls advise as to who can answer--

also, [REDACTED] - what is happening pls?

-----Original Message-----

From: Rosenblum, David J.
Sent: Sunday, July 29, 2007 7:46 PM
To: Kamilla, Rajiv; Egol, Jonathan; Wiesel, Elisha; Swenson, Michael; Sparks, Daniel L
Cc: Roberts, William; Hickey, Steve; Tse, Irene; Varadhan, Ashok; Gmelich, Justin; Sobel, Jonathan; Mullen, Donald; Rosenblum, Steven
Subject: Some important questions about AAA subprime-- pls advise as to who can answer--

Rajiv, Jonathan, Swennie, Sparks, Elisha,

Out of a number of conversations with various people this weekend-- these questions:

1. SIVs-- what to watch for, impact of 95 dollar price rmbs AAAs, implications of unwinding through asset sales, and also if their ABCP/MTN are affected
2. ABCP facilities for ABS CDOs-- what causes problems here (, and what are the implications of backstops getting hit
3. [REDACTED] -- implications of [REDACTED] holdings-- are they forced sellers at a price of downgrade level?
4. Monolines-- what should we look for?
5. [REDACTED] -- this was the largest abs cdo shop on the planet, and they haven't said a word about any problems-- anyone know what is happening here?
6. [REDACTED] bonds in late 90s and early 2000s-- did AAAs get downgraded on a lot of those? What is risk of AAA RMBS getting downgraded and when do you think timing could be like on that.

Any answers much much appreciated.

D

David J. Rosenblum
Managing Director
Structured Credit
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(Mob) 917-[REDACTED]
(Fax) 212-256-5819

[REDACTED] - Redacted by the Permanent Subcommittee on Investigations

From: Montag, Tom
Sent: Tuesday, August 14, 2007 3:18 PM
To: Cohn, Gary (EO 85B30); Viniar, David
Subject: Fw: Post

We will not be going long billions. Lots of risk to clean up first imo

----- Original Message -----

From: Sparks, Daniel L
To: Montag, Tom; Mullen, Donald; Cohn, Gary (EO 85B30); Viniar, David; O'Neill, Tim (FIN 85B030); Winkelried, Jon (EO 85B30)
Sent: Tue Aug 14 10:38:22 2007
Subject: Post

(1) Mortgage CDO market has continued to be hammered with combination of the large downward move in subprime RMBS, rating agencies action, and no liquidity. For example, our market for the Timberwolf A2 (mezz AAA) that we marked at the end of May at 80 is now 15/25. Mortgage CDOs are so geared that many tranches are priced to IO value, and it's not just liquidity - there are fundamental cashflow issues.

(2) AAA ABX and RMBS may be the best opportunity to make a bunch of money. The losses implied from the ABX trading levels seem way too high (over 30% cum losses). We've been covering, but we will likely come to you soon and say we'd like to get long billions - and we'd stay short BBBish part. The potential for large liquidations may continue to put technical pressure on, but once it stops AAA should perform strongly.

(3) Platforms are interesting out there, but even the good ones are really struggling and the trades are hard. The question is, what capabilities are we really getting, and at what price. We continue to look hard.

(4) Liquidity - we are focused on making an adjustment to our bid offer reserves for synthetics to reflect how bad liquidity is, and we are working with controllers on it.

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From: Winkelried, Jon (EO 85B30)
Sent: Tuesday, August 21, 2007 1:07 AM
To: Sparks, Daniel L; Cohn, Gary (EO 85B30); Viniar, David; Montag, Tom; Mullen, Donald
Subject: RE: Big Opportunity

Clearly and opportuntiy although we need to control what we stockpile before we sell. Need velocity thru the system. If things turn south again difficult to finance as we have seen.

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From: Sparks, Daniel L
Sent: Monday, August 20, 2007 3:15 PM
To: Cohn, Gary; Viniar, David; Winkelried, Jon; Montag, Tom; Mullen, Donald
Subject: Big Opportunity

We are seeing large liquidations - we bought \$350mm AAA subprime RMBS from [REDACTED] SIV unwinds today with prices ranging from 77 to 94 (depending on the bond specifics) - these levels price cumulative losses around 35% while ABX BBB- price cum losses in the low-to-mid teens. This is liquidity, fear and technically driven. We are also getting frequent calls from originators who need to sell loans - most recent is \$10BB from [REDACTED].

We think it is now time to start using balance sheet and it is a unique opportunity with real upside - specifically for AAA RMBS. We've sold over \$100mm of what we bought today - most up 1-2 points.

That's a great trade - buy and flip up 1-2 points, however, we're not always going to be able to that - and there's the opportunity for us to make 5-10+ points if we have a longer term hold.

I spoke with Don and Tom this morning, and we are going to come back to them with a specific plan describing the opportunity and parameters (including funding and risk) relating to buying billions.

This is consistent with our view that the AAA ABX index is a great opportunity and we continue to like it.

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From: Birnbaum, Josh
Sent: Tuesday, August 21, 2007 2:07 PM
To: Montag, Tom; Mullen, Donald; Sparks, Daniel L; Swenson, Michael; Lehman, David A.
Subject: For 2pm meeting

ABS Outline

- Graph #1: Mortgage Dept Position history***

- Currently short \$4Bln notional BBB/BBB-s, \$2Bln notional single As, flat AAAs.
- We are long 13.5 Bln BBB/BBB- IO, which effectively reduces our short to \$2.5 to \$3.0 Bln in BBB/BBB-
- Over the last month we have been covering shorts in BBB index and putting into Correlation book (which has been getting shorter)

*** Department-wide Notionals. RMBS only. Excludes Cash, Correlation.

- Graph #2: ABX price vs collateral loss

- At current dollar prices, the implied losses at the AAA level are 2.5x higher than the implied losses at the BBB level where we have our shorts (the ratio is even cheaper for cash due to technicals). If AAAs were priced consistent with BBB implied loss levels, they would be trading 5-10pts higher in synthetics and 10-15pts higher in cash.
- We would like to be opportunistic buyers of up to **\$10Bln subprime AAAs** in either cash or synthetic (ABX) form and run that long against our mezzanine subprime shorts. **Mortgage dept VAR would be reduced by \$75mm and Firmwide VAR would be reduced by \$25mm**

Trading Strategy:

We plan to continue to opportunistically cover shorts in BBB/BBB- index (single names are 10-15pts rich to index) and add longs at the AAA level.

From: Montag, Tom
Sent: Tuesday, August 21, 2007 9:53 AM
To: Birnbaum, Josh
Cc: Mullen, Donald; Sparks, Daniel L
Subject: Re: Potential large subprime trade and impact on Firmwide VAR

Fyi. I think it would be much better for all concerned that we all discuss this and any strategy and have agreement before we go to the presidents and cfo

Secondly I think we should be reducing our basis trades to reduce var as is

Let's sit down

----- Original Message -----

From: Birnbaum, Josh
To: Montag, Tom; Mullen, Donald; Cohn, Gary (EO 85B30); Winkelried, Jon (EO 85B30); Viniar, David; McMahon, Bill; Sherwood, Michael S; Salame, Pablo
Cc: Sparks, Daniel L; Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Sent: Tue Aug 21 09:30:37 2007
Subject: Potential large subprime trade and impact on Firmwide VAR

- The mortgage department thinks there is currently an extraordinary opportunity for those with dry powder to add AAA subprime risk in either cash or synthetic form.
- We would like to be opportunistic buyers of up to \$10Bln subprime AAAs in either cash or synthetic (ABX) form and run that long against our \$3.5Bln in mezzanine subprime shorts.
- Mortgage dept VAR would be reduced by \$75mm and Firmwide VAR would be reduced by \$25mm.
- At current dollar prices, the implied losses at the AAA level are 2.5x higher than the implied losses at the BBB level where we have our shorts (the ratio is even cheaper for cash due to technicals). If AAAs were priced consistent with BBB implied loss levels, they would be trading 5-10pts higher in synthetics and 10-15pts higher in cash.
- On the supply side, we think we can source these assets from SIVs, SIV-lites, ABCP Conduits, Sec Lenders, total return accounts.
- On the demand side, we plan to share this trade quietly with selected risk partners. We began doing so yesterday when we sold 1/3 of the AAAs purchased off the [REDACTED] list to [REDACTED], and 100% of the AAAs from [REDACTED] to [REDACTED] and [REDACTED]

----- = Redacted by the Permanent
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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1817

From: Birnbaum, Josh
Sent: Tuesday, August 21, 2007 10:12 AM
To: McMahon, Bill
Cc: Swenson, Michael; Sparks, Daniel L
Subject: RE: Potential large subprime trade and impact on Firmwide VAR

We have the 13.5Bln IO which makes us less short by \$1-1.5 Bln and we are running a long in AAAs, AAs right now. The shorts are very rich to where we can cover risk in index and up the capital structure.

From: McMahon, Bill
Sent: Tuesday, August 21, 2007 9:59 AM
To: Birnbaum, Josh
Subject: RE: Potential large subprime trade and impact on Firmwide VAR

What are we holding against the 3.5b mezz shorts right now? Why don't we just cover the shorts?

From: Birnbaum, Josh
Sent: Tuesday, August 21, 2007 9:31 AM
To: Montag, Tom; Mullen, Donald; Cohn, Gary (EO 85B30); Winkelried, Jon (EO 85B30); Viniar, David; McMahon, Bill; Sherwood, Michael S; Salame, Pablo
Cc: Sparks, Daniel L; Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Subject: Potential large subprime trade and impact on Firmwide VAR

- The mortgage department thinks there is currently an extraordinary opportunity for those with dry powder to add AAA subprime risk in either cash or synthetic form.
- We would like to be opportunistic buyers of up to **\$10Bln subprime AAAs** in either cash or synthetic (ABX) form and run that long against our \$3.5Bln in mezzanine subprime shorts.
- **Mortgage dept VAR would be reduced by \$75mm and Firmwide VAR would be reduced by \$25mm.**
- At current dollar prices, the implied losses at the AAA level are 2.5x higher than the implied losses at the BBB level where we have our shorts (the ratio is even cheaper for cash due to technicals). If AAAs were priced consistent with BBB implied loss levels, they would be trading 5-10pts higher in synthetics and 10-15pts higher in cash.
- On the supply side, we think we can source these assets from SIVs, SIV-lites, ABCP Conduits, Sec Lenders, total return accounts.
- On the demand side, we plan to share this trade quietly with selected risk partners. We began doing so yesterday when we sold 1/3 of the AAAs purchased off the [REDACTED] list to [REDACTED], and 100% of the AAAs from [REDACTED] to [REDACTED] and [REDACTED]

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Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1818

From: McMahon, Bill
Sent: Wednesday, August 15, 2007 2:08 PM
To: Cohn, Gary (EO 85B30)
Cc: Viniar, David
Subject: RE: Trading VaR \$165mm

The volatilities and correlations among our assets are really driving the swings in var right now. Robert Berry sent out a note last night indicating that the sensitivity of our var models to correlations suggests that the var can swing between 140 and 160 without any changes in the complexion of our trading books - essentially, it is noise. The only solution is to reduce the size of the books, which is what we are working on with mortgages and credit trading. In credit trading, in Ram's book, we are long 1.1 dv01 by short 3.4 dv01. He is reducing his short by 550 dv01 today (in monolines, brokers and IG index), and we are trying to figure out how much of his remaining short he needs against other commitments he has which ARE NOT showing up on his long side. Don and I are meeting with the mortgage guys today, and will share with you the plan in that book after its is finalized.

-----Original Message-----

From: Cohn, Gary (EO 85B30)
Sent: Wednesday, August 15, 2007 1:43 PM
To: Dinias, Michael; Viniar, David; Montag, Tom; Sherwood, Michael S; Broderick, Craig; Berry, Robert; Mullen, Donald; Sparks, Daniel L; McMahon, Bill; Petersen, Bruce; Wilson, Edward
Subject: Re: Trading VaR \$165mm

There is no room for debate - we must get down now

----- Original Message -----

From: Dinias, Michael
To: Viniar, David; Cohn, Gary; Montag, Tom; Sherwood, Michael S; Broderick, Craig; Berry, Robert; Mullen, Donald; Sparks, Daniel L; McMahon, Bill; Petersen, Bruce; Wilson, Edward (ED, 1NYP/042)
Sent: Wed Aug 15 13:41:22 2007
Subject: Trading VaR \$165mm

Trading VaR increased \$16mm, from \$149mm to \$165mm, versus \$150mm limit.

Mortgage VaR increased \$14mm, from \$96mm to \$110mm. Mortgage risk increase was driven almost entirely from wider spreads/markdowns on ABS CDOs.

Credit Trading VaR [REDACTED]

Credit Origination VaR [REDACTED]

Interest Rate Product VaR now stands at [REDACTED]

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1820

From: Cohn, Gary
Sent: Saturday, July 21, 2007 12:32 PM
To: Blankfein, Lloyd
Subject: Fw: Mortgages Estimate

----- Original Message -----

From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom; Viniar, David; Cohn, Gary; Salame, Pablo
Sent: Sat Jul 21 08:33:39 2007
Subject: FW: Mortgages Estimate

The combination of our large AAA ABX index shorts and the relatively new volatility in the AAA part of the index will result in much larger daily swings in P&L both ways - like Thursday when we were down \$50mm mid-day but ended flat, and Friday where about half of the P&L was from the AAA index short. Much of the shorts are hedges for loans and some senior AAA CDOs (basis risk), but there is also a large net short that we are chipping away to cover - it will take time as liquidity is tough.

From: Bin, Ki-Jun
Sent: Friday, July 20, 2007 6:02 PM
To: ficc-eod
Subject: Mortgages Estimate

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FICC Mortgages - Daily P&L Estimate

I. SUMMARY

TOTAL	
Structured Products	71,410,000
- Resi Prime/Mtg Derivs	(375,000)
- Resi Credit	25,200,000
- CRE LT	
- ABS L&F	
- SPG Trading	64,000,000
- CDO / CLO	(22,000,000)
- Other Structure Products	
Europe	1,225,000
Other (Advisory, PFG, Managers/Other)	
MORTGAGES	72,635,000
Mortgages WTD	102,262,015
Mortgages MTD	32,535,380

II. DETAIL

Business Strategy Desk Daily Total Comments

STRUCTURED PRODUCTS

Mortgage Derivative	-
Agency Derivatives	-
Whole Loan Derivs	-
MSR	-

Residential Prime (375,000)

FHA/VA - Primary	-	-	
FHA/VA - Secondary	-	-	
Prime Hybrid - Primary	1,500,000	ABX	
Prime Hybrid - Secondary	(1,750,000)		non-agency spreads wider
Agency Hybrid	-	-	
Prime Fixed	-	-	
Agency CMO - Primary	(125,000)	-	
Agency CMO - Secondary	-	-	
Residential Credit	25,200,000		
Scratch and Dent	4,500,000	ABX widening	
Subprime	13,000,000	ABX widening	
Alt-A	14,700,000	ABX widening	
2nd Liens	-	-	
Subs	(7,000,000)	Spreads Wider	
Residuals - Scratch & Dent	-	-	
Residuals - Subprime	-	-	
Residuals - Alt-A	-	-	
Residuals - 2nd Liens	-	-	
CRE Loan Trading	[REDACTED]		
Fixed Large Loan	[REDACTED]		
Floater Large Loan	[REDACTED]		
Fixed Conduit	[REDACTED]		
Transitional Loans	[REDACTED]		
CRE CDO	[REDACTED]		
ABS Loans & Finance			
Consumer	[REDACTED]		
Commercial	[REDACTED]		
Europe	[REDACTED]		
Warehouse	[REDACTED]		
SPG Trading	64,000,000		
CMBS Trading	(5,000,000)	CMBS CDS	
CRE CDO			
ABS Trading	57,000,000	ABS CDS	
Property Derivatives			
Correlation	12,000,000	ABS CDS, CMBS CDS	
CDO/CLO	(22,000,000)		
ABS / MBS CDO	(22,000,000)	Reserve	
GSI SP Credit Warehouse			
US CLO	-		
EURO CLO	-		
CRE CDO	-		
Retained Principal Positions			
Tax Related Securities			
Non-economic residuals			
Economic residuals			
Warehouse Lending			
Residential	-		
Commercial	-		
Asset Backed	-		
Syndicate			
ABS	-		
CMBS	-		
CDO	-		
RMBS	-		
Other	-		

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Total Structured Products 71,410,000

EUROPE

Acquisition Finance
Syndicate
Trading

[Redacted]

European CMBS
Syndicate
Trading

[Redacted]

Total Europe 1,225,000

Total Advisory -

Total PFG JV -

Total Manager's Account / Other -

[Redacted] = Redacted by the Permanent Subcommittee on Investigations

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180 Maiden Lane | New York, NY 10038
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Goldman

Sachs

Ki-Jun Bin
Finance Division

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From: Salem, Deeb
Sent: Thursday, August 09, 2007 8:22 AM
To: Birnbaum, Josh
Subject: RE:

of course...genevieve was actually forced to revise her estimate to be down less after teh email went out...after dan talked to her

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 8:19 AM
To: Salem, Deeb
Subject: RE:

I'm sure AAA ABX is being blamed as the reason the dept was down 100 yest.

From: Salem, Deeb
Sent: Thursday, August 09, 2007 8:17 AM
To: Birnbaum, Josh
Subject: RE:

david and clay. was gonna do more with clay but then the street offer came down late afternoon

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 8:17 AM
To: Salem, Deeb
Subject: RE:

To david?

From: Salem, Deeb
Sent: Thursday, August 09, 2007 8:16 AM
To: Birnbaum, Josh
Subject: RE:

sold 200mm internally yesterday at 98-28

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 8:16 AM
To: Salem, Deeb
Subject: RE:

Hopefully we get some more triples

From: Salem, Deeb
Sent: Thursday, August 09, 2007 8:15 AM
To: Birnbaum, Josh
Subject: RE:

yup. you saw libor rose to 5.86...

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 8:14 AM
To: Salem, Deeb
Subject: RE:

European-related?

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1824

From: Salem, Deeb
Sent: Thursday, August 09, 2007 8:13 AM
To: Birbaum, Josh
Subject: RE:

could be a messy one today...

From: Birbaum, Josh
Sent: Thursday, August 09, 2007 8:11 AM
To: Birbaum, Josh; Swenson, Michael; Salem, Deeb; Chin, Edwin; Kaufman, Jordan; Bruns, William; Primer, Jeremy; Kamilla, Rajiv
Subject: RE:

Still sick today. Will be checking email.

From: Birbaum, Josh
Sent: Wednesday, August 08, 2007 5:46 AM
To: Swenson, Michael; Salem, Deeb; Chin, Edwin; Kaufman, Jordan; Bruns, William; Primer, Jeremy
Subject:

I have the flu. I will not be coming in today. Jeremy, with apologies, if you could roll the market risk meeting to Friday or Monday please. Thanks.

From: Swenson, Michael
Sent: Wednesday, August 08, 2007 4:44 PM
To: Montag, Tom; Lehman, David A.
Subject: RE:

Numbers are not final

Resi (alt-a, arms, s&d) -50 (ABX AAA shorts)

ABS trading -15mm (shorts in 06-1 BBB/BBB-)

CDOs -20mm (ABX single-A and triple A shorts)

From: Montag, Tom
Sent: Wednesday, August 08, 2007 4:36 PM
To: Lehman, David A.; Swenson, Michael
Subject: RE:

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so who lost the hundy

From: Lehman, David A.
Sent: Wednesday, August 08, 2007 4:35 PM
To: Montag, Tom; Swenson, Michael
Subject: RE:

[Redacted]

From: Montag, Tom
Sent: Wednesday, August 08, 2007 4:33 PM
To: Lehman, David A.; Swenson, Michael
Subject: RE:

[Redacted]

From: Lehman, David A.
Sent: Wednesday, August 08, 2007 4:32 PM
To: Swenson, Michael; Montag, Tom
Subject: RE:

Cmbs [Redacted]

[Redacted]

[Redacted]

From: Swenson, Michael
Sent: Wednesday, August 08, 2007 4:24 PM
To: Montag, Tom; Lehman, David A.
Subject: RE:

ABS

Market rallied especially at the top end of the capital structure - AAA (up 2pts), AA (up 3pts), A (up 2 pt).

We bought 300mm of AAA and redistributed to internal desks. Department net short is 3.1bb of AAA right now.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1825

2

From: Montag, Tom
Sent: Wednesday, August 08, 2007 4:19 PM
To: Lehman, David A.; Swenson, Michael
Subject:

what happened today?

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:55 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

i do think that is a real concern. how quickly can you work with strats to get them to revise our VAR to a more realistic number?

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:47 PM
To: Salem, Deeb
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

i just asked b/c i saw the note about mortgages dropping back down to a permanent limit of 35mm (which we are way over). this would mark a change of their recent policy to just keep increasing out limit. makes me a little nervous that we may be told to do something stupid.

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:43 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

no heat over the last 2 days...that said, im not sure how aware he is of it. we've actually bot a decent amount of single name protection this week. 300mm BBB/BBB- and 50mm A's

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:38 PM
To: Salem, Deeb
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

good, was that a "no" on the heat question?

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:37 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

we have waved in ~120mm in bbb and bbb- protection the last 2 days. almost all 2006 stuff (tier 1, 2, and 3).

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:34 PM
To: Salem, Deeb
Subject: FW: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

are you getting any more heat to cut/cover risk? these VAR numbers are ludicrous, btw. completely overestimated for SPG trading, underestimated for other mortgage desks.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1827

281-B

GS MBS-E-01292720

From: Song, Scarlett
Sent: Thursday, August 09, 2007 3:08 PM
To: Montag, Tom; Sobel, Jonathan; Sparks, Daniel L; McHugh, John; Bohra, Bunt; Pouraghabagher, Cyrus; Finck, Greg; Gasvoda, Kevin; Turok, Michael; Brazil, Alan; Gallagher, Timothy (IB PBC07); Buono, Mark; Montag, Tom; Lehman, David A.; 'Ostrem, Peter L'; Rosenblum, David J.; Birnbaum, Josh; Swenson, Michael; 'Huang, Leo'; DeGiacinto, Clayton; Egol, Jonathan; Nichols, Matthew; Nestor, Genevieve; Cawthon, Michael; Iqbal, Farrukh; Holen, Margaret; Kamilla, Rajiv; Mahoney, Justin; Weinstein, Scott; Resnick, Mitchell R; Gao, Renyuan; Bristow, Andrew; DeNatale, Mark; Gold, Erica; Cannon, JeanMarie; Stern, Matt; Alexander, Lee; Andrea, Mireille N.
Cc: Berry, Robert; Dinias, Michael; Lee, Brian-J (FI Controllers); Leventhal, Robert; Pantow, Albert; Fredman, Sheara; Fortunato, Salvatore; Mazumdar, Sanjay; Chen, Benjamin; gs-mra-mtg
Subject: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

Temporary MTG SPG VaR limit of \$110mm expired on 8/7/2007

MTG SPG is over its permanent VaR limit of \$35 mm
 Resi Prime is over its current stress test limit of \$100mm
 Acquisition Commitment is over its current stress test limit of \$150mm

	95% VaR (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	95.0	97.6	35
	Stress Test (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	(257)	(238)	(650)
Deriv	(24)	(25)	(30)
Res Prime	(103)	(104)	(100)
Res Credit	(108)	(111)	(185)
Credit Resid	(80)	(80)	(170)
Non-Resi Orig	4	4	(70)
CRE Loan	[REDACTED]		
ABS Loan	[REDACTED]		
SPG Trading	180	194	(160)
ABS/MBS CDO	(1)	(1)	(30)
Manager	0	0	
Commitment	(204)	(195)	(150)

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

From: Dinias, Michael
Sent: Tuesday, August 21, 2007 1:54 PM
To: Viniar, David; Cohn, Gary; Montag, Tom; Sherwood, Michael S; Winkelried, Jon (EO 85B30); Mullen, Donald; Salame, Pablo; Sparks, Daniel L; Broderick, Craig; Berry, Robert; McMahon, Bill; Petersen, Bruce; Wilson, Edward
Subject: Trading VaR Analysis
Attachments: Picture (Metafile); Mortgage VaR Contribution.pdf; FW: Potential large subprime trade and impact on Firmwide VaR

The below table computes the Trading VaR impact of going long credit risk via CDX Investment Grade, CDX High Yield, Loan CDX, and ABX BBB. For example, going long \$1.0mm/bp of ABX BBB results in \$35mm reduction in Trading VaR (from \$167mm to \$132mm). Likewise going long \$5.3mm/bp of CDX High Yield generates \$33mm decrease in Trading VaR.

Its important to note that this analysis is based on the current VaR model and that the mortgage desk has questioned the size of the implied short exposure (i.e., desk believes they are less short than implied by the VaR model). We are reviewing the current VaR methodology with the mortgage traders/strategists and assessing the impact of various potential enhancements (e.g., price volatility versus spread volatility).

Trading VaR =		167				
	US CDX IG series 8	US CDX HY100 series 8	LCDX	ABX BBB 07-1	Resulting Trading VaR	Trading VaR Impact
Scenario 10	+\$21.3mm/bp				142	-25
Scenario 11		+\$5.3mm/bp			135	-33
Scenario 12			+\$8.1mm/bp		143	-25
Scenario 13				+\$1.0mm/bp	132	-35
Scenario 14	+\$4.0mm/bp	+\$4.6mm/bp			136	-32
Scenario 15	+\$10.9mm/bp	+\$7.1mm/bp	-\$6.7mm/bp		133	-35
Scenario 16	+\$7.8mm/bp	+\$7.7mm/bp	-\$8.4mm/bp	+\$0.8mm/bp	98	-69

The attached pdf below shows Mortgage Trading VaR broken down by desk and the 3 columns from the right show marginal percentage contribution and total contribution to Firmwide VaR. Mortgage Trading has 41% marginal contribution to Firmwide VaR and adds \$48mm to Firmwide VaR. This is primarily driven by mortgage shorts on the ABS Synthetics and Correlation desks.

Decreasing the long cash vs short derivative basis risk on the Mortgage desk would also reduce VaR (albeit much less than decreasing net short). The significant long cash positions are comprised of \$900mm RMBS Suprime securities and \$100mm CDO Squared positions on the ABS Securities desk, \$115mm Cash CDOs on the Correlation desk, \$320mm CDO Mezz and \$100mm CDO Squared on the ABS/MBS CDO Origination desk. There is also \$250mm BB/B bonds in the Subs book on the Residential Prime desk and \$8.8B of loans/commitments in the Acquisition Commitments line.



Mortgage VaR
Contribution.pdf

In separate email (attached below) the desk has proposed purchasing \$10B subprime AAAs in either cash or synthetic (ABX) form. If done in "synthetic" form this would result in \$34mm reduction in Trading VaR. However if done in "cash" form Trading VaR would decrease \$11mm. The smaller Trading VaR impact of cash is due to the increase in the long cash vs. short derivative basis risk.



FW: Potential large
subprime t..

From: Petersen, Bruce
Sent: Tuesday, August 07, 2007 7:49 AM
To: Cohn, Gary; Viniar, David; McMahon, Bill
Cc: Berry, Robert; Dinias, Michael
Subject: VaR

We are attempting to get an early estimate of where var finished up close of business yesterday. We are doing detailed analysis of mortgage and credit trading var contributors to see where we might get the most efficient var reduction.

From: Berry, Robert
Sent: Wednesday, August 15, 2007 5:23 AM
To: Viniar, David; McMahon, Bill; Broderick, Craig
Subject: RE: MarketRisk: End of Day Summary - cob 8/10/2007

the most obvious risks are the short in mortgages and effectively a credit basis trade, long loans, short other credit. hedging these (across mortgages, gcp, ssg and origination) might reduce by ~20%.

i know you know, but our sensitivity to estimates of correlation implicit in the data we use for simulation is becoming acute. put another way, there will be days where "nothing happened" - positions didn't change, markets were quiet, but small changes in correlation will mean the difference between 140 and 160. it will be really difficult to explain to you and to the desks why were under yesterday but over today. this only gets worse as the headline risks reduce.

we're making some changes over the next couple of weeks that should allow us to more easily quantify the daily "creep". it will still be hard to give much intuition other than "it is what it is", but at least we can factor it out in discerning changes driven by desks increasing positions.

From: Viniar, David
Sent: Monday, August 13, 2007 7:27 PM
To: McMahon, Bill; Broderick, Craig; Berry, Robert
Subject: FW: MarketRisk: End of Day Summary - cob 8/10/2007

No comment necessary. Get it down.

From: McAndrew, Thomas R.
Sent: Monday, August 13, 2007 6:44 PM
To: Viniar, David; Cohn, Gary (EO 85830); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN PBC09); Evans, J. Michael (EO CKC68); McMahon, Bill; Viniar, David; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis)
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Yunger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen
Subject: MarketRisk: End of Day Summary - cob 8/10/2007

VaR increased from \$150mm to \$159mm

95% VaR by Business (\$mm)

	10-Aug	9-Aug	% Contr
Trading	159	150	100%
FICC	[REDACTED]	[REDACTED]	[REDACTED]
Mortges	96	102	40%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category (\$mm)

	10-Aug	9-Aug	% Contr
Trading	159	150	100%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Credit Scenario (\$MM)	10-Aug	9-Aug	Limit
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mortges.	(313)	(289)	(750)
Warehouse	56	52	(170)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Limit Excesses

Credit Origination widening scenario temporary limit of <\$2.25bn> is at a level of <\$2.5bn>.
 Credit Origination temporary VaR limit of \$50mm is at a level of \$63mm.
 Residential Prime is over its permanent limit of <\$100mm> with an impact of <\$102mm>.

Temporary Limits

Interest Rate Product Category VaR temporary limit of \$150mm until cob 8/29.
 Global Credit Products VaR temporary limit of \$90mm until cob 8/29.
 Acquisition Commitment widening scenario temporary limit of <\$250mm> until cob 8/21
 Mortgages has a temporary VaR limit of \$110mm until cob 8/21.
 Mortgage Trading widening scenario has a temporary limit of <\$750mm> until cob 8/21.

<< File: Daily Trading Risk Summary20070810.pdf >>

From: Dinias, Michael
Sent: Wednesday, August 15, 2007 7:10 AM
To: McMahon, Bill; Petersen, Bruce; Sparks, Daniel L; Mullen, Donald
Cc: Berry, Robert
Subject: FW: Hedge Analysis cob 08/13/07

Attachments: Picture (Metafile)

Scenario 13: going long \$0.7mm/bp of ABX BBB would reduce Firmwide VaR by \$23mm (\$150mm to \$127mm). Going long ABX is probably the easiest and most effective single hedge we could do. Worth noting that this trade would reduce Mortgage VaR by \$34mm (\$96mm to \$62mm).

Scenario 15: short \$13.5mm/bp LCDX, long \$8mm/bp CDX HY, and short \$9.1mm/bp CDX IG would reduce Firmwide VaR by \$10mm. This effectively is hedging the longs in Credit Origination and the shorts in Global Credit Trading.

Scenario 10, 11, and 12: impact of hedging with only one corporate index at a time (CDX IG, CDX HY, or LCDX) with Firmwide VaR reduction in the \$4mm to \$6mm range.

Scenario 18: using all the below assets results in \$37mm reduction in Firmwide VaR

From: McAndrew, Thomas R.
Sent: Tuesday, August 14, 2007 10:23 PM
To: Berry, Robert
Cc: Dinias, Michael; Rookley, Cameron; Luo, Fei; Walters, Kristen; Ng, Victor K; Jha, Arbind; Figueiras, Geraldo A.; Shaw, Michael; Yunger, Dalia (Kronenberg); Goh, Amy; Yunger, Dalia (Kronenberg)
Subject: Hedge Analysis cob 08/13/07

Below is the Hedge Analysis for cob 8/13

There are a few credit only scenarios as well as inclusion and exclusion of LCDX across all assets

	JPY ¹	EUR ¹	S&P 500	US 10y Swap	Nikkel 225	Russell 2000	STX50E	FTSE	W
Scenario 1					-\$1.9Bn				
Scenario 2				-\$2.0mm/bp					
Scenario 3			+\$2.1Bn						
Scenario 4	-\$1.3Bn								
Scenario 5		-\$3.6Bn							
Scenario 6						+\$1.2Bn			
Scenario 7							+\$0.9Bn		
Scenario 8								+\$0.5Bn	
Scenario 9									-9mr
Scenario 10									
Scenario 11									
Scenario 12									
Scenario 13									
Scenario 14									
Scenario 15									
Scenario 16			+\$4.0Bn		-\$2.1Bn	-\$1.7Bn	+\$2.8Bn	-\$2.3Bn	
Scenario 17	-\$0.2Bn	-\$2.0Bn	+\$2.0Bn	+\$0.4mm/bp	-\$1.9Bn	-\$1.6Bn	+\$2.9Bn	-\$3.5Bn	-6.0r
Scenario 18	-\$1.1Bn	-\$2.1Bn	+\$1.1Bn	+\$0.9mm/bp	-\$1.7Bn	-\$1.0Bn	+\$2.1Bn	-\$2.9Bn	-7mr

From: Sparks, Daniel L
Sent: Wednesday, August 22, 2007 9:33 AM
To: Montag, Tom; Mullen, Donald
Subject: RE: VAR reduction possibilities

Yes on single names.
 As I mentioned to Don, tactics are very important - we are working with specific salespeople who have best account likelihood to succeed, as widespread attention will decrease chance to execute.
 Then we'd look at abx index (after doing singles) For [REDACTED] trade, will appeal more broadly as that is best way to execute.

Also, a number of things in var calc need to be worked thru with risk team.

-----Original Message-----

From: Montag, Tom
Sent: Wednesday, August 22, 2007 9:04 AM
To: Mullen, Donald; Sparks, Daniel L
Subject: Re: VAR reduction possibilities

Are those single names we are already short

----- Original Message -----

From: Mullen, Donald
To: Sparks, Daniel L; Montag, Tom
Sent: Wed Aug 22 08:44:46 2007
Subject: Re: VAR reduction possibilities

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

I would like to discuss

----- Original Message -----

From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom
Sent: Wed Aug 22 08:40:59 2007
Subject: FW: VAR reduction possibilities

We are basically going to try to execute on all this (cmbs in next e-mail)

-----Original Message-----

From: Salem, Deeb
Sent: Tuesday, August 21, 2007 7:39 PM
To: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh
Cc: Salem, Deeb
Subject: VAR reduction possibilities

1. Show [REDACTED] \$500mm of 2005-vintage BBB and BBB- single name protection at mid mkt (or better)
 - \$8mm scenario risk
 - [REDACTED] likes a "deal"
 - minimal risk because [REDACTED] is quiet
 - high previous success rate
2. Show [REDACTED] \$500mm of 2006-vintage single-A single name protection at mid mkt (or better)
 - \$8mm scenario risk
 - mentioned last week that they would be a better buyer of this protection given last week's marks
 - problem is that they only want to look at names they already have on

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290.5

3. Buy \$250mm of either ABX 06-1 BBB/BBB- index or single-name risk from [REDACTED] and the various pockets of money he oversees ([REDACTED], [REDACTED], [REDACTED], [REDACTED])

- \$4mm scenario risk
- may have some appetite to add to shorts before August remits (out next Friday or Monday)
- responds positively to momentum and would be more likely to execute if/when market sells-off

4. Buy \$500mm of ABX 06-2/07-1 AA index from RBC

- \$11mm scenario risk
- great success rate with this account over the past month as we bot \$3bb of ABX AAA from RBC
- would be offered side or higher
- difficult to do without the market moving against us
- ABX liquidity is sparse this week

5. Buy \$400mm of ABX AAA and AA risk from [REDACTED] (\$100 of each 062 AAA, 062 AA, 071 AAA, and 071 AA)

- \$5mm scenario risk
- claim to be real sellers of ABX, but we have had trouble doing trades >\$50mm. They take the free information of us showing bids, tell us our price is too low, but refuse to show us a counter

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

From: Dinias, Michael
Sent: Thursday, August 16, 2007 2:04 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Broderick, Craig; Berry, Robert; Mullen, Donald; Sparks, Daniel L; McMahon, Bill; Petersen, Bruce; Wilson, Edward
Subject: Trading VaR \$171mm

Trading VaR increased \$6mm, from \$165mm to \$171mm, versus \$150mm limit.

Interest Rate Product VaR [REDACTED]

Credit Trading VaR [REDACTED]

Mortgage Trading VaR increased \$4mm, from \$110mm to \$114mm.

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

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From: Walters, Kristen
Sent: Friday, August 17, 2007 8:45 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Winkelried, Jon (EO 85B30); Evans, J. Michael (EO CKC68); Montag, Tom; Sherwood, Michael S; McMahon, Bill; Broderick, Craig
Cc: Berry, Robert; Dinias, Michael
Subject: Weekly Market Risk Summary as of 8/16/07
Attachments: Daily_Widening_Est_20070816.pdf

Significant changes in risk from previous week (cob 8/10/07 to cob 8/16/07):

- **Trading VaR increased \$15mm to \$174mm (vs. limit \$150mm) principally due to risk increases in Mortgages and Global Credit Products.**
 - (i) Global Credit Products (37%) and Mortgages (46%) now contribute 83% to Trading VaR even with increased diversification offset by Credit Origination.
 - (ii) Firmwide directional long Equity Delta decreased to \$1.7B with EPG net short <\$1.1B>.
 - (iii) Interest rate duration (standardized DV01) flipped from short to slightly long \$0.4mm/bp
- **Credit Spread Widening Scenarios:**
 - (i) Global Credit Products spread widening exposure decreased due to a reduction in Project Elaine exposure (even after a long exposure from a valuation adjustment was added to the bespoke correlation portfolio).



Daily_Widening_Est
_20070816.pd...

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Report Footnote #1833

293 E

From: Sparks, Daniel L
Sent: Thursday, August 23, 2007 6:41 PM
To: Montag, Tom
Subject: RE: Current Outstanding Notional in SN ames

Not much more today - trying

From: Montag, Tom
Sent: Thursday, August 23, 2007 6:16 PM
To: Sparks, Daniel L
Subject: RE: Current Outstanding Notional in SN ames

how much did we cover--shooting for 1 billion

From: Sparks, Daniel L
Sent: Thursday, August 23, 2007 3:51 PM
To: Montag, Tom
Subject: RE: Current Outstanding Notional in SN ames

That's why we say we are short (long protection) about \$3BB single names - the correlation is very high

From: Montag, Tom
Sent: Thursday, August 23, 2007 3:45 PM
To: Sparks, Daniel L
Subject: RE: Current Outstanding Notional in SN ames

if you take the 13 out of each side its
11.8 by 8.8 which is 3 billion long
what does the 11.8 in theory hedge or part of it that net leaves us in reality short

From: Sparks, Daniel L
Sent: Thursday, August 23, 2007 3:42 PM
To: Montag, Tom
Subject: RE: Current Outstanding Notional in SN ames

Meaning the IO we spoke about - exact cusip long and short, but at different running premiums that creates IO

From: Montag, Tom
Sent: Thursday, August 23, 2007 3:39 PM
To: Sparks, Daniel L
Subject: RE: Current Outstanding Notional in SN ames

what does explicitly mean? 13bb by 13bb offset--what does that mean

From: Sparks, Daniel L
Sent: Thursday, August 23, 2007 3:37 PM
To: Montag, Tom; Mullen, Donald
Cc: Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Subject: RE: Current Outstanding Notional in SN ames

All synthetics
Positions are in terms of protection (so negative means long risk, positive means short risk)
13BB by 13BB explicitly offset (Josh mentioned in out meeting)
Rest are comparable, but try to buy protection on worse deals vs writing protection on better deals

From: Montag, Tom

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Wall Street & The Financial Crisis
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2007 08 23

Sent: Thursday, August 23, 2007 3:29 PM
To: Sparks, Daniel L; Mullen, Donald
Cc: Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Subject: RE: Current Outstanding Notional in SN ames

what are the longs? are these comparable? are these all synthetics ?

From: Sparks, Daniel L
Sent: Thursday, August 23, 2007 3:19 PM
To: Mullen, Donald; Montag, Tom
Cc: Swenson, Michael; Lehman, David A.; Birnbaum, Josh
Subject: FW: Current Outstanding Notional in SN ames

Per your earlier question about absolute longs and shorts in single names:

	Notional Long	Notional Short	# of cusips
A	3,686,600,000	-2,337,750,000	385
BBB	10,419,693,103	-8,753,543,403	703
BBB-	10,767,733,239	-8,877,635,250	638

From: Cohn, Gary
Sent: Thursday, August 23, 2007 2:25 PM
To: Blankfein, Lloyd
Subject: Re: Trading VaR \$133mm

Down 40 in 2 days

----- Original Message -----
From: Blankfein, Lloyd
To: Cohn, Gary
Sent: Thu Aug 23 14:22:53 2007
Subject: Re: Trading VaR \$133mm

Good job.

----- = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Cohn, Gary
To: Blankfein, Lloyd; Viniar, David
Sent: Thu Aug 23 14:20:47 2007
Subject: Fw: Trading VaR \$133mm

The message got through

----- Original Message -----
From: Dinias, Michael
To: Viniar, David; Cohn, Gary; Montag, Tom; Sherwood, Michael S; Winkelried, Jon; Mullen, Donald; Sparks, Daniel L; Salame, Pablo; Broderick, Craig; Berry, Robert; McMahon, Bill; Petersen, Bruce; Wilson, Edward (ED, 1NYP/042)
Sent: Thu Aug 23 14:18:17 2007
Subject: Trading VaR \$133mm

Trading VaR decreased \$11mm, from \$144mm to \$133mm.

Credit Trading VaR [REDACTED]

Mortgage VaR decreased \$9mm, from \$99mm to \$90mm. approximately \$6mm of the decrease was due to the desk going longer \$250mm ABX BBB (06-1) and \$160mm BBB Single Name CDS. the remaining \$3mm was driven by strats updating the prepayment speeds on subprime bonds resulting in a duration in line with the synthetics. there is an additional \$270mm of BBB- Single Name CDS (booked after the close) that will result in a further \$5mm reduction in Mortgage VaR.

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Report Footnote #1839

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From: Blankfein, Lloyd
Sent: Friday, August 31, 2007 9:36 AM
To: Montag, Tom
Subject: RE: Structured Products Weekly Update - 08/30/07 (Internal Use Only)

Thanks

Appreciate the posts, I'm watching the financial news

-----Original Message-----

From: Montag, Tom
Sent: Friday, August 31, 2007 9:23 AM
To: Blankfein, Lloyd
Subject: Fw: Structured Products Weekly Update - 08/30/07 (Internal Use Only)

Bush says FHA will guarantee some tiny piece of mtg market and it takes off. Countrywide and rescap rally a lot. We are up a lot but once mkt really looks at it may come off

U can ignore long string of email just top.

----- Original Message -----

From: Birnbaum, Josh
To: Montag, Tom; Mullen, Donald; Sparks, Daniel L
Cc: Swenson, Michael; Lehman, David A.; Brafman, Lester R; Salem, Deeb
Sent: Fri Aug 31 09:07:25 2007
Subject: RE: Structured Products Weekly Update - 08/30/07 (Internal Use Only)

Based on the mkts we are making, we would be ok in this move. We are +50mm in AAAs alone right now. If we keep moving higher, the top of the structure will lose steam and we will trade short again. No street markets yet, should have more clarity soon.

From: Lehman, David A.
Sent: Friday, August 31, 2007 9:00 AM
To: Montag, Tom
Cc: Salem, Deeb; Birnbaum, Josh
Subject: RE: Structured Products Weekly Update - 08/30/07 (Internal Use Only)

Added Deeb, he can comment on p+1 and the large abx move to the upside

From: Montag, Tom
Sent: Friday, August 31, 2007 8:58 AM
To: Lehman, David A.
Subject: RE: Structured Products Weekly Update - 08/30/07 (Internal Use

Only)

abx hurting us today? mkt over reacting?

From: Lehman, David A.
Sent: Friday, August 31, 2007 8:50 AM
To: Montag, Tom
Subject: RE: Structured Products Weekly Update - 08/30/07 (Internal

Use Only)

yup

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Report Footnote #1840

From: Montag, Tom
Sent: Friday, August 31, 2007 8:47 AM
To: Lehman, David A.
Subject: RE: Structured Products Weekly Update - 08/30/07

(Internal Use Only)

I will say in BOLD it says they helped desk DRAMATICALLY REDUCE
BALANCE SHEET--in fact, it did nothing

too funny

From: Lehman, David A.
Sent: Friday, August 31, 2007 8:43 AM
To: Montag, Tom
Subject: RE: Structured Products Weekly Update - 08/30/07

(Internal Use Only)

It does not - must have been a miscommunication

From: Montag, Tom
Sent: Friday, August 31, 2007 8:41 AM
To: Lehman, David A.
Subject: RE: Structured Products Weekly Update - 08/30/07

(Internal Use Only)

so how would that help balance sheet?

From: Lehman, David A.
Sent: Friday, August 31, 2007 8:39 AM
To: Montag, Tom
Subject: RE: Structured Products Weekly Update - 08/30/07

(Internal Use Only)

1.3bb was total trading volume, split evenly b/w buys and
sells

From: Montag, Tom
Sent: Friday, August 31, 2007 8:13 AM
To: Lehman, David A.
Subject: FW: Structured Products Weekly Update - 08/30/07

(Internal Use Only)

what are the cmbs she references below?

From: Kreitman, Gail
Sent: Thursday, August 30, 2007 1:56 PM
To: Montag, Tom; Mullen, Donald; Schwartz, Harvey; Bash-
Polley, Stacy; Sparks, Daniel L; Madoff, Paula; Gasvoda, Kevin; Pinkos, Steve; Radtke,
Lorin; Icikson, David; Joseph, Alexandra A.; Kaprelian, Michael
Subject: FW: Structured Products Weekly Update - 08/30/07

(Internal Use Only)

Subject: Structured Products Weekly Update - 08/30/07

(Internal Use Only)

298.3

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INTERNAL USE ONLY

Desk	P&L (\$000)						Sales Credits		
	WTD	PWA	Variance %	07 YTD	YTD Annl	2006 FYE	07 YTD	YTD Annl	2006 FYE
SPG Trading (Swenson, Lehman, Birnbaum)									
ABS Securities	(62,860)	(19,377)	225%	(1,031,746)	(1,051,976)	20,602	298,014	309,935	141,613
ABS Synthetics	85,690	63,667	35%	3,269,058	3,333,158	36,150		n/a	-
Property Derivatives	0	0	n/a	0	0	0		n/a	-
Correlation	10,014	22,468	-55%	1,133,414	1,155,637	118,519	160,993	167,433	76,226
Gross Total	44,731	72,527	-38%	3,671,077	3,743,059	226,865	545,758	567,588	279,258
Exit Price	0	0	n/a	0	0	(52,958)		n/a	-
Transfers	126	(14)	-982%	(587)	(598)	(10,504)		n/a	-
Net Total	44,857	72,513	-38%	3,670,490	3,742,461	163,403	545,758	567,588	279,258

Actual P&L as of 15-November-2007

As of 09-November-2007 (weekly lag)

Desk	P&L (\$000)						Sales Credits		
	WTD	PWA	Variance %	07 YTD	YTD Annl	2006 FYE	07 YTD	YTD Annl	2006 FYE
CDO/CLO	(52,340)	(33,310)	57%	(1,717,838)	(1,751,519)	173,863	71,403	74,259	149,023

Actual P&L as of 15-November-2007

As of 09-November-2007 (weekly lag)

Risk Measures (\$mm)*		
VaR	Stress Test	SDV01
SPG Trading	81.2	674.1 (227)

As of 15-November-2007 / VaR is not additive due to portfolio diversification benefit

Balance Sheet (\$m)*		
Long	Limit	Short
SPG Trading	6,239	10,000 (494)

As of 15-November-2007

* Risk, and Balance Sheet include SP CDOs

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Commercial Mortgage Backed Securities

CMBS Synthetics

[Redacted]

Asset Backed Securities

ABS Cash
 In cash trading, we continue to see selling up the capital structure. Several European accounts continue to sell AA/AAA. Fears of massive supply coming to the market (due to possible liquidations) along with market technicals have left investors unwilling to go long cash at this point in the cycle. Non-Resi ABS continues to widen, specifically cards and autos - The desk saw over \$1bn in non-resi.cash up for the bid. The lack of overall liquidity has increased frustration amongst investors. Particular to the desk, we were able to sell \$100mm in AA/AAA positions to several accounts.

ABS Single-Names
 In single-name activity, volumes also slowed. The desk saw roughly \$750mm in BWIC/OWIC activity. We continue to see large amounts of short interest even at these all time wides with many line items trading north of 90 points upfront. Dealers remain risk-averse in terms of offering protection. Away from this, the desk printed its first series of Credit Card CDS trades (notional of \$100mm). Multiple hedge funds and macro players have expressed interest in getting short consumer receivables via CDS (cards, autos, student loans).

ABS Index
 In ABX trading, the desk had \$250mm in total flows (GS Buys \$50mm, GS Sells \$200mm). ABX rallied early in the week largely due to short covering in the credit and CMBX markets as macro players decided to take profits. It appears as though many dealers have flattened themselves out, lowering ABX volume across the street. Late in the week, dealer selling up the capital structure pushed the market a bit wider. Overall, ABX prices were essentially unchanged across all vintages and parts of the capital structure with the exception of 06-1 BBB/BBB- (down 5 points each, due to street selling Friday afternoon). We expect a few monthly remits to be released late next week (consensus points to continued deterioration in performance), with the remainder being released after Thanksgiving.

Tranche Risk

Correlation & CDO

[Redacted]

ABS CDO Secondary bid on roughly \$600mm of ABS CDO super senior risk - \$400mm of high grade CDO SS risk and \$200mm of mezz CDO SS risk. High grade bids wanted by Aoi Insurance and BGI, both holders of Altius III (a GS deal), nothing traded. Seller of the \$200mm in mezz CDO SS risk was WinCap which is in wind-down mode, we bought \$60mm of cash bonds and unwound \$60mm of ABX Quadrant super senior tranche WinCap had on versus us. No notable ABS tranche activity this week - MS Prop may be looking to unwind all or part of the \$1.8bn ABX Quadrant and \$1.2bn Hudson Mezz super senior trades they have on with us.

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Permanent Subcommittee on Investigations

**Wall Street & The Financial Crisis
 Report Footnote #1853**

GS MBS-E-015863620

From: Iqbal, Farrukh
Sent: Monday, February 26, 2007 3:47 PM
To: Sparks, Daniel L; Gasvoda, Kevin; Swenson, Michael; Finck, Greg; Noh, Suok; Noh, Suok; McHugh, John; Pouraghabagher, Cyrus
Cc: Holen, Margaret; Wiesel, Elisha; Turok, Michael; Barrett, Tom; Chen, Xin; Li, Ji; Dutta, Mitrajit
Subject: RE: RE: New cross desk Top Sheet risk report
Attachments: MtgTopSheet23Feb07.pdf; MtgTopSheet_2bd_changes.pdf; MtgTopSheet_1bd_changes.pdf

Please see the top sheet risk report for 23Feb07 (attached) as well as reports highlighting the one business day and two business day changes in market value and spread dv01 across the desks currently covered (Resi Loans and Resids, SPG Index, Sgl Name and CDO synthetics).

We will be generating this report daily and should have it out to you each morning going forward. Please let us know who else you would like on the distribution.

thanks,
 Farrukh

From: Iqbal, Farrukh
Sent: Thursday, February 08, 2007 9:27 PM
To: Sparks, Daniel L
Cc: Holen, Margaret; Gasvoda, Kevin; Swenson, Michael; Turok, Michael; Pouraghabagher, Cyrus; Noh, Suok; Barrett, Tom; Chen, Xin; Li, Ji
Subject: RE: New cross desk Top Sheet risk report

Please see the attached file for an initial version of the cross desk top sheet report. The report currently covers resi-credit and spg secondary/synthetics. We are working on integrating Prime Fixed and Prime Hybrid books and they should be available in the next few days.

Let us know if you would like any enhancements to the attached report. We are looking to start generating this report daily starting next week, adding more desks/sectors as the positions and risk analytics become available (cash CDO, CLO, CMBS, etc). (special thanks to Ji Li, Tom Barret and Xin Chen for helping to put this report together)

From: Iqbal, Farrukh
Sent: Friday, February 02, 2007 7:59 PM
To: Sparks, Daniel L
Cc: Holen, Margaret; Gasvoda, Kevin; Swenson, Michael; Turok, Michael; Pouraghabagher, Cyrus; Noh, Suok; Barrett, Tom; Chen, Xin
Subject: New cross desk Top Sheet risk report

Dan,

We've been looking at integrating the existing prime, resi credit and spg trading risk reports into a new departmental top sheet risk report. An example report is listed below. The report will break out resi loan and rmbs synthetics positions by desk/sector and will report AAA thru BBB- equivalent market values for rmbs loan, securitized bonds (notionals for cds) as well as rate dv01's and spread DV01s. The report will also break out market values on resids by sector and also differentiate between resids embedded in loan bulks and securitized resids (pre 2006 and 2006+).

This report should be ready by next Thursday.

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We are also working on tracking down positions in the cash CDO, CLO and CMBS businesses for inclusion in this report. More investigation needs to be done here and will look to provide an ETA for these positions next week.

Desk / Sector	Market Value (Notional for CDS)										R: DV	
	Total	AAA	AA	A	BBB	BBB-	Loan Resid	Sec Resid <2006	Sec Resid 2006+	Total Resid		
Prime/Alt-A Prime Fixed Prime Hybrid Option ARM Alt-A												
RMBS Subprime Subprime 2nds S&D												
RMBS Synthetics Index <2006 2006+ Single Name <2006 2006+ Syn CDO <2006 2006+												
RMBS CDO Synthetics High Grade Single Name CDS Syn CDO Mezz Single Name Syn CDO												

CDO: Single Name CDS = CDS referencing Cash CDO tranche
 Syn CDO = a synthetic CDO referencing a cash CDO tranche

Goldman Sachs Date: 23Feb07
E-mail: fcc-mtgstrat

Mortgage Strategies

Mortgage Dept Top Sheet

Group	Sector	Type	Market Value(MM\$)(Notional for CDS)											Spread DV01(K\$)						
			Total	AAA	AA	A	BBB	BBB-	NR	Loan Resid	Sec Resid <2006	Sec Resid >=2006	Total Resid	Rate DV01(k\$)	AAA	AA	A	BBB	BBB-	NR
Dept	Total		5,500.5	514.8	885.0	4,682.8	3,771.1	1,560.2	1,378.5	228.0	223.3	515.0	964.3	-87.3	1,081.4	-346.8	2,238.1	844.5	334.1	-234.8
Prime/ARA	Total		2,336.2	1,829.4	98.8	-25.2	-15.1	-18.8	258.0	38.8	65.8	110.4	212.8	-288.8	133.3	-23.2	14.5	4.5	2.2	-61.8
	ARA	Total	2,336.2	1,829.4	98.8	-25.2	-15.1	-18.8	258.0	38.8	65.8	110.4	212.8	-288.8	133.3	-23.2	14.5	4.5	2.2	-61.8
	Bulk Loan		1,870.5	1,461.4	42.5	27.8	14.4	12.2	0.7	11.4	0.0	0.0	11.4	-278.8	-242.7	-11.3	-6.7	-3.5	-3.2	-0.2
	Conduit Loan		176.5	90.3	0.0	-1.6	-0.3	1.0	83.3	0.0	0.0	0.0	0.0	-10.7	-26.2	0.0	-0.2	-0.0	-0.0	-28.9
	Residual		351.8	0.0	0.0	5.1	0.0	0.0	170.8	0.0	65.5	110.4	176.0	-498.0	-0.0	0.0	-0.2	0.0	0.0	-32.8
	ABX		-1,975.0	-1,775.0	0.0	-100.0	50.0	50.0	0.0	0.0	0.0	0.0	0.0	-4.4	707.0	0.0	29.7	12.0	10.8	-0.0
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	828.3	0.0	0.0	0.0	0.0	0.0	0.0
	TBA Pass Thru		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.3	0.0	0.0	0.0	0.0	0.0	0.0
RMBS Subprime	Total		1,430.2	478.1	302.8	-123.7	-75.9	150.3	1,123.5	189.1	157.7	404.6	781.4	-200.3	800.8	-83.5	80.7	38.0	-41.3	-162.8
	Scratch&Oent	Total	788.8	214.4	26.8	-144.5	-4.8	70.2	546.2	25.5	20.4	33.4	78.2	-28.2	-21.8	-7.6	43.8	-1.5	-18.2	-22.0
	Bulk Loan		806.8	214.4	26.8	-19.2	28.5	15.0	178.4	25.8	0.0	0.0	25.6	-40.0	-21.6	-7.6	5.4	-7.5	-5.1	-0.0
	Residual		107.8	0.0	0.0	0.0	0.0	0.0	53.7	0.0	20.4	33.4	53.7	-20.6	0.0	0.0	0.0	0.0	0.0	-15.9
	ABX		-270.0	0.0	0.0	-200.0	70.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.2	0.8	0.0	80.5	16.9	0.0	0.0
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.2	0.0	0.0	0.0	0.0	0.0	0.0
	EO Future		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.0	0.0	0.0	0.0	0.0	0.0	0.0
	TBA Pass Thru		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0
	Subprime 1st Lien	Total	218.5	-1,139.7	208.7	-41.1	-48.3	82.5	506.5	124.8	188.9	303.9	564.6	-135.7	741.5	-38.3	37.1	32.0	-23.5	-122.0
	Bulk Loan		1,020.1	740.5	93.6	-44.4	-22.9	31.7	0.0	37.0	0.0	0.0	87.0	-168.2	135.8	-33.5	16.3	-7.8	-11.7	0.0
	Conduit Loan		479.9	349.8	48.2	-22.2	8.1	15.8	0.0	37.8	0.0	0.0	37.8	-64.3	-46.7	-15.5	-6.4	-4.5	-10.7	0.0
	Residual		168.9	0.0	0.0	0.0	0.0	0.0	168.9	0.0	0.0	0.0	0.0	3.1	0.0	0.0	0.0	0.0	-45.3	
	ABX		879.8	0.0	0.0	19.4	24.7	55.0	340.7	0.0	135.9	303.9	439.8	-101.5	0.0	0.0	-0.8	-4.0	-7.2	-78.7
	ESwap		-2,895.0	-2,250.0	0.0	-150.0	-170.0	25.0	0.0	0.0	0.0	0.0	0.0	-8.8	922.4	0.0	44.5	41.0	5.4	0.0
	CDS		285.0	20.0	70.0	105.0	85.0	5.0	0.0	0.0	0.0	0.0	0.0	-0.0	1.9	9.7	19.0	-7.5	0.8	0.0
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	202.1	0.0	0.0	0.0	0.0	0.0	0.0
	2nd Lien	Total	442.3	247.2	87.5	-20.3	-28.0	-2.4	89.8	-38.7	1.5	67.3	107.8	-43.9	80.8	-18.6	9.8	7.4	0.4	-18.8
	Bulk Loan		739.8	547.2	87.5	-39.7	24.0	22.6	0.0	30.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Residual		137.6	0.0	0.0	0.0	0.0	0.0	88.8	0.0	1.5	67.3	68.8	-64.5	0.0	0.0	0.0	0.0	0.0	0.0
	ABX		435.0	-300.0	0.0	-60.0	-50.0	25.0	0.0	0.0	0.0	0.0	0.0	-4.2	124.6	0.0	17.8	12.0	5.4	0.0
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62.2	0.0	0.0	0.0	0.0	0.0	0.0
RMBS Synthetic	Total		10,795.3	1,434.1	214.2	-4,435.5	3,448.1	-1,690.8					0.0	84.3	-193.4	1,138.2	786.2	373.2		
	COO	Total	4,584.5	1,383.5	671.8	-1,875.4	2,104.8	-2,569.2					0.0	106.3	117.2	444.2	433.2	306.5		
	>06		-1,073.3	0.0	0.0	-435.1	-331.8	306.8					0.0	0.0	0.0	133.8	90.2	78.0		
	<06		-7,511.2	1,383.5	671.8	-1,440.3	-1,779.0	-2,282.6					0.0	106.3	117.2	310.4	343.1	427.5		
	Index	Total	982.0	-368.0	567.0	-4,803.5	-571.8	1,188.1					0.0	-1,051.8	-129.8	-479.6	99.3	-207.8		
	>06		5,103.7	2,565.0	337.0	1,595.5	-415.8	1,022.0					0.0	1,027.8	-69.5	921.1	37.2	-477.5		
	<06		-4,120.8	-2,830.0	230.0	-3,399.0	-1,559.9	2,134.1					0.0	-17.6	-112.1	253.3	226.5	551.9		
	Single Name	Total	-3,193.8	294.4	319.0	-788.5	-772.7	-2,771.8					0.0	0.0	-80.5	243.2	331.9	378.7		
	>06		-3,312.3	0.0	178.0	-718.8	-1,863.8	-1,864.1					0.0	17.8	-31.6	10.3	-105.4	173.3		
	<06		118.7	294.4	144.0	-93.3	413.9	-892.7					0.0	0.0	0.0	0.0	0.0	0.0		
RMBS COO Syn	Total		-2,482.1	-231.9	88.1	-2,098.4	-231.0	0.0					0.0	96.8	-88.8	1,011.7	188.8	0.0		
	HG COO		-339.3	-61.4	-55.8	-222.6	0.0	0.0					0.0	28.7	-25.8	105.9	0.0	0.0		
	HG Single Name		-44.9	18.0	20.0	-45.0	-28.9	0.0					0.0	-4.5	-10.1	18.7	35.1	0.0		
	Mezz COO		-1,884.9	-180.5	-381.4	-1,237.3	-85.7	0.0					0.0	75.7	-154.7	577.7	29.3	0.0		
	Mezz Single Name		-242.4	0.0	486.3	-503.3	-115.4	0.0					0.0	-1.0	-237.2	306.4	61.5	0.0		



3/2/07

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Mortgage Strategies

Mortgage Dept Top Sheet - CHANGES 21Feb07 TO 23Feb07

Group	Sector	Type	Market Value(MM\$)(Notional for CDS)										Spread DV01(K\$)							
			Total	AAA	AA	A	BBB	BBB-	NR	Loan Resid	Sec Resid <2006	Sec Resid >=2006	Total Resid	Rate DV01(k\$)	AAA	AA	A	BBB	BBB-	NR
Dept	Total		1,250.3	196.4	49.5	-252.4	304.2	837.1	198.8	-16.8	-3.7	29.2	8.8	63.2	-57.3	-17.6	74.5	-124.3	-265.0	-43.8
Prime/ARA	Total		263.4	353.2	9.8	5.9	3.5	3.0	27.2	1.8	0.1	-56.7	-64.8	51.5	-56.7	-2.1	-2.6	-1.7	-2.0	8.9
	ANA		263.4	353.2	9.8	5.9	3.5	3.0	27.2	1.8	0.0	0.0	1.6	-57.4	-53.1	-2.1	-1.6	-0.7	-1.0	-0.0
	Bulk Loan		380.2	254.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.3	0.1	0.0	0.0	0.0	0.0	
	Conduit Loan		-1.8	0.0	0.0	-1.1	0.0	0.0	-0.7	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.2	-0.0	-0.0	
	Bond		-113.2	0.0	0.0	0.0	0.0	0.0	56.6	0.0	0.1	-56.7	-56.6	109.8	0.0	0.0	-1.4	-1.0	-1.0	
	Residual		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.1	-3.7	0.0	0.0	0.0	0.0	
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	TBA Pass Thru		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	
RMBS Subprime	Total		-0.8	-259.8	-36.4	-20.2	-1.5	-0.8	254.0	-16.8	-3.8	86.0	63.6	11.7	30.5	14.1	2.8	-5.8	-0.5	
	Scratch&Dent		-13.4	-32.1	-0.1	-0.1	7.7	8.8	3.2	4.9	-4.3	1.5	2.1	9.8	6.5	0.0	-0.2	-2.1	-2.2	
	Bulk Loan		7.6	32.1	0.1	0.1	7.7	8.8	3.2	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	Bond		0.1	0.0	0.0	0.0	0.0	2.2	-2.2	0.0	0.0	0.0	0.0	0.2	0.8	0.0	0.0	0.0	-0.4	
	Residual		-5.7	0.0	0.0	0.0	0.0	0.0	2.9	0.0	4.3	1.5	-2.9	6.8	0.0	0.0	0.0	0.0	0.0	
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.4	0.9	0.0	-1.1	-1.0	0.0	
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	EO Future		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	TBA Pass Thru		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	
	Subprime 1st Lien		281.7	-10.5	-1.1	-0.8	-0.4	-0.3	231.8	-1.8	0.2	64.8	63.1	-36.1	0.6	0.8	-1.5	-4.2	-0.2	
	Bulk Loan		15.8	-11.7	-1.3	-0.7	-0.4	-0.4	0.0	-0.5	0.0	0.0	-1.3	1.4	1.4	0.4	0.3	0.2	0.2	
	Conduit Loan		1.0	1.2	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	
	Bond		166.7	0.0	0.0	0.0	0.0	0.0	166.7	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0	-2.7	0.0	
	Residual		129.8	0.0	0.0	0.0	0.0	0.0	84.8	-0.0	0.2	64.8	64.9	-45.5	0.0	0.0	-0.9	-0.0	0.0	
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.6	-3.9	0.0	2.1	-2.6	-0.5	
	CDS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.1	-0.2	-0.1	-0.0	
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	2nd Lien		-288.1	-217.0	-35.1	-19.4	-8.3	-7.4	20.1	-21.6	0.4	19.7	-1.8	40.0	23.5	12.5	4.9	1.8	1.8	
	Bulk Loan		309.3	217.0	35.1	19.4	8.3	7.4	0.0	21.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	Residual		40.2	0.0	0.0	0.0	0.0	0.0	20.1	0.0	0.4	19.7	20.1	-1.8	0.0	0.0	0.0	0.0	0.0	
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	-0.6	0.0	0.8	-1.0	-0.5	
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
RMBS Synthetic	Total		1,333.1	14.8	75.0	-213.3	321.5	635.0					0.0	-31.8	-29.9	71.0	-122.6	-262.3		
	CCO		218.0	14.8	0.6	46.2	138.0	-142.6					0.0	0.4	-0.7	-13.2	23.6	17.1		
	>=06		-117.5	0.0	0.0	10.2	-98.9	70.8					0.0	0.0	0.0	-3.6	11.0	13.1		
	< 06		-101.5	14.8	0.6	36.0	-81.1	-71.8					0.0	0.4	-0.7	-9.7	12.5	4.0		
	Index		-519.0	0.0	75.0	-155.0	-105.3	-333.5					0.0	-32.3	-29.4	44.8	16.7	124.7		
	>=06		-486.0	100.0	75.0	-130.0	-2.5	-328.5					0.0	-00.8	-0.7	-3.8	23.9	28.5		
	< 06		-33.0	100.0	0.0	-25.0	103.0	-5.0					0.0	0.2	0.2	39.4	-185.2	-404.4		
	Single Name		1,771.1	0.0	0.0	105.0	983.0	1,311.1					0.0	0.0	0.1	39.6	-126.3	-398.4		
	>=06		1,900.0	0.0	0.0	105.0	996.0	1,310.0					0.0	0.2	0.1	0.2	-36.6	-4.0		
	< 06		-171.1	0.0	0.0	0.0	170.0	-1.1					0.0	0.0	0.0	0.0	0.0	0.0		
RMBS CDO Syn	Total		-44.3	-2.0	0.6	-24.4	-16.4	0.0					0.0	0.7	0.0	3.2	6.1	0.0		
	HG CDO		-2.0	-0.8	-0.5	-0.7	0.0	0.0					0.0	0.2	0.2	0.3	0.0	0.0		
	HG Single Name		0.0	0.0	0.0	0.0	0.0	0.0					0.0	0.0	0.6	0.1	-0.8	0.0		
	Mezz CDO		-5.1	-1.2	2.8	-3.7	-3.0	0.0					0.0	0.4	-1.2	-1.6	0.3	0.0		
	Mezz Single Name		-38.2	0.0	-1.8	-20.0	-16.4	0.0					0.0	-0.0	1.9	4.4	6.4	0.0		



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Goldman Sachs Date: 23Feb07 -22Feb07
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Mortgage Strategies

Mortgage Dept Top Sheet - CHANGES 22Feb07 TO 23Feb07

Group	Sector	Type	Market Value(MM\$)(Notional for CDS)										Spread DV01(K\$)							
			Total	AAA	AA	A	BBB	BBB-	NR	Loan Resid	Sec Resid <2006	Sec Resid >=2006	Total Resid	Rate DV01(k\$)	AAA	AA	A	BBB	BBB-	NR
Dept	Total		-110.2	2.7	24.5	-226.2	177.5	-436.0	280.7	0.0	1.3	85.8	87.1	38.1	35.9	-10.5	82.1	-61.5	85.0	-57.2
Prime/ARA	Total		4.5	-8.8	-0.2	-1.3	-0.1	-0.1	2.2	-0.4	0.8	1.4	1.6	8.5	-2.8	0.0	-0.4	-0.5	-0.5	-0.4
	ANA		4.5	-8.8	-0.2	-1.3	-0.1	-0.1	2.2	-0.4	0.8	1.4	1.6	8.5	-2.8	0.0	-0.4	-0.5	-0.5	-0.4
	Bulk Loan		-1.8	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.8	-0.4	-0.2	0.0	0.0	0.0	0.0	-0.0
	Conduit Loan		-7.9	-7.7	-0.2	-0.1	-0.1	-0.1	0.0	0.3	0.0	0.0	0.3	-3.4	0.7	0.0	0.0	0.0	0.0	0.0
	Bond		-0.9	0.0	0.0	-1.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.2	-0.0	-0.0	-0.1
	Residual		4.3	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.6	1.4	2.0	19.1	0.0	0.0	0.0	0.0	0.0	-0.3
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	-3.8	0.0	-0.6	-0.5	-0.5	0.0
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TBA Pass Thru		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RMBS Subprime	Total		342.4	-2.8	-0.3	-0.1	-0.1	2.2	258.0	0.4	0.7	84.4	85.2	-37.8	-1.0	0.4	-2.0	-2.3	0.8	-56.8
	Scratch&Build		4.5	-1.7	-0.1	-0.1	-0.1	2.2	4.1	0.1	0.1	0.0	0.1	4.8	0.1	0.0	0.0	-0.5	-0.4	0.4
	Bulk Loan		4.3	-1.7	-0.1	-0.1	-0.1	0.0	6.2	0.1	0.0	0.0	0.1	0.4	0.1	0.0	0.0	0.0	0.0	0.0
	Bond		0.1	0.0	0.0	0.0	0.0	2.2	-2.2	0.0	0.0	0.0	0.0	0.3	0.8	0.0	0.0	0.0	-0.4	-0.4
	Residual		0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	4.9	0.0	0.0	0.0	0.0	0.0	0.0
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.8	0.8	0.0	-0.9	-1.4	-0.3	0.0
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	EO Future		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TBA Pass Thru		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subprime 1st Lien		298.8	-0.0	-0.0	-0.0	-0.0	0.0	233.6	0.2	0.3	64.5	65.0	-38.7	-0.7	0.3	-0.8	-1.4	-0.1	-52.7
	Bulk Loan		0.4	-0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.4	0.0	0.0	-0.4	3.2	3.2	0.4	0.2	0.1	0.1
	Conduit Loan		168.8	0.0	0.0	0.0	0.0	0.0	168.8	0.0	0.0	0.0	0.0	3.1	0.0	0.0	0.0	0.0	0.0	-45.3
	Bond		129.8	0.0	0.0	0.0	-0.0	0.0	84.8	0.0	0.3	84.5	84.8	-44.1	0.0	0.0	0.0	-0.0	0.0	7.4
	Residual		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.1	-3.8	0.0	-0.9	-1.4	-0.3	
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.1	-0.0	-0.0	
	CDS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2nd Lien		39.6	-0.8	-0.2	-0.1	-0.0	-0.0	20.3	0.1	0.4	19.9	20.4	-2.3	-0.4	0.1	-0.5	-0.8	-0.3	-4.5
	Bulk Loan		1.0	-0.8	-0.2	-0.1	-0.0	-0.0	0.0	0.1	0.4	0.0	0.0	-0.0	0.1	0.1	0.0	0.0	0.0	0.0
	Conduit Loan		40.8	0.0	0.0	0.0	0.0	0.0	20.3	0.0	0.4	19.8	20.3	-1.8	-0.0	0.0	0.0	0.0	0.0	-4.5
	Bond		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7	-0.5	0.0	-0.4	-0.5	-0.3	
	Residual		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	ABX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	ESwap		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
RMBS Synthetic	Total		442.7	13.3	23.9	-223.5	178.8	-436.1					0.0	-34.8	-12.4	88.2	-36.8	86.3		
	CDO		-12.7	13.3	0.8	21.5	-62.7	-85.8					0.0	0.3	-0.4	-4.3	6.7	7.1		
	>=06		-51.0	0.0	0.0	3.0	-28.2	-28.8					0.0	0.0	0.0	-1.3	2.7	3.0		
	<06		-61.7	13.3	0.9	17.5	-34.8	-56.8					0.0	0.3	-0.4	-4.0	4.0	4.1		
	Index		-470.0	0.0	25.0	-178.0	-12.5	-312.5					0.0	-35.4	-12.1	42.8	-0.8	87.2		
	>=06		-445.0	0.0	25.0	-178.0	-2.5	-297.5					0.0	12.2	-10.8	49.6	-0.9	77.0		
	<06		-25.0	0.0	0.0	0.0	10.0	-15.0					0.0	47.5	-1.3	-8.8	1.8	10.2		
	Single Name		140.0	0.0	0.0	75.0	255.0	-40.0					0.0	0.1	-0.0	31.8	64.3	8.1		
	>=06		-36.0	0.0	0.0	75.0	80.0	-40.0					0.0	0.0	-0.0	31.7	22.9	4.7		
	<06		176.0	0.0	0.0	0.0	175.0	0.0					0.0	0.1	0.0	-0.1	-40.5	-3.4		
RMBS CDO Syn	Total		-3.7	0.6	-0.8	-1.2	-2.1	0.0					0.0	-4.3	1.1	-4.7	-2.2	0.0		
	HQ CDO		-1.3	-0.3	-0.1	-0.7	0.0	0.0					0.0	0.1	-0.1	-0.4	-0.0	0.0		
	HQ Single Name		0.0	0.0	0.0	0.0	0.0	0.0					0.0	-0.0	-0.0	0.1	-0.8	0.0		
	Mezz CDO		-0.8	0.9	-1.0	-0.6	-2.1	0.0					0.0	-0.5	-0.3	-1.2	-0.2	0.0		
	Mezz Single Name		-1.7	0.0	-1.8	0.0	0.0	0.0					0.0	-0.0	1.3	-4.0	-1.8	0.0		

307-3



300-13

From: Song, Scarlett
Sent: Thursday, August 09, 2007 3:08 PM
To: Montag, Tom; Sobel, Jonathan; Sparks, Daniel L; McHugh, John; Bohra, Bunty; Pouraghabagher, Cyrus; Finck, Greg; Gasvoda, Kevin; Turok, Michael; Brazil, Alan; Gallagher, Timothy (IB PBC07); Buono, Mark; Montag, Tom; Lehman, David A.; Ostrem, Peter L; Rosenblum, David J.; Birnbaum, Josh; Swenson, Michael; Huang, Leo; DeGiacinto, Clayton; Egol, Jonathan; Nichols, Matthew; Nestor, Genevieve; Cawthon, Michael; Iqbal, Farrukh; Holen, Margaret; Kamilla, Rajiv; Mahoney, Justin; Weinstein, Scott; Resnick, Mitchell R; Gao, Renyuan; Bristow, Andrew; DeNatale, Mark; Gold, Erica; Cannon, JeanMarie; Stern, Matt; Alexander, Lee; Andrea, Mireille N.
Cc: Berry, Robert; Dinias, Michael; Lee, Brian-J (FI Controllors); Leventhal, Robert; Pantow, Albert; Fredman, Sheara; Fortunato, Salvatore; Mazumdar, Sanjay; Chen, Benjamin; gs-mra-mtg
Subject: MarketRisk: Mortgage Risk Report (cob 08/08/2007)
Attachments: MortgageRiskSummary070808.pdf

Temporary MTG SPG VaR limit of \$110mm expired on 8/7/2007

MTG SPG is over its permanent VaR limit of \$35 mm
Resi Prime is over its current stress test limit of \$100mm
Acquisition Commitment is over its current stress test limit of \$150mm

	95% VaR (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	95.0	97.6	35
	Stress Test (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	(257)	(238)	(650)
Deriv	(24)	(25)	(30)
Res Prime	(103)	(104)	(100)
Res Credit	(108)	(111)	(185)
Credit Resid	(80)	(80)	(170)
██████████	████	████	████
██████████	████	████	
██████████	████	████	
SPG Trading	180	194	(160)
ABS/MBS CDO	(1)	(1)	(30)
Manager	0	0	
██████████	████	████	████

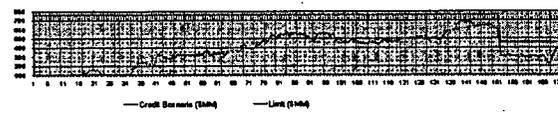
██████████ = Redacted by the Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1860

Market Risk Report 8/8/07 Mortgage Portfolio Summary

Mortgage VaR

Mortgage Credit Scenario



Portfolio Name	VaR (SMM) 08/08/07	VaR (SMM) 08/07/07	Stress Test (SMM) 08/08/07	Stress Test (SMM) 08/07/07	Net MV (2) (SMM)	Rate DV01 (SM/bp)	OAS DV01 (SM/bp)	Vega (SM/1%vol)	2yr/10yr Steepener (SM/bp)
Mortgage Structured Products	95.0	97.6	(256.9)	(237.5)	40,386	(2,424)	1,441	5,910	410
Mortgage Derivative	3.8	3.8	(24.2)	(24.5)	2,822	(295)	(192)	2,957	275
Inverse IO	3.1	3.2	(10.2)	(10.8)	557	(87)	(201)	3,118	238
Strip IO/PO	1.0	1.0	(8.8)	(7.5)	1,237	(124)	171	142	227
Agency Derivative	0.6	0.5	(3.8)	(4.8)	913	(65)	(50)	(659)	(210)
Whole Loan Derivative	0.3	0.3	(1.5)	(1.5)	115	(19)	(112)	1,020	48
Residential Prime	3.5	3.1	(103.5)	(103.9)	13,445	(1,897)	245	2,953	145
Agency CMOs	1.9	1.0	(9.7)	(10.7)	2,378	(95)	267	(467)	(52)
FHAVA	0.5	0.5	(2.6)	(2.6)	187	(14)	47	(325)	(28)
Prime Hybrid	6.6	6.5	(44.3)	(42.2)	3,038	(505)	263	2,845	281
Prime Fix	5.7	5.7	(21.3)	(22.7)	6,962	(1,241)	(463)	1,016	(56)
ARMs	0.5	0.5	(1.3)	(1.4)	572	(82)	130	(117)	(2)
Suba ⁽¹⁾	8.9	8.9	(24.3)	(24.3)	308	-	-	-	-
Residential Credit	8.6	8.6	(108.5)	(111.4)	3,409	(237)	554	-	-
Alt A	2.1	2.0	(0.3)	(1.9)	1,166	-	311	-	-
Subprime	4.1	4.1	5.9	4.8	1,083	-	150	-	-
Second Lien	-	-	(2.9)	(2.9)	88	-	28	-	-
Sub/Non-Performing	1.6	1.6	(30.9)	(31.1)	763	-	65	-	-
Credit Residuals ⁽¹⁾	-	-	(80.2)	(80.2)	320	-	-	-	-
[Redacted]	-	-	-	-	-	-	-	-	-
[Redacted]	-	-	-	-	-	-	-	-	-
[Redacted]	-	-	-	-	-	-	-	-	-
SPG Trading	111.9	114.6	179.8	193.9	3,490	9	(1,108)	-	(10)
CMBS Securities	21.6	25.0	(63.0)	(62.5)	1,322	-	1,791	-	-
ABS Securities	44.8	44.7	(19.7)	(19.9)	1,961	(22)	410	-	(10)
ABS Synthetics	124.9	125.5	63.7	62.6	-9,642	0	-962	0	-
Correlation Book	39.9	44.6	199.1	214.0	194	-	(2,348)	-	-
ABS/MBS CDO Origination	24.9	24.8	(0.5)	(0.5)	518	n/a	n/a	-	-
Manager Account	0.0	0.0	0.0	0.0	0	(0)	0	-	-
[Redacted]	-	-	-	-	-	-	-	-	-
[Redacted]	-	-	-	-	-	-	-	-	-
[Redacted]	-	-	-	-	-	-	-	-	-
[Redacted]	-	-	-	-	-	-	-	-	-
Europe Mortgage⁽¹⁾	0.5	0.5	0.0	0.0	1,147	-	-	-	-

Note (1) - On PNL; VaR (2) - Exclude hedges

	CF	NCF	Total
Real Prime	78.1	56.0	134.1
Real Credit	181	159	320

	CDO	CLO	total
Equities	26	0	26

Significant Risk Changes:
 Acquisition Commitment is over its limit of \$150mm
 Real Prime is over its stress test limit of \$100mm
 Temporary MTG SPG VaR limit of \$110mm expired on 8/7/2007
 MTG SPG is over its permanent VaR limit of \$35mm

 Acquisition Commitment scenario limit is \$150mm
 Mtg SPG desk Stress test temporary limit is \$650mm (vs. permanent \$500mm)
 MTG SPG desk VaR limit has been changed to \$110mm

[Redacted by the Permanent Subcommittee on Investigations]

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From: McHugh, John
Sent: Monday, October 01, 2007 3:45 PM
To: Sparks, Daniel L; Finck, Greg; Swenson, Michael; Lehman, David A.; Buono, Mark
Subject: Viniar Risk Pack - Sept

Attachments: Sept Risk Pack Viniar.pdf

Soft copy for future reference



Sept Risk Pack
Viniar.pdf

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1861

31-0

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Whole Loans

	5/9/2007	
	Loans	ABX Hedges
Subprime	180	(2,525)
Alt-A	1,750	(1,925)
S&D	606	(420)
2nds	60	(195)
Hybrids	2,850	(2,350)
Prime Fix	1,293	-
	5,446	(7,415)

	Loans	9/25/2007 Hedges		
		ABX	MBS	Swaps
Subprime	379	(230)		
Alt-A	141	(400)	(193)	
S&D	587	(170)		
2nds	0	-		
Hybrids	574	(250)		(772)
Prime Fix	737	-	(775)	(10)
	2,418	(1,050)	(968)	(782)

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Prime Bonds

5/9/2007

	Bonds		Hedges		
	AAA	Subs	MBS	Swaps	ABX
Prime Fix	1,639	250			
Agency Fixed	5,644	0			
Agency ARMs	1,445	0			
WL Hybrids	1,083	300			
Alt-A	169	100			
	9,980	650			(90)

9/25/2007

	Bonds		Hedges		
	AAA	Subs	MBS	Swaps	ABX
Prime Fix	3,021	275	(2,323)	(644)	
*Agency Fixed	4,454	0	(3,225)	(2,990)	
Agency ARMs	700	0	(110)	(82)	
Prime Hybrid	760	240	(200)	(430)	
Alt-A Hybrid	1,575	325	(405)	(700)	
Alt-A Fixed	982	93	(788)	(634)	
	11,492	933	(7,051)	(5,480)	

* Includes Derivs positions of \$2.7bn.

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Residuals, NIMs and Subs

5/9/2007	Residuals	NIMs	Subs	ABX Hedges
Subprime	273	86	0	
Alt-A	251	59	70	
S&D	50	0	10	
2nds	99	0	0	
Prime / FHAVA	0	0	180	
Hybrids	119	4	300	
	792	149	560	-120

9/25/2007	Residuals			NIMs			Subs	ABX Hedges
	New Issue	Secondary	Total	New Issue	Secondary	Total		
Subprime	4	55	59	0	90	90	0	
Alt-A	20	109	129	6	42	48	72	
S&D	0	13	13	0	0	0	11	
2nds	0	12	12	0	0	0	0	
Prime / FHAVA	0	0	0	0	0	0	176	
Hybrids	81	17	98	27	16	43	10	
	105	206	311	33	148	181	269	-120

9/25/2007 NIMs by Rating				
	Alt-A	Hybrids	Subprime	Total
A	39	15	51	105
BBB	9	21	30	60
BB	-	7	9	16
Total	48	43	90	181

9/25/2007 Subs by Rating						
	Prime	FHAVA	AltA	Opt Arm	S&D	Total
BB	76	13	56	0	0	145
B	48	5	14	9	8	84
NR	33	2	2	1	3	41
Total	156	20	72	10	11	269

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ABS Trading - RMBS Subprime

	Notional (\$mm)				Spread DV01 (000)			
	Cash	SN	Index	Net	Cash	SN	Index	Net
5/9/07								
AAA	268	(276)	235	227	(53)	44	(98)	(108)
AA	49	(1)	289	337	(19)	(65)	(113)	(197)
A	218	(840)	(291)	(913)	(47)	230	47	230
BBB	167	(658)	(833)	(1,324)	(20)	28	243	251
BBB-	652	(1,197)	920	375	(111)	54	(240)	(297)
	1,354	(2,972)	320	(1,298)	(250)	291	(162)	(121)

	Notional (\$mm)				Spread DV01 (000)			
	Cash	SN	Index	Net	Cash	SN	Index	Net
9/25/07								
AAA	640	(242)	2,400	2,798	(142)	26	(1,020)	(1,136)
AA	413	(1)	764	1,176	(101)	(43)	(227)	(371)
A	192	(1,287)	253	(842)	(23)	254	(56)	175
BBB	141	(1,602)	108	(1,353)	(13)	119	(35)	71
BBB-	465	(1,787)	104	(1,218)	(17)	81	8	72
	1,851	(4,918)	3,629	561	(296)	437	(1,330)	(1,189)

Changes from 5/9/2007 to 9/25/2007

	Notional (\$mm)				Spread DV01 (000)			
	Cash	SN	Index	Net	Cash	SN	Index	Net
AAA	372	34	2,165	2,571	(89)	(18)	(921)	(1,028)
AA	364		475	839	(82)	22	(114)	(174)
A	(26)	(447)	544	71	24	24	(103)	(55)
BBB	(26)	(944)	941	(29)	7	91	(278)	(180)
BBB-	(187)	(590)	(816)	(1,593)	84	27	248	369
	497	(1,947)	3,309	1,859	(46)	148	(1,168)	(1,068)

Risk Summary

- Primary trade is now capital structure trade:
 - Desk is long \$4.0bb of AAA/AA risk
 - Desk is short \$3.3bb of mezz risk (A/BBB/BBB-)
- Since May, the desk has added \$2.5bb of AAA and \$0.8bb AA
- Since May, at the mezz level, desk has bought \$0.7bb of index risk and sold \$2.2bb of cash and single-name risk
- Desk has very little Index/SN basis. The Index position is relatively flat (<\$250mm in any mezz rating bucket)

Trading Rationale

Capital Structure Trade

Fundamentals:

- Current market implied cum losses on ABX 06-2 AAAs are 23%
- Current market implied cum losses on ABX 06-2 BBBs are 13%
- For example, the \$ price spread between 2006 vintage ABX AAs and 2005 vintage SN BBBs is only 8pts, while the difference in credit enhancement is 10%

Technical:

- Prior to Fed action in mid-August, Mortgages bought approx \$9bb of AAA ABX from the street ==> street trades short.

- Re-initiated short BBB position following the BSAM Hedge Fund troubles

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ABX/Single-Name Basis

	Current Notional	ABX Prices	SN Prices	Basis
ABX.HE.06-1.A	(527)	86.5	92.3	5.8
ABX.HE.06-2.A	(312)	70.3	85.9	15.7
ABX.HE.07-1.A	(231)	51.0	68.5	17.5
ABX.HE.07-2.A	(213)	62.5	72.1	9.6
Total	(1,283)			10.9
ABX.HE.06-1.BBB	(815)	61.5	73.8	12.3
ABX.HE.06-2.BBB	(61)	39.3	47.0	7.8
ABX.HE.07-1.BBB	(135)	32.0	46.2	14.2
ABX.HE.07-2.BBB	(615)	40.5	48.5	8.0
Total	(1,626)			10.7
ABX.HE.06-1.BBB-	(1,203)	50.8	65.3	14.6
ABX.HE.06-2.BBB-	20	33.0	46.2	13.2
ABX.HE.07-1.BBB-	(450)	29.5	40.4	10.9
ABX.HE.07-2.BBB-	(198)	37.0	44.9	7.9
Total	(1,831)			12.9

316-B

4

ABS Credit IO

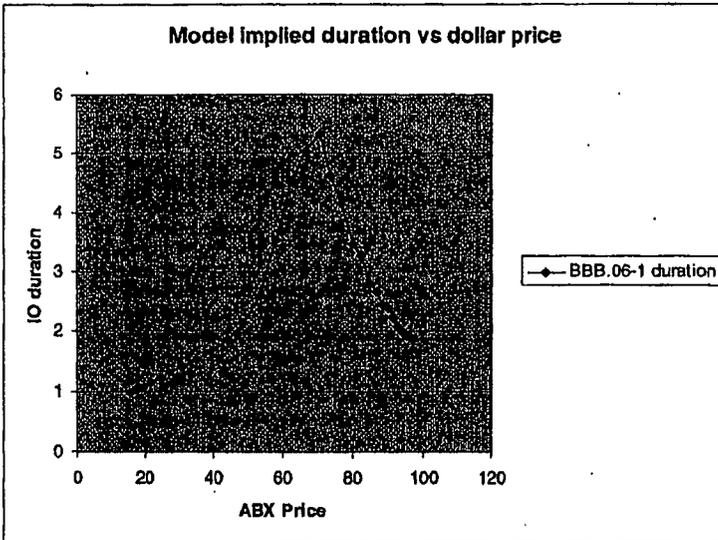
Date	Per Annum Value (\$mm)	Duration	Market Value (\$mm)
2-Feb-07	11.9	2.3	27.6
7-Mar-07	111.6	2.7	301.3
25-May-07	165.4	3.5	577.4
27-Aug-07	177.2	2.4	420.5

Risk Summary

- In Dec/Jan, the desk bought protection on \$8bb of BBBs, primarily facing other street warehouses (ie Citi, ML, UBS). These trades were initiated with coupons of 150-350bps
- In Feb/Mar, the desk sold protection on \$4bb of BBBs. These were par priced trades struck at coupons between 300bps and 700bps.
- By early March the per annum value of our IO was \$112mm
- Throughout April and May as we flattened out our net short position, by continuing to sell protection on par trades, the IO increased to \$165mm per annum
- Since May, the per annum value of the IO has been relatively stable because new shorts were initiated outright

Trading Rationale

- Credit IO has very attractive convexity:
 - Current mark: 2.3 yrs
 - Downside 1yr
 - Upside 5yrs
- Credit IO makes us less short at the mezz level:
 - effectively a net long position of approx 750mm to 1bb of BBB/BBB- risk
 - (see difference between Hedge equivalents and notional on risk table)



302.9

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Mtg NYC Spg Trading Portfolio Summary 28Sep07

Mtg NYC Spg Trading Portfolio

RMBS

Sector	Credit Rating	Notional(mm)	Hedge Eq(mm)	SDV01(k)	Contr VaR(mm)	VaR(mm)	Stress(mm)
RMBS	AAA	2117.89	2118.90	-955.77	-11.18	13.10	6.25
RMBS	AA	660.41	661.52	-273.36	-12.29	14.12	13.70
RMBS	A	-888.58	-849.63	162.60	9.26	10.34	115.26
RMBS	BBB	-2266.27	-1949.07	233.20	28.04	28.10	324.42
RMBS	BBB-	-1888.06	-1356.81	139.19	17.70	21.18	342.13
RMBS	BB	-93.88	-93.89	6.07	0.00	0.00	3.60

MBS

Sector	Credit Rating	Notional(mm)	Hedge Eq(mm)	SDV01(k)	Contr VaR(mm)	VaR(mm)	Stress(mm)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

CDO

Sector	Credit Rating	Notional(mm)	Hedge Eq(mm)	SDV01(k)	Contr VaR(mm)	VaR(mm)	Stress(mm)
CDO	AAA	-563.05	-568.54	217.66	9.05	9.71	7.57
CDO	AA	-686.86	-713.51	201.64	12.41	12.84	28.05
CDO	A	-1772.38	-1796.04	300.76	37.67	38.64	42.67
CDO	BBB	-356.85	-369.39	49.12	7.02	7.45	7.05

— = Redacted by the Permanent Subcommittee on Investigations

3/8/07

SPG Trading - SP CDO Risk (9/25/2007)
Includes retained CDO positions

	CDO Cash and CDS (MV \$mm)		
	Mezz	High Grade	CDO ^2
AAA	(102)	212	171
AA	(314)	(178)	22
A	(519)	(58)	0
BBB	(101)	6	1
BB	1	-	-
Equity	6	10	1
Total	(1,028)	(7)	196

Index	ABX Hedges (Notional \$mm)	
	ABX 06-1	ABX 06-2
AAA		
AA		
A	(500)	
BBB	(56)	(60)
BBB-	(49)	(54)
Total	(605)	(114)

5/9/2007 - CDO Retained Debt/Equity

	Mezz	High Grade	CDO ^2	Total
Class S	6	19	37	62
Super-senior	324	3,094	-	3,418
Mezz AAA	23	33	450	506
AA	133	9	140	282
A	82	36	7	125
BBB	44	35	17	96
BB	11	-	-	11
Equity	43	38	32	113
Total	666	3,265	683	4,614

9/25/2007 - CDO Retained Debt/Equity

	Mezz	High Grade	CDO ^2	Total
Class S	6	19	17	42
Super-senior	198	293	105	595
Mezz AAA	5	2	54	61
AA	40	-	22	62
A	5	3	0	9
BBB	8	6	0	14
BB	1	-	-	1
Equity	6	10	1	17
Total	269	333	200	802

- Since May 2007, GS has sold \$3.0bb MV of retained CDO risk (2.6bb of retained super senior and 400mm in junior AAA and below)

- SPG Trading is short mezzanine CDO risk across the capital structure, and remains long CDO^2 risk from GS transactions executed in Q2 2007 (TWOLF and Point Pleasant)

Difference

	Mezz	High Grade	CDO ^2	Total
Class S	-	-	(20)	(20)
Super-senior	(126)	(2,802)	105	(2,823)
Mezz AAA	(17)	(32)	(396)	(445)
AA	(93)	(9)	(117)	(220)
A	(77)	(33)	(7)	(117)
BBB	(36)	(29)	(17)	(82)
BB	(10)	-	-	(10)
Equity	(37)	(28)	(31)	(96)
Total	(396)	(2,933)	(483)	(3,812)

519.5

5

SPG Trading - CMBS Risk

5/9/2007

	Notional (\$mm)						Spread DV01 (000)					
	Cash	SN	Index	Syn CDO	TRS	Net	Cash	SN	Index	Syn CDO	TRS	Net
AAA	(174)	(2,512)	(445)	3,326	(517)	(322)	(113)	(1,633)	(289)	2,162	(336)	(209)
AA	(106)	(125)	(378)	178	-	(431)	(69)	(81)	(246)	116	-	(280)
A	(45)	(1,572)	492	2,160	-	1,035	(29)	(1,022)	320	1,404	-	673
BBB/BBB-	(83)	62	(1,885)	2,683	-	777	(54)	40	(1,225)	1,744	-	505
BB+/BB	(20)	55	(40)	348	-	343	(13)	36	(26)	226	-	223

9/25/2007

	Notional (\$mm)						Spread DV01 (000)					
	Cash	SN	Index	Syn CDO	TRS	Net	Cash	SN	Index	Syn CDO	TRS	Net
AAA	(209)	(2,482)	(2,431)	4,368	1,314	560	(136)	(1,613)	(1,580)	2,839	854	364
AA	(129)	(120)	(528)	374	-	(403)	(84)	(78)	(343)	243	-	(262)
A	(92)	(1,772)	(1,631)	4,308	-	812	(60)	(1,152)	(1,060)	2,800	-	528
BBB/BBB-	(97)	142	(3,466)	4,105	(52)	631	(63)	92	(2,253)	2,668	(34)	470
BB+/BB	(40)	46	(29)	378	-	355	(26)	30	(19)	246	-	231

Changes from 5/9/2007 to 9/25/2007

	Notional (\$mm)						Spread DV01 (000)					
	Cash	SN	Index	Syn CDO	TRS	Net	Cash	SN	Index	Syn CDO	TRS	Net
AAA	(35)	31	(1,986)	1,042	1,831	882	(23)	20	(1,291)	677	1,190	573
AA	(23)	5	(149)	195	-	28	(15)	3	(97)	127	-	18
A	(48)	(200)	(2,123)	2,148	-	(223)	(31)	(130)	(1,380)	1,396	-	(145)
BBB/BBB-	(14)	80	(1,582)	1,422	(52)	(146)	(9)	52	(1,028)	1,324	(34)	(95)
BB+/BB	(20)	(9)	11	31	-	12	(13)	(6)	7	20	-	8

- Desk remains short @ the A/BBB/BB level of the cap structure - 1.2mm/bp all-in, with 800k/bp in 2005 through 2007 vintages
- Short positions are in both super senior protection and single name/index
- Desk has added 2.5bb in super senior protection since May @ the single A level (MBIA)
- In addition to the 2.5bb trade with MBIA, correlation increases observed on previous super senior positions accounted for an additional 1.2bb of tranche short increases
- Net/net, while out risk has changed a lot intra quarter, our risk vs May 2007 is largely unchanged

(9)

7

Commercial Mortgage Risk Report

		MAY 21 2007				SEPT 26 2007			
Fixed Rate Loans		Total Balance	\$ DV01	10 BP Credit Spread Widening	Change in Market Value for Fall 1998 Shock*	Total Balance	\$ DV01	10 BP Credit Spread Widening	Change in Market Value for Fall 1998 Shock*
FIXED	Type								
	Cash	2,154	1.17	(14.69)	(59.72)	1,065	0.67	(6.70)	(31.98)
	Large Loan	1,846	1.18	(11.76)	(52.90)	2,281	1.51	(15.10)	(67.84)
	Fixed Subtotal	4,200	2.44	(26.44)	(112.63)	3,346	2.18	(21.80)	(99.82)
HEDGES	5yr Swaps	(769)	-	-	-	(750)	-	-	-
	10yr Swaps	(2,649)	-	-	-	(2,488)	-	-	-
	20 yr swaps	-	-	-	-	-	-	-	-
	AAA CMBS CDS	(450)	(0.13)	3.26	8.16	-	-	-	-
	CMBS Index (Swap)	(3,400)	(2.41)	24.14	72.42	(2,750)	(1.95)	19.50	58.58
	CMBS A	(200)	(0.14)	1.42	7.10	(125)	(0.09)	0.88	4.44
	CMBS BBB	(25)	(0.02)	0.18	1.78	(75)	(0.05)	0.53	5.33
	CMBS BBB-Loan CDS	(25)	(0.02)	0.18	2.66	(10)	(0.01)	0.07	1.07
	Corp CDS	50	0.02	(0.23)	(1.04)	(60)	(0.03)	0.28	1.24
	Hedge Subtotal	(2.89)		28.95	91.08	(2.13)		21.25	70.66
	Fixed & Hedge Total	(0.25)		2.59	(21.55)	0.85		(0.55)	(29.16)

Floating Rate Loans		Total Balance	\$DV01	10 BP Credit Spread Widening	Change in Market Value for Fall 1998 Shock*	Total Balance	\$DV01	10 BP Credit Spread Widening	Change in Market Value for Fall 1998 Shock*
FLOATING	Type								
	Securitization	1,416	0.25	(2.53)	(12.64)	1,841	0.32	(3.24)	(16.30)
	Transitional Loans	1,443	0.17	(1.67)	(8.36)	1,461	0.17	(1.72)	(8.62)
	Floating - committed	990	0.21	(2.10)	(10.51)	515	0.06	(0.61)	(3.04)
Floating Total	3,849	0.63	(6.30)	(31.51)	3,817	0.56	(5.57)	(27.96)	

OTHER		Total Balance	\$DV01	10 BP Credit Spread Widening	Change in Market Value for Fall 1998 Shock*	Total Balance	\$DV01	10 BP Credit Spread Widening	Change in Market Value for Fall 1998 Shock*
OTHER	BOP Loan	1,300	0.26	(2.60)	(13.00)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Equity Inno Commitment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	920	0.37	(3.66)	(66.61)
	Stratosphere Commitment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	1,308	0.48	(4.83)	(81.18)
Other Total	1,390	0.26	(2.40)	(13.00)	2,943*	2.08	(20.75)	(266.36)	

*loan balance only

LOAN TOTAL	Fixed, Hedge, & Floating (incl Other)	(53,054)	(57,020)
DESK TOTAL	excluding other		
	Funded Balance	5,839	6,675
	*Committed Balance	2,210	515
	Total Funded & Committed	8,049	7,191

*Balance Committed valued at 0% for Fall 1998 Shock as many loan commitments would be renegotiated, valued at 100% for 10bp widening

Exit [REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

8-17-07

Warehouse - CDO

5/10/2007

Warehouse Risk (\$MM)

	RMBS Prime	RMBS Subprime	CDO	CMBS/Other	Total
AAA	339	-	5	196	541
AA	118	43	68	297	526
A	95	314	761	198	1,367
BBB	-	-	50	-	50
Total	552	357	883	691	2,484
HC		-5.0%	-30.0%	-3.0%	

Warehouse Hedges (\$MM)

Index	ABX 06-1	CMBX 06-2	Single Name CDOs	Total
AAA	(500)		(50)	(550)
AA			(40)	(40)
A	(750)		(120)	(870)
BBB	(75)			(75)
BBB-		(50)		(50)
Total	(1,325)	(50)	(210)	(1,585)

9/25/2007

Warehouse Risk (\$MM)

	RMBS Prime	RMBS Subprime	CDO	CMBS/Other	Total
AAA	-	-	-	-	-
AA	-	-	-	-	-
A	-	-	-	-	-
BBB	-	-	-	-	-
Total	-	-	-	-	-

Warehouse Hedges (\$MM)

Index	ABX 06-1	CMBX 06-2	Single Name CDOs	Total
AAA	-	-	-	-
AA	-	-	-	-
A	-	-	-	-
BBB	-	-	-	-
BBB-	-	-	-	-
Total	-	-	-	-

②

Warehouse - Residential Book

5/9/2007

Warehouse Facility	UPB	Funded Balance	Market Value	Excess/(Deficit)	Required Haircut	Excess/(Deficit)	Funded Balance/UPB	Market Value/UPB
(1) ██████████	7,083,323,959	134,257,100	224,674,700	90,417,600	90,417,600	-	1.90%	3.17%
██████████	167,500.00	160,038	164,988	4,950	4,950	-	95.55%	98.50%
██████████	13,078,588.89	10,548,405	10,296,773	(251,632)	205,935	(457,567)	80.65%	78.73%
██████████	47,748,455.74	44,511,230	46,554,744	2,043,514	931,095	1,112,420	93.22%	97.50%
		189,476,773	281,691,205	92,214,432	91,559,580	654,852		

(1) ██████████ is the face amount of the securities funded.

9/25/2007

Warehouse Facility	UPB	Funded Balance	Market Value	Excess/(Deficit)	Required Haircut	Excess/(Deficit)	Funded Balance/UPB	Market Value/UPB
██████████	14,576,054,684	43,376,444	53,241,722	9,865,278	24,765,522	(14,900,244)	0.30%	0.37%
██████████	1,611,500.00	1,611,500	1,611,500	-	-	-	100.00%	100.00%
██████████	37,828,732.77	34,926,619	37,442,880	2,516,261	772,974	1,743,286	92.33%	98.98%
██████████		79,914,563	92,296,102	12,381,539	25,538,496	(13,156,958)		

(1) ██████████ is the face amount of the securities funded.

— = Redacted by the Permanent Subcommittee on Investigations

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Warehouse - Commercial Book

— = Redacted by the Permanent
 Subcommittee on Investigations

 5/9/2007
 Client

Facility Type	Maturity Date	Facility Size	Outstanding Balance	Borrowing Base	Excess (Deficit)	WAP
Commercial	06/28/07	150,000,000	-	-	-	0.0000
Commercial	06/29/09	150,000,000	77,450,225	122,450,225	45,000,000	100.0000
Commercial	09/01/07	50,000,000	15,530,050	15,790,920	260,870	100.0000
Commercial	07/22/07	26,403,500	-	-	-	0.0000
Commercial	12/21/07	25,500,000	25,500,000	25,500,000	-	100.0000
Commercial		50,000,000	43,750,000	43,750,000	-	100.0000
Commercial	01/03/08	400,000,000	133,067,937	133,067,937	(0)	100.0000
Commercial	01/19/09	175,000,000	90,078,546	90,078,546	-	100.0000
Commercial	10/01/07	250,000,000	164,321,374	164,321,351	(23)	98.0098
Commercial	09/15/09	75,000,000	8,651,367	29,366,294	20,714,927	100.0000
Commercial	02/01/08	300,000,000	-	-	-	0.0000
Commercial	06/21/08	250,000,000	76,432,159	76,432,159	-	0.0000
Commercial	10/26/07	100,000,000	61,164,586	61,380,326	215,740	100.3783
Commercial	06/22/07	100,000,000	37,041,390	37,041,393	2	99.5353
Commercial	07/27/07	250,000,000	29,709,000	29,709,000	-	100.0000
Commercial	10/20/07	22,649,444	20,515,001	20,515,001	0	100.0000
		2,374,552,944	783,211,634	849,403,150	66,191,516	

 9/25/2007
 Client
 CT REIT

Facility Type	Maturity Date	Facility Size	Outstanding Balance	Borrowing Base	Excess (Deficit)	WAP
Commercial	06/29/09	150,000,000	71,900,722	119,912,026	48,011,304	99.2607
Commercial	08/27/09	50,000,000	10,000,000	31,504,485	21,504,485	100.0000
Commercial	09/11/08	25,500,000	25,500,000	25,500,000	-	100.0000
Commercial	02/02/09	31,412,500	31,098,375	31,098,375	-	99.0000
Commercial	01/03/08	400,000,000	34,910,120	48,162,253	13,252,133	98.7903
Commercial	01/19/09	175,000,000	37,527,669	39,888,901	2,361,232	97.2500
Commercial	06/25/09	75,000,000	32,618,806	32,618,806	-	100.0000
Commercial	10/01/07	250,000,000	171,833,632	178,561,152	6,727,520	92.6520
Commercial	02/01/08	300,000,000	-	-	-	
Commercial	06/21/08	250,000,000	124,030,717	126,867,224	2,836,507	98.1625
Commercial	10/26/07	100,000,000	51,209,771	51,209,771	0	99.0350
Commercial	04/07/10	250,000,000	17,812,500	18,984,507	1,172,007	95.2614
		2,056,912,500	608,442,313	704,307,502	95,865,189	

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Warehouse - ABS Book

— = Redacted by the Permanent
Subcommittee on Investigations

5/9/2007

Client

Client	Facility Type	Maturity Date	Facility Size	Outstanding Balance	Borrowing Base	Excess (Deficit)	WAP
██████████	ABS	12/15/08	500,000,000	43,470,156	99,959,874	56,489,718	104.5189
██████████	ABS	10/28/07	750,000,000	467,410,346	562,986,439	95,576,093	0.0000
██████████	ABS	09/28/09	250,000,000	193,000,000	193,000,000	-	100.0000
BASIS CAPITAL	ABS	10/27/07	100,000,000	35,943,686	35,943,686	-	100.0000
			1,600,000,000	739,824,188	891,889,999	152,065,811	

9/25/2007

Client

Client	Facility Type	Maturity Date	Facility Size	Outstanding Balance	Borrowing Base	Excess (Deficit)	WAP
██████████	ABS	12/15/08	500,000,000	145,452,399	150,834,842	5,382,444	102.6348
██████████	ABS	10/28/07	750,000,000	284,931,272	371,758,834	86,827,563	0.0000
██████████	ABS	09/28/09	250,000,000	193,000,000	193,000,000	-	100.0000
			1,500,000,000	623,383,670	715,593,677	92,210,006	

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EPD Summary

September 26, 2007

- Between May 10, 2007 and September 26, 2007, there was a 37% reduction in total EPD outstanding notional.

	Total Notional (\$)	60+ Day Aged Claims (\$)
May 10, 2007	\$659,198,749	\$372,224,646
September 26, 2007	\$418,055,390	\$82,431,066
Reduction	\$241,143,359 (37%)	\$289,793,580 (78%)

- Between February 2007 and September 2007, there was an 82% increase in total loans collected based on current UPB.

	Current Claimed (\$) ¹	Total Monitored (\$)	Total Rescinded (\$)	Total Collected (\$) ²	Total Bankruptcy Out of Business (\$)
February 2007	\$2,097,805,579	\$17,999,544	\$393,521,906	\$213,575,036	\$43,668,586
May 2007	659,198,746	48,165,771	647,909,462	715,991,154	50,385,834
September 2007	126,881,624	6,659,526	694,140,979	1,195,442,359	291,173,765

¹ Current Claimed includes collectible current and delinquent loans as of the date represented above that are outstanding

² Collected column is inclusive of repurchased and settled loans. Repurchased loans were settled at full price whereas settled loans were settled at a negotiated price.

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Other ABS Risk

Bond	9/25/2007	5/9/2007	Rating
	Pos (MM)	Pos (MM)	
Positions			
[REDACTED]	287.12	-	NR
[REDACTED]	67.95	-	NR
[REDACTED]	183.24	-	NR
[REDACTED]	761.40	-	NR
LEASE REC VFN FUNDED	29.53	-	NR
LEASE REC VFN UNFUNDED	213.37	-	NR
RETAIL LOAN VFN FUNDED	513.11	-	NR
RETAIL LOAN VFN UNFUNDED	136.89	-	NR
WHOLESALE REC VFN FUNDED	125.56	-	NR
WHOLESALE REC VFN UNFUNDED	194.44	-	NR
	2,512.61		
VFN			
[REDACTED] VFN FUNDED	98.00	-	NR
[REDACTED] VFN UNFUNDED	9.50	-	NR
	107.50		
CMBS Floater - Rake Bond			
[REDACTED]	3.96	-	Aa3/AA-
[REDACTED]	4.26	-	A1/A+
[REDACTED]	5.17	-	A2/A
[REDACTED]	3.70	-	A3/A-
[REDACTED]	5.11	-	Baa1/BBB+
	22.20		

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Mortgage Weekly Risk Review
As of COB: 9/26/07

Business	Sub Business	Core Trade and/or Risk					sdv01							
			sdv01 (K)	Nd (B)	MV (MM)	Stress Test VaR	Contr VaR	P/L	(K)	Nd (B)	MV (MM)	Stress Test VaR	Contr VaR	P/L
SPG	ABS	Net Short BBB-	84	(1.5)					(26)	0.30				
		Capital Structure Steepener		2.5						(0.30)				
		Long Residuals			355									
		Net Long CDS IO		8.8										
	Correlation	Short RMBS SS vs SN CDS		(2.8)						0.15				
		Short CRE SS vs SN CDS		(4.5)										
	CDO	Short CDO's		(0.8)										
Resl Credit	Subprime	Long Subprime Loans vs ABX		0.3	384					(0.12)				
		Alt A		0.2										
	Alt A	Long Alt - A Loans		0.2										
		Net Short ABX		(0.2)										
Scratch & Dent	Long Whole Loans			585										
Resl Prime	Agency / WL	Long Hybrid / OA / Fixed Loans		1.5						0.30				
		Long Mortgage Basis		1.5						1.50				
		Agency / Non Agency Basis		1.9										
		Long Residuals			90						(5)			
		Convexity (1mX10y Straddle Eq)		(0.5)										
CRE Origination		Unfunded Commitments												
		Long CRE Floaters /												
		Transitionals												
		Conduit / Large Loan Basis vs. TRS / Index												

— = Redacted by the Permanent Subcommittee on Investigations

* Development is a work in progress: all numbers are approximate

3.7.22



Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ficc-mtgstrat

Mortgage Dept Top Sheet

Market	Sub Market	Notional (\$MM)*			Market Value (\$MM)**			Spread DV01 (\$k)	Rate DV01 (\$k)
		Total	Long	Short	Total	Long	Short		
Total		21,548.5	168,001.8	-146,453.3	-5,156.5	122,124.5	-127,281.0	893.4	-637.8
RMBS	Total	16,043.4	61,239.4	-45,196.0	12,910.5	43,776.2	-30,865.7	-4,914.5	-5,104.2
	Subprime/2nds	431.5	43,960.9	-43,529.4	-600.6	28,795.2	-29,395.7	-868.2	-310.9
	Alt-A	628.4	2,099.8	-1,471.4	177.0	1,454.6	-1,277.6	-28.4	-679.4
	Prime	13,737.2	13,932.2	-195.1	12,432.8	12,625.2	-192.4	-3,938.0	-4,057.1
	Scratch & Dent	1,238.9	1,238.9		893.8	893.8		-79.8	-56.9
	Other	7.6	7.6		7.5	7.5		-0.1	0.0
ABS Non-Resi	Total	1,574.0	2,426.5	-852.4	-36.3	814.0	-850.3	186.5	0.0
	ABS	-686.6	165.0	-851.6	-685.7	163.8	-849.5	301.7	0.0
	ABS Auto Prime	1,944.6	1,944.6		363.9	363.9		-40.6	0.0
	ABS Credit Card Prime	0.0	0.2	-0.2	0.0	0.2	-0.2	-0.0	0.0
	ABS Other	316.0	316.0		285.4	285.4		-74.5	0.0
	ABS Student Loans Private	0.0	0.5	-0.5	0.0	0.5	-0.5	-0.0	0.0
CMBS	Total								0.0
	CMBS								0.0
CDO	Total	8,490.5	19,391.9	-10,901.4	-2,702.8	4,140.4	-6,843.2	1,225.0	0.0
	CDO Commercial Real Estate	0.0	10.1	-10.1	0.0	9.0	-9.0	-0.0	0.0
	CDO CRE	-422.7	685.1	-1,107.8	-399.5	540.2	-939.7	264.0	0.0
	CDO Squared	836.0	851.7	-15.8	207.4	213.9	-6.6	-93.8	0.0
	CLO	-172.6	31.8	-204.4	-172.6	30.5	-203.1	75.0	0.0
	HG CDO	9,482.6	12,021.9	-2,539.3	-692.8	1,232.3	-1,925.1	315.6	0.0
	Mezz CDO	-1,232.8	5,791.3	-7,024.0	-1,645.3	2,114.5	-3,759.8	664.3	0.0
Rate Hedges	Total								0.0

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.

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Goldman Sachs Mortgage Strategies

Date: 25Sep07
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Mortgage Dept Top Sheet -- Report B: Dept Wide By Market, Sub Market and Product (All Desks Covered)

Market	Sub Market	Type	Notional (\$MM)*						Market Value (\$MM)**						Spread DV01 (\$k)								
			Total	AAA	AA	A	BBB	BBB- NR	Total	AAA	AA	A	BBB	BBB- NR	Resid	Total	AAA	AA	A	BBB	BBB-		
Total			21,548.5	17,814.1	1,194.7	-1,373.2	-2,099.3	-1,169.2	15,846.5	-5,156.5	8,339.5	805.6	-2,824.7	-1,967.3	-1,773.4	1,230.9	106.1	893.4	-2,294.0	-445.8	1,405.8	441.1	707.1
RMBS	Total		16,043.4	10,684.4	1,212.6	-832.5	-1,723.5	-399.3	13,786.6	12,910.5	9,215.9	882.0	-775.9	-1,592.3	-1,227.1	1,081.7	106.1	-4,914.5	-3,012.2	-408.0	163.4	228.7	102.8
	Subprime/2nds	Total	431.5	1,955.4	1,126.9	-753.8	-1,536.8	-489.2	93.8	-800.6	1,773.8	897.8	-697.9	-1,386.4	-1,294.7	93.6	13.2	-868.2	-911.4	-386.5	159.8	183.7	121.3
		Bond	1,948.0	840.0	465.4	218.5	155.9	473.0	9.0	1,188.7	588.4	364.4	118.1	61.7	78.1	0.0	0.0	-319.7	-142.0	-114.3	-30.0	-16.2	-17.2
		Loans	426.4	311.1	40.0	21.6	12.5	9.1	0.0	350.9	310.7	40.0	18.0	6.7	2.2	0.0	13.2	-56.3	-34.9	-8.1	-5.2	-3.1	-2.4
		NIM Bond	197.7	0.0	0.0	71.5	57.3	68.9	0.0	80.4	0.0	0.0	49.9	13.3	17.2	0.0	0.0	-12.6	0.0	0.0	-3.9	-3.9	-5.1
		Residual	93.6	0.0	0.0	0.0	0.0	0.0	93.8	93.6	0.0	0.0	0.0	0.0	0.0	93.6	0.0	-30.4	0.0	0.0	0.0	0.0	0.0
		ABX-Long	10,858.1	2,500.4	1,017.1	1,036.4	2,777.9	3,528.3	0.0	7,098.6	2,378.3	906.0	720.1	1,451.7	1,582.5	0.0	0.0	-2,398.9	-1,056.3	-294.0	-230.3	-413.1	-405.2
		ABX-Short	-3,265.2	-895.0	-65.0	-1,005.2	-922.7	-577.4	0.0	-2,122.8	-679.7	-59.8	-730.2	-411.1	-248.0	0.0	0.0	675.3	253.8	18.9	224.2	115.7	62.7
		TABX-Long	767.9	0.0	0.0	257.6	75.6	434.7	0.0	409.0	0.0	0.0	257.6	45.8	105.6	0.0	0.0	-104.0	0.0	0.0	-70.3	-12.2	-21.5
		TABX-Short	-2,802.7	0.0	0.0	-72.2	-1,099.1	-1,831.4	0.0	-2,580.1	0.0	0.0	-72.2	-1,019.4	-1,468.6	0.0	0.0	677.7	0.0	0.0	18.7	244.9	314.1
		CDS-Long	26,358.6	383.6	521.9	3,842.9	11,914.5	11,695.7	0.0	18,281.4	380.2	481.1	3,240.5	7,432.7	6,747.0	0.0	0.0	-4,393.9	-54.3	-154.4	-870.4	-1,792.2	-1,522.8
		CDS-Short	-31,588.4	-288.9	-210.1	-4,189.0	-13,456.3	-13,468.2	0.0	-18,840.0	-284.2	-205.6	-3,343.9	-7,815.5	-7,090.7	0.0	0.0	4,578.1	35.0	45.1	943.1	1,929.9	1,823.1
		Abacus-Long	1,302.4	0.0	11.3	2.9	1,161.8	126.3	0.0	1,302.4	0.0	11.3	2.9	1,161.8	126.3	0.0	0.0	-315.1	0.0	-2.1	-0.7	-286.8	-25.6
		Abacus-Short	-5,862.8	-897.8	-643.8	-958.7	-2,214.2	-1,148.3	0.0	-5,862.8	-897.8	-643.8	-958.7	-2,214.2	-1,148.3	0.0	0.0	933.7	87.3	120.4	184.2	420.6	121.1
	Alt-A	Total	828.4	897.1	10.6	-166.6	-227.7	-31.8	145.0	177.0	396.1	10.4	-158.1	-190.2	-26.5	141.7	3.6	-28.4	-92.7	-5.0	54.4	63.5	2.9
		Bond	844.3	802.6	2.5	218.9	5.1	11.5	2.6	298.4	101.8	2.4	185.1	3.1	6.0	0.0	0.0	-83.4	-20.8	-1.7	-54.8	-2.3	-3.8
		Loans	315.1	294.5	8.1	4.8	2.7	3.2	1.0	314.3	294.3	8.0	4.4	2.0	1.6	0.4	3.6	-78.9	-71.9	-3.4	-1.6	-0.8	-0.6
		NIM Bond	45.1	0.0	0.0	32.4	0.0	12.8	0.0	39.4	0.0	0.0	30.2	0.0	9.1	0.0	0.0	-3.8	0.0	0.0	-1.7	0.0	-2.1
		Residual	141.3	0.0	0.0	0.0	0.0	0.0	141.3	141.3	0.0	0.0	0.0	0.0	0.0	141.3	0.0	-20.7	0.0	0.0	0.0	0.0	0.0
		CDS-Long	762.9	0.0	0.0	554.2	78.0	120.7	0.0	660.3	0.0	0.0	504.4	65.5	90.4	0.0	0.0	388.1	0.0	0.0	268.8	87.3	32.2
		CDS-Short	-1,467.2	0.0	0.0	-873.5	-313.8	-180.0	0.0	-1,273.4	0.0	0.0	-878.7	-261.1	-133.5	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0
		Abacus-Long	1.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	-0.2	0.0	0.0	1.2	0.2	0.0
		Abacus-Short	-4.2	0.0	0.0	-3.5	-0.8	0.0	0.0	-4.2	0.0	0.0	-3.5	-0.8	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0
	Prime	Total	13,737.2	7,697.8	47.2	10.1	-51.5	42.7	358.4	12,432.8	6,911.8	46.6	7.9	-52.1	95.8	323.7	78.8	-3,936.0	-1,998.0	-8.3	-7.9	-2.4	-6.8
		Agy CMO	2,306.8	0.0	0.0	0.0	0.0	0.0	0.0	1,924.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-865.0	0.0	0.0	0.0	0.0	0.0
		Agy ARM	581.4	0.0	0.0	0.0	0.0	0.0	2.3	583.8	0.0	0.0	0.0	0.0	0.0	2.2	0.0	-116.3	0.0	0.0	0.0	0.0	0.0
		Agy IO/PO/Drv	2,574.0	0.0	0.0	0.0	0.0	0.0	0.0	2,574.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,054.8	0.0	0.0	0.0	0.0	0.0
		Prime IO/PO/Drv	123.3	1,233.3	0.0	0.0	0.0	0.0	0.0	123.3	1,233.3	0.0	0.0	0.0	0.0	0.0	0.0	-44.6	-44.8	0.0	0.0	0.0	0.0
		QA/Hyb WAC IO	84.1	1.1	0.0	0.0	0.0	0.0	83.0	84.1	1.1	0.0	0.0	0.0	0.0	83.0	0.0	-15.3	-0.0	0.0	0.0	0.0	0.0
		Prime Fx CMO	3,672.2	3,672.2	0.0	0.0	0.0	0.0	0.0	3,209.0	3,209.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,265.3	-1,265.3	0.0	0.0	0.0	0.0
		Prime ARM CMO	2,461.1	2,441.7	0.0	0.0	0.0	0.0	19.4	2,355.0	2,336.0	0.0	0.0	0.0	0.0	19.0	0.0	-443.1	-437.8	0.0	0.0	0.0	0.0
		Prime Sub	247.8	0.0	0.0	0.0	0.0	0.0	247.8	218.5	0.0	0.0	0.0	0.0	0.0	213.5	0.0	-48.6	0.0	0.0	0.0	0.0	0.0
		Prime Fx Loan	744.5	717.0	6.7	9.3	4.1	4.5	3.0	737.9	710.8	6.6	9.2	4.1	4.4	3.0	0.0	-245.3	-236.2	-2.2	-3.1	-1.3	-1.5
		Prime Arm Loan	130.8	125.6	2.0	1.3	0.7	1.0	0.3	127.8	122.7	1.9	1.3	0.6	1.0	0.3	0.0	-11.9	-11.4	-0.2	-0.1	-0.1	-0.1
		HOA/MTA Loan	827.1	416.9	13.7	6.9	4.8	9.6	2.8	524.9	409.0	13.4	6.7	4.7	9.4	2.7	78.8	-9.0	-2.7	-0.1	-0.0	-0.0	-0.1
		CDS-Long	121.7	0.0	29.8	20.0	34.4	37.5	0.0	109.2	0.0	29.8	18.0	30.9	30.7	0.0	0.0	-32.3	0.0	-6.8	-6.8	-10.6	-8.1
		CDS-Short	-137.6	0.0	-5.0	-27.4	-95.4	-9.8	0.0	-134.4	0.0	-5.0	-27.4	-92.4	-9.7	0.0	0.0	13.6	0.0	1.0	2.2	9.6	0.8
	Scratch & Dent	Total	1,238.9	129.1	27.8	75.1	92.4	79.0	781.7	693.8	129.2	27.1	69.8	76.3	59.3	522.6	10.5	-79.8	-10.1	-6.2	-22.8	-16.2	-12.6
		Bond	197.7	0.0	9.0	60.2	60.1	52.1	0.0	153.9	0.0	8.4	55.7	49.4	40.5	0.0	0.0	-43.8	0.0	-3.5	-20.7	-11.5	-8.1
		Loans	1,016.5	129.1	18.8	14.8	32.4	28.9	757.0	715.2	129.2	18.8	14.0	27.0	17.8	497.9	10.5	-27.3	-10.1	-2.7	-2.1	-4.7	-4.5
		Residual	24.7	0.0	0.0	0.0	0.0	0.0	24.7	24.7	0.0	0.0	0.0	0.0	0.0	24.7	0.0	-8.7	0.0	0.0	0.0	0.0	0.0
	Other	Total	7.6	5.0	0.0	2.8	0.0	0.0	0.0	7.5	4.9	0.0	2.5	0.0	0.0	0.0	0.0	-0.1	-0.0	0.0	-0.1	0.0	0.0
		Bond	7.6	5.0	0.0	2.5	0.0	0.0	0.0	7.5	4.9	0.0	2.5	0.0	0.0	0.0	0.0	-0.1	-0.0	0.0	-0.1	0.0	0.0
	ABS Non-Resi	Total	1,574.0	98.8	27.0	-119.0	-141.3	0.0	1,710.8	-38.3	94.0	24.3	-135.1	-141.5	0.0	122.0	0.0	186.5	-16.9	-15.5	183.0	80.3	-0.0
	ABS	Total	-686.6	-19.9	0.0	-512.9	-153.9	0.0	0.0	-685.7	-19.9	0.0	-512.1	-153.7	0.0	0.0	0.0	301.7	8.6	0.0	226.4	-66.7	0.0
		CDS-Long	165.0	0.0	0.0	115.0	50.0	0.0	0.0	163.8	0.0	0.0	113.9	49.9	0.0	0.0	0.0	-101.3	0.0	0.0	-86.2	-15.1	0.0

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.



Goldman Sachs Mortgage Strategies

Date: 25Sep07
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Market	Sub Market	Type	Notional (\$MM)*						Market Value (\$MM)**						Spread DV01 (\$K)								
			Total	AAA	AA	A	BBB	BBB-	NR	Total	AAA	AA	A	BBB	BBB-	NR	Resid	Total	AAA	AA	A	BBB	BBB-
		CDS-Short	-265.0			-195.0	-70.0			-262.9	0.0	0.0	-193.1	-69.8	0.0	0.0	176.6	0.0	0.0	150.2	26.4	0.0	0.0
		Abacus-Long	0.0			0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Abacus-Short	-586.6	-19.9	0.0	-432.9	-133.9	0.0	0.0	-586.6	-19.9	0.0	-432.9	-133.9	0.0	0.0	226.4	8.6	0.0	162.4	55.4	0.0	0.0
		ABS Auto Prime	1,944.6	0.0	0.0	319.9	0.0	0.0	1,624.8	363.9	0.0	0.0	323.1	0.0	0.0	40.8	-40.6	-0.0	0.0	-32.5	0.0	0.0	0.0
		ABS Credit Card I	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0
		ABS Other	316.0	116.6	27.0	74.1	12.5	0.0	65.6	265.4	113.8	24.3	53.9	12.3	0.0	81.2	-74.5	-25.5	-15.5	-10.8	-8.4	-0.0	-0.0
		ABS Student Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0
CMBS	Total		[Redacted]																				
CMBS	CMBS	Total Bond	[Redacted]																				
		CDS-Long	[Redacted]																				
		CDS-Short	[Redacted]																				
		Abacus-Long	[Redacted]																				
		Abacus-Short	[Redacted]																				
		CMBX	[Redacted]																				
		TRS	[Redacted]																				
CDO	Total		8,490.5	-173.4	-459.1	-1,233.6	-122.1	-76.3	10,554.9	-2,702.6	-654.2	-617.5	-1,168.8	-196.3	-88.1	22.0	0.0	1,225.0	370.6	238.6	511.9	60.6	53.0
		CDO Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	0.0	0.0	0.0	0.0
		CDO CRE	-422.7	123.8	10.8	-431.0	-27.2	-101.2	2.0	-399.5	89.9	5.8	-368.0	-39.4	-89.3	1.5	264.0	-37.7	-1.4	231.9	18.4	53.5	0.0
		CDO Squared	836.0	612.1	163.3	8.1	30.4	0.0	22.1	207.4	172.3	25.2	0.4	3.6	0.0	5.8	-93.8	-77.9	-11.5	-0.2	-1.6	0.0	
		CLO	-172.6	-41.5	-72.0	-35.7	-23.3	0.0	0.0	-172.6	-41.5	-72.0	-35.7	-23.3	0.0	0.0	75.0	11.8	34.6	16.6	11.9	0.0	
		HG CDO	9,462.6	-425.6	-250.5	-10.6	48.9	14.0	10,108.4	-892.8	-434.4	-198.9	-78.9	5.7	0.9	10.8	315.6	206.5	89.3	28.2	-3.2	-0.4	
		Mezz CDO	-1,292.8	-442.2	-310.7	-764.4	-148.8	10.9	422.4	-1,645.3	-440.5	-378.7	-686.5	-142.8	0.3	4.0	664.3	267.9	127.6	235.4	35.2	-0.1	
Rate Hedges	Total		[Redacted]																				

[Redacted] = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values.**Market value of bonds/loans, bond equiv mkt val for synthetics.



Goldman Sachs Mortgage Strategies

Date: 25Sep07
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Market	Sub Market	Type	Notional (\$MM)*						Market Value (\$MM)**							Spread DV01 (\$k)							
			Total	AAA	AA	A	BBB	BBB-	NR	Total	AAA	AA	A	BBB	BBB-	NR	Resid	Total	AAA	AA	A	BBB	BBB-
Mezz CDO			-894.8	-233.2	-260.8	-791.1	-43.1	10.9	422.4	-798.4	-237.4	-173.9	-353.6	-37.7	0.9	4.0	66	440.8	179.2	101.0	150.8	11.6	-0.1

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.



Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ficc-mtgstrat

Mortgage Dept Top Sheet - Report B2: SPG Correlation By Market, Sub Market and Product

Market	Sub Market	Type	Notional (\$MM)*						Market Value (\$MM)**						Spread DV01 (\$)								
			Total	AAA	AA	A	BBB	BBB-	NR	Total	AAA	AA	A	BBB	BBB-	NR	Resid	Total	AAA	AA	A	BBB	BBB-
Total			-1,887.0	-987.9	-457.7	-285.8	-270.0	114.2	0.0	-4,835.2	-1,013.9	-638.8	-801.3	-1,034.0	-1,347.2	0.0	0.0	1,571.5	277.2	181.1	370.2	248.1	494.8
RMBS	Total		882.9	-458.9	-91.6	635.1	112.9	685.4	0.0	-1,616.0	-463.9	-112.0	421.0	-654.0	-807.0	0.0	0.0	-40.9	6.0	-8.8	-150.3	66.3	45.9
	Subprime/2nds	Total	866.1	-458.9	-91.6	638.8	112.7	685.4	0.0	-1,612.8	-463.9	-112.0	424.4	-654.3	-807.0	0.0	0.0	-42.0	6.0	-8.8	-151.4	66.4	45.9
		ABX-Long	4,591.4	100.0	228.0	483.5	1,363.1	2,436.8	0.0	2,503.8	98.0	215.5	353.3	734.4	1,102.8	0.0	0.0	-694.0	-38.1	-60.5	-107.2	-207.9	-282.2
		ABX-Short	-90.0	0.0	0.0	-50.0	-40.0	0.0	0.0	-47.0	0.0	0.0	-32.0	-15.0	0.0	0.0	0.0	15.0	0.0	0.0	10.8	4.2	0.0
		TABX-Long	413.9	0.0	0.0	257.6	75.6	80.7	0.0	338.7	0.0	0.0	257.8	45.8	35.2	0.0	0.0	-80.4	0.0	0.0	-70.3	-12.2	-7.9
		TABX-Short	-2,802.7	0.0	0.0	-72.2	-1,099.1	-1,631.4	0.0	-2,560.1	0.0	0.0	-72.2	-1,019.4	-1,468.6	0.0	0.0	577.7	0.0	0.0	18.7	244.9	314.1
		CDS-Long	3,391.1	338.9	312.9	995.5	892.5	851.3	0.0	2,753.6	335.9	305.0	873.6	673.4	565.7	0.0	0.0	-475.7	-45.2	-66.7	-187.0	-101.0	-75.8
		CDS-Short	-57.1	0.0	0.0	0.0	-27.0	-30.1	0.0	-41.2	0.0	0.0	0.0	-21.2	-20.0	0.0	0.0	6.7	0.0	0.0	0.0	4.5	2.2
		Abacus-Long	1,288.2	0.0	0.0	0.0	1,161.8	126.3	0.0	1,288.2	0.0	0.0	0.0	1,161.8	126.3	0.0	0.0	-812.4	0.0	0.0	0.0	-288.8	-25.6
		Abacus-Short	-5,848.7	-897.8	-632.5	-955.8	-2,214.2	-1,148.3	0.0	-5,848.7	-897.8	-632.5	-955.8	-2,214.2	-1,148.3	0.0	0.0	931.0	87.3	118.4	183.5	420.6	121.1
	Alt-A	Total	-3.2	0.0	0.0	-3.5	0.3	0.0	0.0	-3.2	0.0	0.0	-3.5	0.3	0.0	0.0	1.1	0.0	0.0	1.2	-0.1	0.0	
		Abacus-Long	1.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	-0.2	0.0	
		Abacus-Short	-4.2	0.0	0.0	-3.5	-0.8	0.0	0.0	-4.2	0.0	0.0	-3.5	-0.8	0.0	0.0	1.3	0.0	0.0	1.2	0.2	0.0	
ABS Non-Resi	Total		-526.6	-19.9	0.0	-397.9	-108.9	0.0	0.0	-527.0	-19.9	0.0	-398.2	-108.9	0.0	0.0	198.4	8.8	0.0	140.3	47.6	0.0	
	ABS	Total	-526.6	-19.9	0.0	-397.9	-108.9	0.0	0.0	-527.0	-19.9	0.0	-398.2	-108.9	0.0	0.0	198.4	8.8	0.0	140.3	47.6	0.0	
		CDS-Long	60.0	0.0	0.0	35.0	25.0	0.0	0.0	69.7	0.0	0.0	34.7	25.0	0.0	0.0	-29.9	0.0	0.0	-22.1	-7.8	0.0	
		Abacus-Long	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Abacus-Short	-586.6	-19.9	0.0	-432.9	-133.9	0.0	0.0	-596.6	-19.9	0.0	-432.9	-133.9	0.0	0.0	226.4	8.8	0.0	162.4	55.4	0.0	
CMBS	Total																465.4	115.0	98.8	205.2	44.0	2.3	
CDO	Total		-856.8	-299.9	-218.1	-191.1	-146.3	-1.5	0.0	-1,428.3	-296.9	-376.4	-573.4	-157.1	-22.5	0.0	0.0	91.4	-12.1	6.5	86.3	8.4	2.3
	CDO CRE		-147.1	22.0	-11.8	-138.6	-17.2	-1.5	0.0	-189.6	19.0	-11.8	-145.6	-28.8	-22.5	0.0	0.0	1.8	1.8	0.0	0.0	0.0	0.0
	CDO Squared		-4.8	-4.8	0.0	0.0	0.0	0.0	0.0	-4.8	-4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	CLO		-157.6	-41.5	-72.0	-20.7	-23.3	0.0	0.0	-157.6	-41.5	-72.0	-20.7	-23.3	0.0	0.0	0.0	69.3	11.8	34.6	11.0	11.9	0.0
	HG CDO		-209.5	-66.6	-84.4	-58.5	0.0	0.0	0.0	-229.5	-66.6	-84.4	-74.2	0.0	0.0	0.0	0.0	79.3	24.8	31.1	23.5	0.0	0.0
	Mezz CDO		-337.9	-209.1	-49.9	28.8	-105.8	0.0	0.0	-846.9	-203.1	-205.7	-332.9	-105.1	0.0	0.0	0.0	223.6	88.6	28.8	84.6	23.7	0.0

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.

GS MBS-E-013693150

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388-13
GS MBS-E-013693151



Goldman Sachs Mortgage Strategies

Date: 25Sep07
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Mortgage Dept Top Sheet -- Report B3: Resi Loans/Securitization By Market, Sub Market and Product

Market	Sub Market	Type	Notional (\$MM)*							Market Value (\$MM)**							Spread DV01 (\$K)						
			Total	AAA	AA	A	BBB	BBB-	NR	Total	AAA	AA	A	BBB	BBB-	NR	Resid	Total	AAA	AA	A	BBB	BBB-
Total			1,793.8	8,138.4	127.9	92.1	-131.9	253.9	1,978.6	-720.9	6,865.2	133.6	108.2	-92.1	142.5	1,082.7	108.1	-847.0	-1,881.7	-29.0	-26.4	11.2	-37.7
RMBS	Total		15,782.1	8,338.4	127.9	92.1	-151.9	253.9	1,378.6	13,826.8	7,068.6	133.6	108.2	-92.1	142.5	1,081.7	108.1	-3,972.7	-1,881.7	-29.0	-26.4	11.2	-37.7
	Subprime/2nds	Total	-337.9	-388.9	42.2	-50.6	-180.7	108.3	93.6	-323.2	-369.0	49.5	-21.7	-121.5	32.6	93.8	13.2	215.1	218.9	-9.5	16.1	32.9	-10.0
		Bond	94.3	0.0	0.0	42.1	26.3	14.6	8.3	0.0	0.0	41.5	25.2	12.8	8.0	0.0	0.0	-24.9	0.0	-13.7	-7.5	-3.1	-0.7
		Loans	426.4	311.1	40.0	21.6	12.5	9.1	0.0	390.9	310.7	40.0	18.0	6.7	2.2	0.0	13.2	-55.3	-34.9	-8.1	-5.2	-3.1	-2.4
		NIM Bond	197.7	0.0	0.0	71.5	57.3	68.9	0.0	80.4	0.0	0.0	49.9	13.3	17.2	0.0	0.0	-12.6	0.0	0.0	0.0	-3.8	-5.1
		Residual	93.6	0.0	0.0	0.0	0.0	0.0	93.6	93.6	0.0	0.0	0.0	0.0	0.0	93.8	0.0	-30.4	0.0	0.0	0.0	0.0	-4.4
		ABX-Long	80.0	0.0	0.0	0.0	0.0	50.0	0.0	17.1	0.0	0.0	0.0	0.0	17.1	0.0	0.0	-4.4	0.0	0.0	0.0	0.0	2.2
		ABX-Short	-1,155.0	-695.0	-40.0	-135.0	-260.0	-25.0	0.0	-95.1	-679.7	-32.0	-83.6	-150.2	-8.5	0.0	0.0	337.2	253.8	12.3	26.7	42.2	0.0
		CDS-Short	-45.0	0.0	0.0	-35.0	-5.0	0.0	0.0	-38.6	0.0	0.0	0.0	-4.1	-3.3	0.0	0.0	8.8	0.0	0.0	5.6	0.7	0.3
	Alt-A	Total	1,137.0	895.4	10.8	50.5	7.8	25.9	145.0	616.5	394.6	10.4	45.3	5.1	16.8	141.7	3.6	-166.7	-92.5	-6.0	-10.4	-3.1	-8.3
		Bond	835.5	600.9	2.5	13.4	5.1	9.8	2.6	121.5	100.2	2.4	10.6	3.1	5.1	0.0	0.0	-35.3	-20.6	-1.7	-7.0	-2.3	-3.6
		Loans	315.1	294.5	8.1	4.8	2.7	3.2	1.0	\$14.3	294.3	8.0	4.4	2.0	1.8	0.4	3.6	-78.9	-71.9	-3.4	-1.6	-0.8	-0.6
		NIM Bond	48.1	0.0	0.0	32.4	0.0	12.8	0.0	39.4	0.0	0.0	30.2	0.0	9.1	0.0	0.0	-3.8	0.0	0.0	-1.7	0.0	-2.1
		Residual	141.3	0.0	0.0	0.0	0.0	0.0	141.3	141.3	0.0	0.0	0.0	0.0	141.3	0.0	0.0	-50.7	0.0	0.0	0.0	0.0	0.0
	Prime	Total	13,744.2	7,697.8	47.2	17.1	-51.5	42.7	358.4	12,439.7	6,911.8	48.6	14.8	-52.1	35.8	323.7	78.8	-3,939.3	-1,998.0	-6.3	-9.3	-2.4	-8.8
		Agy CMO	2,306.8	0.0	0.0	0.0	0.0	0.0	0.0	1,924.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-685.0	0.0	0.0	0.0	0.0	0.0
		Agy ARM	581.4	0.0	0.0	0.0	0.0	0.0	2.3	583.8	0.0	0.0	0.0	0.0	2.2	0.0	0.0	-116.3	0.0	0.0	0.0	0.0	0.0
		Agy IO/PO/Drv	2,574.0	0.0	0.0	0.0	0.0	0.0	0.0	2,574.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,054.8	0.0	0.0	0.0	0.0	0.0
		Prime IO/PO/Drv	123.3	123.3	0.0	0.0	0.0	0.0	0.0	123.3	123.3	0.0	0.0	0.0	0.0	0.0	0.0	-44.6	-44.6	0.0	0.0	0.0	0.0
		OA/Hyb WAC IO	84.1	1.1	0.0	0.0	0.0	0.0	83.0	84.1	1.1	0.0	0.0	0.0	0.0	83.0	0.0	-18.3	-0.0	0.0	0.0	0.0	0.0
		Prime Fix CMO	3,872.2	3,872.2	0.0	0.0	0.0	0.0	0.0	3,208.0	3,208.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,265.3	-1,265.3	0.0	0.0	0.0	0.0
		Prime ARM CMO	2,461.1	2,441.7	0.0	0.0	0.0	0.0	19.4	2,355.0	2,336.0	0.0	0.0	0.0	0.0	19.0	0.0	-443.1	-437.8	0.0	0.0	0.0	0.0
		Prime Sub	247.6	0.0	0.0	0.0	0.0	0.0	247.6	213.5	0.0	0.0	0.0	0.0	213.5	0.0	-48.6	0.0	0.0	0.0	0.0	0.0	
		Prime Fix Loan	744.5	717.0	6.7	9.3	4.1	4.5	3.0	737.9	710.8	6.8	9.2	4.1	4.4	3.0	0.0	-245.3	-236.2	-2.2	-3.1	-1.3	-1.5
		Prime Arm Loan	130.8	125.8	2.0	1.3	0.7	1.0	0.3	127.8	122.7	1.9	1.3	0.8	1.0	0.3	0.0	-11.9	-11.4	-0.2	-0.1	-0.1	-0.1
		HOA/MTA Loan	827.1	416.9	13.7	6.8	4.8	9.8	2.8	824.9	408.0	13.4	6.7	4.7	9.4	2.7	78.8	-9.0	-2.7	-0.1	-0.0	-0.0	-0.1
		CDS-Long	115.7	0.0	29.9	20.0	34.4	31.5	0.0	103.2	0.0	29.8	18.0	30.9	24.7	0.0	0.0	-31.8	0.0	-6.8	-8.8	-10.6	-7.6
		CDS-Short	-124.6	0.0	-5.0	-20.4	-95.4	-3.8	0.0	-121.5	0.0	-5.0	-20.4	-92.4	-3.7	0.0	0.0	11.8	0.0	1.0	0.8	9.6	0.4
	Scratch & Dent	Total	1,238.9	129.1	27.8	75.1	92.4	79.0	781.7	893.6	129.2	27.1	89.8	76.3	58.3	522.6	10.5	-79.6	-10.1	-6.2	-22.8	-16.2	-12.6
		Bond	197.7	0.0	0.0	60.2	60.1	52.1	0.0	193.9	0.0	8.4	55.7	49.4	40.5	0.0	0.0	-43.8	0.0	-3.5	-20.7	-11.5	-8.1
		Loans	1,016.5	129.1	18.8	14.8	32.4	26.9	757.0	715.2	129.2	18.8	14.0	27.0	17.8	497.9	10.5	-27.3	-10.1	-2.7	-2.1	-4.7	-4.5
		Residual	24.7	0.0	0.0	0.0	0.0	0.0	24.7	24.7	0.0	0.0	0.0	0.0	24.7	0.0	-8.7	0.0	0.0	0.0	0.0	0.0	

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.

Confidential Treatment Requested by Goldman Sachs

Goldman Sachs Mortgage Strategies

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Mortgage Dept Top Sheet -- Report C1: Resi Loans / Securitization Business By Product

Group	Type	Sub Type	Notions (\$MM)	Market Value (\$MM)**								Rate DV01 (\$)	Spread DV01 (\$)							
				Total	Agy	AAA	AA	A	BBB	BBB-	NR		Resid	Agy	AAA	AA	A	BBB	BBB-	NR
Total			1,793.8	-720.9	5,080.2	6,865.2	133.6	108.2	-92.1	142.5	1,082.7	106.1	-637.8	-1,836.1	-1,881.7	-29.0	-26.4	11.2	-37.7	-160.3
	Loans	Total	3,260.4	2,810.9	0.0	1,976.6	88.8	53.7	45.1	36.4	504.2	106.1	-710.1	0.0	-367.1	-16.6	-12.1	-10.0	-8.1	-1.1
		Subprime Loan	426.4	390.9	0.0	310.7	40.0	18.0	6.7	2.2	0.0	13.2	-44.9	0.0	-34.9	-8.1	-5.2	-3.1	-2.4	0.0
		S&D Loan	1,018.5	715.2	0.0	129.2	18.8	14.0	27.0	17.8	497.9	10.5	-17.6	0.0	-10.1	-2.7	-2.1	-4.7	-4.5	-0.0
		Alt-A Loan	315.1	314.3	0.0	294.3	8.0	4.4	2.0	1.6	0.4	3.6	-80.1	0.0	-71.9	-3.4	-1.6	-0.8	-0.6	-0.1
		2nds Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	0.0	
		Prime Arm Loan	130.8	127.8	0.0	122.7	1.9	1.3	0.6	-1.0	0.3	0.0	-15.5	0.0	-11.4	-0.2	-0.1	-0.1	-0.1	-0.0
		Prime Fix Loan	744.5	737.9	0.0	710.6	6.6	9.2	4.1	4.4	3.0	0.0	-366.0	0.0	-236.2	-2.2	-3.1	-1.3	-1.5	-1.0
		HOA/MTA Loan	627.1	524.9	0.0	409.0	13.4	6.7	4.7	9.4	2.7	78.8	-186.0	0.0	-2.7	-0.1	-0.0	-0.0	-0.1	-0.0
	Retained Bonds	Total	4,211.5	3,523.8	2,574.0	224.6	52.2	171.7	78.7	79.9	342.7	0.0	-2,245.8	-1,054.8	-65.3	-18.9	-40.6	-20.6	-19.5	-105.1
		Retained Bond	927.5	362.9	0.0	100.2	52.2	91.6	65.3	53.5	0.0	0.0	-84.4	0.0	-20.6	-18.9	-35.3	-16.9	-12.4	-0.0
		Retained NIM	242.9	119.8	0.0	0.0	0.0	80.1	13.3	26.3	0.0	0.0	-221.3	0.0	0.0	0.0	-5.3	-3.9	-7.2	0.0
		OAVHyb WAC IO	84.1	84.1	0.0	1.1	0.0	0.0	0.0	0.0	83.0	0.0	-80.8	0.0	-0.0	0.0	0.0	0.0	0.0	-15.2
		Subprime Resid	43.9	43.9	0.0	0.0	0.0	0.0	0.0	0.0	43.9	0.0	-95.8	0.0	0.0	0.0	0.0	0.0	0.0	-9.1
		S&D Resid	24.7	24.7	0.0	0.0	0.0	0.0	0.0	0.0	24.7	0.0	-3.8	0.0	0.0	0.0	0.0	0.0	0.0	-8.7
		Alt-A Resid	141.3	141.3	0.0	0.0	0.0	0.0	0.0	0.0	141.3	0.0	-450.2	0.0	0.0	0.0	0.0	0.0	0.0	-50.7
		2nd Resid	49.8	49.8	0.0	0.0	0.0	0.0	0.0	0.0	49.8	0.0	-49.1	0.0	0.0	0.0	0.0	0.0	0.0	-21.3
		Other	2,697.3	2,697.3	2,574.0	123.3	0.0	0.0	0.0	0.0	0.0	0.0	-1,260.4	-1,054.8	-44.6	0.0	0.0	0.0	0.0	0.0
	Synthetics	Total	7,481.2	6,494.8	1,924.6	4,865.3	-7.4	-117.2	-215.8	28.3	19.0	0.0	-2,058.7	-685.0	-1,448.3	6.4	26.3	42.0	-9.1	-5.4
		ABX	-1,105.0	-937.0	0.0	-679.7	-32.0	-83.6	-150.2	8.5	0.0	0.0	0.0	0.0	253.8	12.3	26.7	42.2	-2.2	0.0
		CDS (in Loans Box)	-53.9	-58.9	0.0	0.0	24.6	-33.6	-65.6	17.7	0.0	0.0	0.0	0.0	-5.8	-0.5	-0.2	-6.9	0.0	
		Other	8,640.1	7,488.6	1,924.6	5,545.0	0.0	0.0	0.0	0.0	19.0	0.0	-2,058.7	-685.0	-1,703.1	0.0	0.0	0.0	0.0	-5.4
	Other	Total	829.0	797.3	581.6	0.0	0.0	0.0	0.0	0.0	215.7	0.0	-89.7	-116.3	0.0	0.0	0.0	0.0	0.0	-48.6
		Other	829.0	797.3	581.6	0.0	0.0	0.0	0.0	0.0	215.7	0.0	-89.7	-116.3	0.0	0.0	0.0	0.0	0.0	-48.6

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.



Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ficc-mtgstrat

Mortgage Dept Top Sheet -- Report E1: Department wide ABX Positions - Notional by Index, Rating and Desk

Rating	Index	Desk					Total
		Abs Secondary	CDO Warehouse	Correlation	Prime AltA	Subprime 2nd S&D	
Total		4,515.5	-319.0	4,501.4	-645.0	-460.0	7,592.9
AAA	Total	2,400.4	0.0	100.0	-620.0	-75.0	1,805.4
	ABX.HE.06-1	184.9	0.0	100.0	-620.0	0.0	-335.1
	ABX.HE.06-2	795.5	0.0	0.0	0.0	-75.0	720.5
	ABX.HE.07-1	1,385.0	0.0	0.0	0.0	0.0	1,385.0
	ABX.HE.07-2	35.0	0.0	0.0	0.0	0.0	35.0
AA	Total	764.1	0.0	228.0	0.0	-40.0	952.1
	ABX.HE.06-1	210.0	0.0	228.0	0.0	0.0	438.0
	ABX.HE.06-2	231.0	0.0	0.0	0.0	0.0	231.0
	ABX.HE.07-1	243.1	0.0	0.0	0.0	-40.0	203.1
	ABX.HE.07-2	80.0	0.0	0.0	0.0	0.0	80.0
A	Total	252.8	-500.0	413.5	-25.0	-110.0	31.3
	ABX.HE.06-1	-24.0	-500.0	313.5	0.0	-30.0	-240.5
	ABX.HE.06-2	253.0	0.0	100.0	0.0	-55.0	298.0
	ABX.HE.07-1	-41.3	0.0	0.0	-25.0	-25.0	-91.3
	ABX.HE.07-2	65.0	0.0	0.0	0.0	0.0	65.0
BBB	Total	708.2	84.0	1,323.1	-50.0	-210.0	1,855.3
	ABX.HE.06-1	548.0	44.0	855.0	-50.0	-160.0	1,237.0
	ABX.HE.06-2	437.9	40.0	441.6	0.0	-50.0	869.4
	ABX.HE.07-1	-277.6	0.0	26.6	0.0	0.0	-251.1
BBB-	Total	390.1	97.0	2,436.8	50.0	-25.0	2,948.9
	ABX.HE.06-1	254.5	51.0	1,515.0	0.0	0.0	1,820.5
	ABX.HE.06-2	161.4	46.0	814.6	50.0	-25.0	1,047.0
	ABX.HE.07-1	-75.8	0.0	107.1	0.0	0.0	31.4
	ABX.HE.07-2	50.0	0.0	0.0	0.0	0.0	50.0

Books not currently captured: CRE Loans, SPG Syndicates. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.



Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ficc-mtgstrat

Mortgage Dept Top Sheet – Report E2: Department wide ABX Positions - Market Value by Index, Rating and Desk

Rating	Index	Total Market Value (\$MM)**					Total
		ABS Secondary	CDO Warehouse	Correlation	Prime AltA	Subprime 2nd S&D	
Total		3,720.2	-324.1	2,456.8	-633.3	-303.7	4,915.9
AAA	Total	2,280.2	0.0	98.0	-607.7	-72.0	1,698.6
	ABX.HE.06-1	181.2	0.0	98.0	-607.7	0.0	-328.5
	ABX.HE.06-2	763.8	0.0	0.0	0.0	-72.0	691.7
	ABX.HE.07-1	1,302.0	0.0	0.0	0.0	0.0	1,302.0
	ABX.HE.07-2	33.3	0.0	0.0	0.0	0.0	33.3
AA	Total	666.9	0.0	215.5	0.0	-32.0	850.4
	ABX.HE.06-1	198.5	0.0	215.5	0.0	0.0	414.0
	ABX.HE.06-2	203.3	0.0	0.0	0.0	0.0	203.3
	ABX.HE.07-1	194.5	0.0	0.0	0.0	-32.0	162.5
	ABX.HE.07-2	70.5	0.0	0.0	0.0	0.0	70.5
A	Total	162.5	-410.2	321.2	-11.9	-71.7	-10.0
	ABX.HE.06-1	-19.7	-410.2	257.2	0.0	-24.6	-197.3
	ABX.HE.06-2	162.0	0.0	64.0	0.0	-35.2	190.8
	ABX.HE.07-1	-19.6	0.0	0.0	-11.9	-11.9	-43.4
	ABX.HE.07-2	39.8	0.0	0.0	0.0	0.0	39.8
BBB	Total	427.7	43.8	719.4	-30.8	-119.4	1,040.6
	ABX.HE.06-1	337.7	27.1	526.9	-30.8	-98.6	762.2
	ABX.HE.06-2	182.1	16.6	183.7	0.0	-20.8	361.7
	ABX.HE.07-1	-92.1	0.0	8.8	0.0	0.0	-83.3
BBB-	Total	182.9	42.4	1,102.6	17.1	-8.5	1,336.4
	ABX.HE.06-1	132.9	26.6	791.1	0.0	0.0	950.5
	ABX.HE.06-2	55.2	15.7	278.6	17.1	-8.5	358.0
	ABX.HE.07-1	-23.4	0.0	33.0	0.0	0.0	9.6
	ABX.HE.07-2	18.2	0.0	0.0	0.0	0.0	-18.2

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equiv mkt val for synthetics.



Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ficc-mtgstrat

Mortgage Dept Top Sheet -- Report E3: Department wide ABX Positions - Spread DV01 by Index, Rating and Desk

Rating	Index	Total Spread DV01 (\$k)					Total
		ABS Secondary	CDO Warehouse	Correlation	Prime AltA	Subprime 2nd S&D	
Total		-1,473.5	95.9	-678.9	232.0	100.8	-1,723.7
AAA	Total	-1,020.2	0.0	-36.1	224.0	29.8	-802.5
	ABX.HE.06-1	-66.8	0.0	-36.1	224.0	0.0	121.1
	ABX.HE.06-2	-316.1	0.0	0.0	0.0	29.8	-286.3
	ABX.HE.07-1	-620.9	0.0	0.0	0.0	0.0	-620.9
	ABX.HE.07-2	-16.3	0.0	0.0	0.0	0.0	-16.3
AA	Total	-226.9	0.0	-60.5	0.0	12.3	-275.1
	ABX.HE.06-1	-55.7	0.0	-60.5	0.0	0.0	-116.2
	ABX.HE.06-2	-68.8	0.0	0.0	0.0	0.0	-68.8
	ABX.HE.07-1	-74.5	0.0	0.0	0.0	12.3	-62.2
	ABX.HE.07-2	-27.9	0.0	0.0	0.0	0.0	-27.9
A	Total	-55.7	119.3	-96.4	3.9	22.9	-6.1
	ABX.HE.06-1	5.7	119.3	-74.8	0.0	7.2	57.4
	ABX.HE.06-2	-54.6	0.0	-21.6	0.0	11.9	-64.4
	ABX.HE.07-1	6.4	0.0	0.0	3.9	3.9	14.1
	ABX.HE.07-2	-13.2	0.0	0.0	0.0	0.0	-13.2
BBB	Total	-123.5	-12.5	-203.7	8.6	33.7	-297.4
	ABX.HE.06-1	-94.1	-7.6	-146.8	8.6	27.5	-212.4
	ABX.HE.06-2	-54.0	-4.9	-54.5	0.0	6.2	-107.3
	ABX.HE.07-1	24.7	0.0	-2.4	0.0	0.0	22.3
BBB-	Total	-47.2	-10.9	-282.2	-4.4	2.2	-342.5
	ABX.HE.06-1	-34.0	-6.8	-202.5	0.0	0.0	-243.3
	ABX.HE.06-2	-14.3	-4.1	-71.9	-4.4	2.2	-92.5
	ABX.HE.07-1	5.5	0.0	-7.8	0.0	0.0	-2.3
	ABX.HE.07-2	-4.5	0.0	0.0	0.0	0.0	-4.5

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bonds/loans, bond equity mkt val for synthetics.

From: Birnbaum, Josh
Sent: Friday, August 24, 2007 10:11 AM
To: Kao, Kevin J.
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

Yes

From: Kao, Kevin J.
Sent: Friday, August 24, 2007 10:08 AM
To: Birnbaum, Josh
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

For ABS Base portfolio only, correct?

From: Birnbaum, Josh
Sent: Friday, August 24, 2007 10:07 AM
To: Kao, Kevin J.
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

We have a trader's meeting in 26L right now. Can you bring 8 color copies of the graph into the meeting and give to me when ready?

From: Kao, Kevin J.
Sent: Friday, August 24, 2007 10:05 AM
To: Birnbaum, Josh
Cc: Turok, Michael; Primer, Jeremy
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

Yes, running it now ...

From: Birnbaum, Josh
Sent: Friday, August 24, 2007 9:40 AM
To: Kao, Kevin J.
Cc: Turok, Michael; Primer, Jeremy
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

Kevin, can I get this updated through last night pls?

From: Kao, Kevin J.
Sent: Friday, August 17, 2007 2:35 PM
To: Birnbaum, Josh
Cc: Turok, Michael
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

Josh - as you requested here's the ABS base portfolio single name & index notional history. Numbers are in terms of risk exposure.

I'll look into correlation portfolio next, and then the mortgage department for fiscal year 2007. This can be done within the next hour or so.

Retrieving 2006 data may take quite a bit more time and may not be able to finish it by COB. Let me know if you need 2006 history after you review the 2007 data. Thanks.

<< File: ABS Base Notional History.xls >>

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1864

From: Birnbaum, Josh
Sent: Friday, August 17, 2007 2:27 PM
To: Kao, Kevin J.
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

Understood.

From: Kao, Kevin J.
Sent: Friday, August 17, 2007 2:25 PM
To: Birnbaum, Josh
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

Understood. (Yes, the portfolio name is confusing. SPG portfolio in fact covers the entire mortgage department synthetic positions. "SPG Trading" Portfolio covers the spg trading desks, including ABS, correlation, and CMBS).

From: Birnbaum, Josh
Sent: Friday, August 17, 2007 2:22 PM
To: Kao, Kevin J.
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

No, not SPG Portfolio, the entire Mortgage Dept.

From: Kao, Kevin J.
Sent: Friday, August 17, 2007 2:19 PM
To: Birnbaum, Josh
Subject: RE: In addition to ABS book, I need you to run that series on the whole dept and correlation desk

So we'll have three tables of RMBS subprime cds & index AAA, AA, A, BBB, BBB-notional history: one for ABS Base Portfolio, one for SPG Portfolio, and the other for Correlation Portfolio, correct?

It turns out to take more time to retrieve the data. I should have history for your portfolio for fiscal year 2007 shortly.

From: Birnbaum, Josh
Sent: Friday, August 17, 2007 2:08 PM
To: Kao, Kevin J.
Subject: In addition to ABS book, I need you to run that series on the whole dept and correlation desk



Mortgage Dept Top Sheet

Group	Sector	Market Value(MM\$)(Hedge Equiv MV for CDS)										Spread DV01(K\$)							
		Total	AAA	AA	A	BBB	BBB-	NR	Loan Resid	Sec Resid <2006	Sec Resid >=2006	Total Resid	Rate DV01(k\$)	AAA	AA	A	BBB	BBB-	NR
Dept	Total	-7,284.1	591.1	500.5	-6,358.9	-3,583.7	69.8	609.9	256.8	223.3	407.0	887.1	502.7	772.5	-326.1	2,146.0	844.3	-142.6	-176.9
Prime/AltA	Total	2,856.6	2,266.9	118.5	-5.5	-6.0	-4.7	34.1	72.2	68.2	114.1	254.4	406.6	-45.0	-33.5	3.0	0.4	-5.0	-57.7
	AltA	2,656.6	2,266.9	118.5	-5.5	-6.0	-4.7	34.1	72.2	68.2	114.1	254.4	406.6	-45.0	-33.5	3.0	0.4	-5.0	-57.7
RMBS Subprime	Total	8.6	-743.3	14.7	-342.3	-232.8	103.7	575.9	164.6	155.1	292.9	632.7	-96.1	826.0	-6.0	85.9	38.9	-49.5	-119.2
	2nd Lien	358.0	229.2	67.3	-19.5	-25.9	-2.3	0.0	99.5	1.5	68.4	109.3	-82.2	83.1	-16.5	9.4	7.8	0.2	-19.2
	Scratch&Dent	675.7	214.3	-73.5	-144.9	-2.7	69.7	532.3	26.1	20.9	33.7	60.7	31.6	-21.5	28.6	43.9	-1.2	-18.1	-22.0
	Subprime-1st Lien	-1,025.1	-1,186.7	20.9	-177.8	-204.1	36.4	43.6	119.1	132.6	190.6	442.7	-45.5	764.5	-18.0	32.6	32.3	-31.6	-78.0
RMBS Synthetics	Total	-7,135.1	-698.4	321.5	-3,815.4	-3,113.6	-29.2						0.0	-106.2	-230.1	923.8	701.8	-88.0	
	CDO	-8,352.4	-1,356.7	-684.8	-1,802.3	-2,153.9	-2,354.7						0.0	107.7	118.4	420.9	439.3	449.0	
	Index	2,943.4	385.0	689.0	-956.5	-222.8	3,048.6						0.0	-197.3	-236.1	227.7	55.0	-664.0	
	Single Name	-1,726.0	273.3	317.3	-856.5	-736.9	723.2						0.0	-16.6	-112.5	276.2	207.5	127.0	
RMBS CDO Syn	Total	-2,814.2	-234.1	46.9	-2,394.7	-231.3	0.0						0.0	97.8	-56.5	1,133.3	103.2	0.0	
	HG CDO	-374.8	-62.2	-58.0	-254.6	0.0	0.0						0.0	27.0	26.8	124.0	0.0	0.0	
	HG Single Name	18.0	10.0	20.0	8.9	-19.9	0.0						0.0	-4.6	-10.1	-11.9	18.2	0.0	
	Mezz CDO	-2,139.2	-181.9	-382.5	-1,488.8	-85.0	0.0						0.0	76.3	164.1	893.6	29.1	0.0	
	Mezz Single Name	-315.3	0.0	468.3	-660.2	-125.4	0.0						0.0	-1.0	-237.3	-327.6	63.6	0.0	

Books not currently captured: Prime Hybrid, Prime Fixed, CMO, Cash CDO, CREL, CMBS, Cash ABS

1

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GS MBS-E-010630691

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1871

From: Dutta, Mitrajit
Sent: Tuesday, September 11, 2007 10:22 AM
To: Dutta, Mitrajit; Iqbal, Farrukh; Sparks, Daniel L; Gasvoda, Kevin; Swenson, Michael; Finck, Greg; Noh, Suok; McHugh, John; Pouraghabagher, Cyrus; Nestor, Genevieve; Cawthon, Michael; Mahoney, Justin; Kong, Sarah C.; Brosterman, Jonathan; Anasetti, Marco; Erbst, Jared R.; Gold, Erica; ficc-creditmgmt-admin; DeGiacinto, Clayton; Feingold, Jessica; Watson, Whitney E.; Rutherford, Malcolm; Heagle, Jonathan; Lehman, David A.; Kao, Kevin J.; gs-mra-mtg; Petersen, Bruce; Creed, Christopher J; Lee, Matthew; Gregory, Justin G.; Wicker, Devin
Cc: Wiesel, Elisha; Turok, Michael; Barrett, Tom; Chen, Xin; Li, Ji; Iqbal, Farrukh
Subject: Mtg Top Sheet Report for 10 Sep 2007
Attachments: Mtg Dept Top Sheet 10Sep07.pdf

Risk reports for Sep 10th close are attached.

Sincerely,
Mitrajit.

Goldman Sachs **Mortgage Strategies** Date: 10Sep07
E-mail: fcc-mtstrat

Mortgage Dept Top Sheet									
Market	Sub Market	Notional (\$MM)			Market Value (\$MM)**			Spread DV01 (\$)	Rate DV01 (\$)
		Total	Long	Short	Total	Long	Short		
Total		21,228.4	156,889.3	-134,860.8	-4,895.1	115,743.6	-120,338.7	587.6	-437.7
RMBS	Total	15,639.2	65,312.2	-39,373.0	12,675.4	41,518.3	-25,744.8	-3,892.4	-1,034.1
	Subprime/Zinda	1,153.3	30,507.8	-36,292.3	2,014.3	26,970.7	-27,564.1	-732.9	-252.1
	Alt-A	897.7	1,791.1	-944.4	506.6	1,170.7	-663.9	-122.0	-790.1
	Prime	13,369.5	13,509.2	-139.2	12,196.3	12,242.3	-196.0	-3,052.6	-2,952.9
	Scratch & Dent	1,233.8	1,233.8		854.2	854.2		-80.0	-49.0
	Other	22.8	22.8		22.4	22.4		-1.9	
ABS Non-Real	Total	1,617.2	2,233.2	-716.0	49.0	845.8	-714.8	207.5	
	ABS	848.1	75.0	-716.1	63.2	74.7	-713.8	306.3	
	ABS Auto Prime	2,042.1	2,042.1		283.7	383.7		-45.5	
	ABS Credit Cards Pr	41.6	42.4	-1.0	34.9	35.8	-0.9	-10.4	
	ABS Other	63.8	43.8		68.4	36.4		-26.9	
	ABS Student Loans Pr	89.9	89.9		85.2	85.2		-17.0	
CMBS	Total								
CCO	Total	4,448.9	16,343.1	-4,897.2	-1,960.3	2,499.3	-4,459.3	633.1	
	CCO CRE	-483.7	876.4	-1,140.1	-432.9	531.1	-963.5	253.3	
	CCO Squared	836.8	943.2	-62.2	213.2	216.4	-3.2	-66.4	
	CLD	-152.8		-152.8	-152.8			89.1	
	NO-CCO	3,078.4	10,572.3	-894.0	-278.4	196.6	-476.3	115.1	
	Misc CDO	-750.2	4,151.1	-4,201.3	-1,305.8	1,553.0	-2,858.8	480.1	
Rate Hedges									

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mtz val for synthetics. *Notional amounts for interest only bonds are risk values.

Goldman Sachs **Mortgage Strategies** Date: 10Sep07
E-mail: ficc-mgrs@rat

Mortgage Dept Top Sheet – Report B: Dept Wide By Market, Sub Market and Product(All Desks Covered)

Market	Sub Market	Type	Notional (\$MM)							Market Value (\$MM)**							Spread DV01 (\$k)						
			Total	AAA	AA	A	BBB	BBB-	NR	Total	AAA	AA	A	BBB	BBB-	NR	Resid	Total	AAA	AA	A	BBB	BBB-
Total			21,328.4	19,411.4	1,194.4	1,060.8	1,448.4	668.8	14,805.8	4,998.1	10,239.5	765.4	2,788.1	1,895.7	1,217.7	740.7	117.7	827.8	2,793.8	395.0	1,418.8	282.7	833.8
RMBS	Total		19,239.2	10,908.1	1,293.0	728.0	1,878.8	818.2	830.8	12,878.4	8,804.2	1,044.0	821.8	1,899.1	1,162.3	896.7	117.7	3,801.4	2,748.8	494.1	1,748.8	231.0	842.8
	Subprime/Zero		115.3	1,878.8	1,881.8	448.4	1,493.5	378.2	35.8	1,014.3	1,367.4	835.1	1,481.1	1,437.8	1,281.6	25.1	131.1	732.9	744.1	388.0	145.1	185.8	123.1
	Bond		1,884.2	538.1	550.3	285.7	139.0	484.3	36.0	1,198.1	448.6	444.7	142.0	61.6	81.1	21.1	19.1	322.4	188.4	138.8	36.8	14.5	17.0
	Loans		818.9	902.9	38.1	20.5	13.8	9.3	386.2	300.8	37.8	19.9	12.6	8.3			38.1	21.8	8.2	5.2	3.7	2.7	
	NM Bond		208.2			78.1	58.1	69.9		81.4			58.3	15.3	17.2								
	Residual		112.0						112.0							112.0							
	ABS-Long		10,192.3	3,028.4	947.1	1,383.5	2,125.4	2,700.9		1,228.8	2,859.0	845.4	924.9	1,877.8	1,372.7		3,587.8	1,253.8	274.1	502.4	353.2	374.5	
	ABS-Short		4,484.1	1,465.0	500.0	1,777.2	462.7	64.4		3,463.0	1,537.1	490.0	1,019.1	643.4	313.4		1,123.7	600.8	14.8	290.9	135.4	80.7	
	TABX-Long		861.0			245.7	51.8	33.5		353.7			248.7	25.1	33.0								
	TABX-Short		2,825.1			78.6	1,159.6	1,886.8		3,484.7			78.6	1,088.4	1,537.7								
	CD9-Long		23,814.4	383.8	817.9	3,337.9	9,706.7	8,598.3		16,128.8	880.1	473.7	2,771.2	8,448.7	8,053.8		4,997.2	23.6	155.4	218.5	1,884.1	1,458.8	
	CD9-Short		25,016.0	288.0	208.0	3,881.5	10,282.9	10,478.8		45,835.7	284.2	200.8	2,671.3	8,401.8	8,987.8		4,997.2	35.0	45.4	336.8	188.1	1,447.2	
	Abscise-Long		1,373.8			128.8	184.7		1,873.8				128.8	184.7									
	Abscise-Short		8,911.2	437.8	815.6	843.5	2,322.2	1,180.3		8,911.2	437.8	815.6	843.5	2,322.2	1,180.3		1,002.5	96.7	118.4	182.8	268.8	135.7	
	AA-A		807.2	918.8	21.0	188.8	338.3	28.9	41.5	808.8	704.7	21.0	178.1	193.1	22.1	38.0	136.5	122.8	187.8	10.1	84.7	85.0	
	Bond		704.4	233.6	2.5	188.2	2.7	8.3	38.4	208.7	9.1	2.3	152.4	2.8	5.4	36.9							
	Loans		132.8	686.2	18.5	10.1	8.9	7.2	3.1	746.3	695.6	18.7	8.2	4.4	3.8	1.1	1.8	292.2	166.8	4.8	3.8	1.8	
	NM Bond		142.6			37.8		18.7		122.8			35.2										
	Residual		82.2			10.0	18.0	38.2		43.4			8.7	13.1	22.8								
	CD9-Long		789.8			429.2	284.2	95.6		838.8			381.2	213.5	84.8		206.2						
	CD9-Short		1.2			1.3	1.3			1.3			1.3										
	Abscise-Long		4.8			0.5	0.9			4.8			0.5	0.8									
	Abscise-Short																						
	Prime		13,589.8	8,188.8	82.1	30.2	38.8	84.3	8.8	12,104.1	7,381.0	88.4	23.8	45.1	69.2	7.9	112.8	3,822.8	1,782.7	10.0	11.9	3.1	
	Agv CMO		1,847.4							1,847.4													
	Agv ARM		0.0							0.0													
	Agv IPO/PO/DO		2,779.3							2,779.3													
	Prime IPO/PO/DO		141.9							141.9													
	CMHYE-WAC IO		85.3	70.4	7.1		0.0	5.8	1.9	315.8	70.4	7.1		0.0	5.9	4.9							
	Prime RM CMO		1,895.8	1,895.8						1,895.8	1,895.8												
	Prime ARM CMO		2,788.8	2,788.8						2,853.8	2,680.0												
	Prime Sub		821.8	138.2	7.5	20.1	12.2	45.4		199.8	133.7	8.4	15.8	7.3	27.4								
	Prime Fx Loan		768.9	740.5	4.9	8.6	4.2	4.8	3.1	285.7	271.1	8.8	9.6	4.2	3.4								
	Prime Affx Loan		130.8	125.8	2.0	1.5	0.7	1.6	0.3	177.7	122.3	1.9	1.3	0.8	1.0	0.3							
	HOUMTS Loan		836.9	418.7	13.8	8.9	8.5	37.5	2.5	861.9	418.0	13.8	8.9	8.5	37.5	2.7	113.8	28.8	2.0	0.1	0.0	0.1	
	CD9-Long		21.7			28.9	30.4	34.4	0.7	108.8			29.0	17.8	30.8								
	CD9-Short		188.4			6.0	27.7	95.9	0.8	135.2			6.0	27.7	92.8	0.7							
	Bonch & Devt		1,233.8	181.0	86.1	75.9	83.7	87.7	748.2	854.8	131.2	17.9	76.4	77.8	72.3	438.8	38.3	33.8	48.8	4.4	23.1	16.8	
	Bond		188.8			9.0	80.8	88.4		188.8			8.4	89.8	84.2								
	Loans		1,000.7	131.0	18.1	15.3	32.5	27.2	748.2	746.4	131.2	19.1	14.3	27.4	15.1	638.6	10.8	39.0	10.2	2.8	2.1	4.8	
	Residual		22.5						22.5							22.5							
	Other		22.8	20.0		2.8		0.0	22.4	19.9			2.8										
	Bond		22.8	20.0		2.8		0.0	22.4	19.9			2.8										
	ABS Non-Risk		1,817.2	1.8	27.0	44.2	44.4	0.0	1,793.4	48.8	0.8	84.3	40.1	140.0	122.4		209.5	4.8	18.8	183.1	80.8	0.0	
	ABS		440.1	19.0		48.2	183.0		430.2	19.0		467.4	182.8				306.3	8.3	231.8	87.8			
	CD9-Long		75.0			35.0	40.0		74.7			34.7	40.8				22.2			22.4	48.8		
	CD9-Short		175.0			115.0	80.0		173.8			113.8	39.8				188.4			87.8	31.8		
	Abscise-Long																						
	Abscise-Short																						

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are mkt values.

3-8-8

Market		Sub Market	Type	Notional (\$MM)							Market Value (\$MM)**							Spread DV01 (\$k)						
				Total	AAA	AA	A	BBB	BBB-	NR	Total	AAA	AA	A	BBB	BBB-	NR	Resid	Total	AAA	AA	A	BBB	BBB-
			Abscure/Short	340.1	19.0		308.2	132.8		1,703.9	340.1	19.0		308.2	132.8		42.8		223.8	8.3		185.9	55.8	
			ABS Auto Prime	2,042.1			338.2				383.7			341.1					44.8			37.0		
			ABS Credit Cards	41.8	15.3		15.7	12.5			34.8	10.2		12.5	12.2				10.4	1.8		2.1	4.5	
			ABS Other	81.8	9.3	27.0	47.1	0.0	0.0	0.5	86.4	0.7	24.0	33.2					9.3			35.8	4.8	4.0
			ABS Student Loan	99.8	0.0					88.2	81.3	0.7							17.6	0.1		16.5		
CMBS			Total																					
CDO			Total	8,445.9	983.8	438.3	1,972.7	198.5	76.8	10,578.4	1,900.2	30.3	424.8	1,111.2	188.5	47.8	22.8		853.1	12.2	242.3	198.8	58.4	53.8
			CDO DRE	463.7	123.8	4.7	454.2	27.7	101.8	2.8	432.8	90.0	6.3	389.9	40.8	39.0	1.5		283.3	42.8	7.4	247.7	19.4	54.1
			CDO Structured	838.0	812.7	183.3	5.1	31.9		22.1	212.2	178.1	25.2	0.4	3.7	8.8			596.8	50.5	41.8	50.2	71.7	
			CLO	158.8	41.5	71.8	20.9	22.8			158.8	41.5	71.8	20.9	22.8				89.1	12.0	34.7	11.0	11.4	
			HG CDO	8,878.4	37.6	180.8	225.6	49.8	14.0	10,117.4	278.4	22.9	165.8	47.4	3.7	0.9	16.8		148.3	34.8	74.8	24.2	33.2	
			Misc CDO	78.9	20.8	132.1	83.1	137.3	11.0	439.9	133.4	407.3	434.4	135.5	0.3	4.5			480.1	98.7	137.3	213.7	32.4	0.1
Rate Hedges																								

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are mkt values.

2006

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Subcommittee on Investigations

Goldman Sachs Date: 10Sep07
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Mortgage Strategies

Mortgage Dept Top Sheet – Report B1: SPG Secondary (excluding Correlation) By Market, Sub Market and Product

Market	Sub Market	Type	Notional (\$MM)						Market Value (\$MM)**						Spread DV01 (\$k)							
			Total	AAA	AA	A	BBB	BBB- NR	Total	AAA	AA	A	BBB	BBB- NR	Resid	Total	AAA	AA	A	BBB	BBB-	
Total			34,466.8	12,875.1	1,556.8	721.3	1,868.8	1,259.3	13,974.2	2,926.8	4,256.1	1,307.7	1,537.7	858.8	114.8	164.1	1,125.8	1,654.1	666.3	822.4	197.4	45.8
RMBS	Total		137.2	1,141.0	1,226.2	1,412.2	1,666.6	1,422.8	0.0	1,317.6	2,824.3	1,002.3	1,226.1	813.0	878.0		1,054.7	1,254.3	378.1	241.4	160.9	66.4
	Subprime/Zeds	Total	392.3	1,119.2	1,226.2	1,666.8	1,418.3	1,393.8		1,708.7	2,912.8	1,002.3	999.9	812.6	834.8		1,216.5	1,282.3	378.1	255.8	82.0	87.3
		Bond	1,833.4	836.1	908.1	238.4	124.3	443.4		1,958.9	446.8	402.1	117.7	34.7	72.6		390.6	198.4	124.8	28.2	11.4	16.8
		ABS-Long	8,585.8	2,825.4	719.1	801.0	703.9	227.2		4,376.4	2,708.3	827.8	553.1	369.0	120.4		1,745.3	1,201.5	211.8	187.8	112.0	32.3
		ABS-Short	-2,333.3			-1,002.2	-707.7	-621.4		-1,344.4			-744.1	-311.8	-283.4		-404.8			222.7	94.0	77.9
		TABX-Long	314.0					314.0		86.7				86.7		-19.2						
		CDS-Long	20,116.6	44.6	205.0	2,342.5	8,812.2	8,712.3		13,329.1	84.3	172.4	1,910.2	5,748.0	5,456.2		3,863.6	34.3	57.9	581.3	1,554.2	1,370.9
		CDS-Short	24,913.9	-286.9	-206.0	-3,626.8	-10,350.9	-10,443.6		-15,749.6	-294.2	-500.8	-2,536.1	-8,494.8	-6,952.1		4,033.6	18.8	46.4	831.0	1,875.9	1,444.4
	AAA	Total	646.1	1.8		-340.8	248.2	87.7		486.8	1.8		226.3	300.4	-41.4	182.3	-0.2		74.8	88.8	9.2	
		Bond	181.7	1.8		-178.4	1.8	1.8		147.8	1.8		145.2	0.9	0.9	37.8	-0.2		-37.6	-4.7	-7.6	
		CDS-Long	82.2			10.0	10.0	36.2		45.4			8.7	10.1	22.6	46.1			-3.8	-4.7	-7.6	
		CDS-Short	780.0			-229.2	264.2	66.5		489.6			-381.2	-213.6	-84.8	294.2			115.9	73.6	16.7	
	Prime	Total	-7.0			-7.0				-7.0			-7.0	-0.0		1.4			1.4		-0.0	
		CDS-Long	8.0			8.0				8.0			8.0	8.0		-0.8			-0.8		-0.0	
		CDS-Short	-13.0			-7.0		-6.0		-12.9			-7.0	-8.0		1.9			1.4		0.5	
	Other	Total	72.8	20.0		2.5		0.0		82.4	19.8		2.5			-1.9	-1.8		-4.1			
		Bond	22.8	20.0		2.5		0.0		22.4	19.8		2.5			-1.9	-1.8		-4.1			
ABS Non-Fund	Total		2,007.3	30.3	27.0	289.0	-32.8	0.0	1,791.4	411.4	19.8	24.3	272.8	-32.8	122.3	10.0	-3.8	-15.3	61.8	12.8	8.0	
	ABS	Total	160.0			-118.0	-8.0		158.8				-44.8			166.3			87.2	19.2		
		CDS-Long	16.0			16.0			13.8				16.0			1.3				1.9		
		CDS-Short	179.0			-118.0	-8.0		173.8				-13.8			164.8			87.8	21.2		
	ABS Auto Prime		2,042.1			338.2			1,703.9				341.1		42.6				-3.0	-6.5	2	
	ABS Credit Cards		14.8	10.3		18.7	12.5	0.0	0.3	86.4	8.7	24.3	12.5	12.2		-44.4	-1.8		-3.5	-6.5	2	
	ABS Other		83.8	0.3	27.0	47.1	0.0	0.0	88.7	83.2	0.7				84.4	-23.8	-1.7	-15.5	-6.6	-2.0	-0.0	
	ABS Student Loan		89.8	0.8												-17.8	-0.1					
	Total																					
COO	Total		10,324.7	563.1	181.1	885.1	24.8	-74.7	10,578.4	-491.0	820.8	-210.8	829.8	-38.8	65.1	22.8	364.8	-104.1	127.3	283.9	17.1	81.4
	COO CRE		282.7	101.8	22.6	299.4	-10.0	-96.7	2.8	284.4	71.0	17.7	-227.8	-11.5	-80.3	1.5	173.8	-30.8	-6.0	159.0	10.8	61.9
	COO Squalid		843.2	817.9	163.8	8.1	31.9		22.1	816.4	183.2	25.2	8.4	3.7	8.8		184.4	82.5	11.9	3.2	-1.3	
	MG COO		10,490.3	30.7	-106.1	87.4	46.9	140	10,117.8	-46.8	77.3	-78.4	7.2	8.7	8.9	34.9	-1.0	43.1	6.3	-3.2	-0.4	
	Mezz COO		488.1	112.8	-200.9	-681.6	-44.3	11.0	436.9	-443.3	88.8	-175.1	-310.1	-38.8	0.3	235.8	9.9	103.7	132.9	11.8	-0.1	

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are mkt values.

Goldman Sachs Date: 10Sep07
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Mortgage Strategies

Mortgage Dept Top Sheet – Report B2: SPG Correlation By Market, Sub Market and Product

Market	Sub Market	Type	Notional (\$MM)						Market Value (\$MM)**						Spread DV01 (\$k)						
			Total	AAA	AA	A	BBB	BBB- NR	Total	AAA	AA	A	BBB	BBB- NR	Resid	Total	AAA	AA	A	BBB	BBB-
Total			2,871.1	896.1	601.8	943.8	208.0	38.3	1,864.1	1,020.3	680.8	601.3	294.3	1,296.2		1,788.7	352.1	208.1	491.3	181.1	618.0
RMBS	Total		848.8	332.7	74.7	879.0	88.5	384.7	1,477.3	403.7	86.8	438.2	842.1	788.7		46.3	14.4	11.8	161.9	66.8	46.9
	Subprime/Zero		832.0	388.7	74.7	852.8	88.1	384.7	1,474.1	403.7	86.8	441.7	845.8	789.7		46.4	14.4	11.8	163.1	66.8	46.9
		Total	4,696.8	1002.0	228.8	483.5	1,211.5	1,453.5	1,723.7	88.0	211.8	357.1	816.8	1,232.3		787.0	37.0	22.8	110.1	240.8	336.5
		ABSX-Long	-80.0			-80.0			16.8			-18.5							5.0		-3.9
		ABSX-Short	347.0			245.7	61.8	48.5	287.8			245.7	25.1	16.3					-70.2		-7.6
		CDX-Long	2,935.1			-78.0	-1,159.9	-1,696.8	-2,884.7			-78.0	-1,088.4	-1,537.7					21.8		32.5
		CDX-Short	3,397.8	338.0	312.9	995.5	894.8	858.0	2,798.4	335.9	301.2	881.0	730.7	597.8		494.5	48.3	47.5	107.2	100.5	84.7
		AbxLong	1,871.1			-27.0	-30.1	-42.7	1,427.2			-27.0	-30.1	-42.7		7.3				4.8	2.4
		AbxShort	1,517.8			1,219.1	134.7	137.7	1,371.8			1,219.1	134.7	137.7		383.5	0.0			334.0	28.7
		AbxLong-Short	6,911.3	637.8	615.8	943.8	2,322.2	-1,162.3	-8,911.2	837.8	615.8	843.8	2,322.2	-1,162.3		1,002.8	96.7	118.4	182.8	488.8	138.7
	ABA	Total	-3.2			-3.8	0.4		-3.2			-3.8	0.4						1.8		-1.1
		AbxLong	1.3			-1.2	1.2		1.2			-1.2	1.2							0.5	
		AbxShort	-4.5			-3.5	0.9		-4.5			-3.5	0.9						1.2		0.2
ABS Non-Real	Total		-480.1	19.0		-353.2	107.9		-480.4	19.0		-353.5	107.9			199.5	8.3		143.3	47.7	
	ABS	Total	-480.1	19.0		-353.2	107.9		-480.4	19.0		-353.5	107.9			199.5	8.3		143.3	47.7	
		CDX-Long	80.0			35.0	25.0		89.7			34.7	25.0			36.3			22.4		7.9
		AbxLong	548.1	19.0		388.2	132.9		440.1	19.0		388.2	132.9			233.8	8.3		165.8	55.6	
	Total																				
CDO	Total		-978.8	-299.5	-257.4	-187.2	-131.5	-1.3	-1,683.2	-386.3	-413.9	-281.7	-150.8	-22.7		488.5	116.4	118.3	213.4	41.3	2.3
	CDO CRE		-161.8	22.0	-29.3	154.8	-17.7	-1.3	-218.0	19.0	-23.0	-161.8	-29.3	-22.7		111.8	42.2	15.4	97.3	8.8	2.3
	CDO Structured		-55.3	-5.2					-63.3	-5.2						2.6	2.0				
	CLO		-196.8	-41.5	-71.8	-20.9	-22.8		-196.8	-41.5	-71.8	-20.9	-22.8			89.1	12.0	94.7	110.0	11.4	
	HQ CDO		-212.0	-66.3	-84.7	-59.0			-212.0	-66.3	-84.7	-59.0				81.3	28.7	31.6	28.9		
	Med CDO		-324.1	-206.8	-71.8	47.5	-40.1		-857.8	-202.4	-232.2	-324.3	-66.7			224.4	88.9	13.7	80.8	31.1	

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are mkt values.

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Mortgage Strategies

Mortgage Dept Top Sheet -- Report B3: Resi Loans/Securitization By Market, Sub Market and Product

Market	Sub Market	Type	Notional (\$MM)						Market Value (\$MM)**						Spread DV01 (\$k)								
			Total	AAA	AA	A	BBB	BBB-	NR	Total	AAA	AA	A	BBB	BBB-	NR	Resid	Total	AAA	AA	A	BBB	BBB-
Total			1,011.1	1,062.8	141.8	4.3	70.8	322.8	430.8	2,607.3	1,073.8	188.2	28.4	140.8	183.3	806.7	417.7	85.2	1,480.6	32.8	4.7	3.1	47.2
RMBS	Total		14,927.6	1,062.8	141.8	4.3	70.8	322.8	830.8	12,725.0	7,073.8	188.2	28.4	140.8	183.3	806.7	417.7	2,882.2	1,480.6	35.8	4.7	3.1	47.2
	Subprime/Zero	Total	1,129.1	1,142.1	30.9	164.1	133.4	107.1	33.9	1,300.5	1,141.8	85.3	192.0	179.4	22.7	21.1	131.1	830.1	523.8	7.0	42.7	25.1	11.1
		Basis	128.8		42.1	25.3	34.8	6.8	35.0	109.2		41.8	25.2	12.9	8.5	21.1	32.7			13.8	7.8	3.1	0.7
		Loans	458.9	802.9	38.1	20.5	13.9	6.3	396.2	900.8	37.8	19.9	12.5	8.3		19.1	86.1	31.8	42.7	5.2	3.7	2.7	0.2
		NIM Bond	204.2			70.1	50.1	65.9		81.4			58.3	16.3	17.8		12.8					3.0	2.6
		Residual	112.0						112.0							112.0							
		ABX-Long	170.0	100.0			20.0	80.0		129.8	84.8												4.6
		ABX-Short	2,190.0	1,565.0	50.0	475.0	216.0	25.0	2,102.1	1,537.1	80.0	176.0	215.0	26.0			713.1	600.8	14.8	58.2	36.4	3.8	2.8
		CDS-Short	48.0			96.0	40.0	40.0		48.0												5.8	0.6
	AAA	Total	1,446.0	646.0	21.0	68.7	8.6	28.8	41.6	878.4	703.1	21.0	51.8	7.5	19.3	38.0	136.8	278.5	187.8	16.1	11.0	3.8	7.2
		Basis	826.7	231.8	2.5	7.8	2.7	4.7	36.4	81.1	7.5	2.3	7.0	2.8	4.5	36.9		116.8	1.7	1.5	4.7	3.3	0.3
		Loans	723.0	586.2	18.5	10.1	6.9	7.3	3.3	736.4	596.8	18.7	8.2	4.4	3.8	3.1	3.8	80.2	65.6	8.8	3.8	1.5	1.2
		NIM Bond	84.8			37.8		18.7		84.8												2.4	2.7
		Residual	132.6						132.6							132.6		49.7					
	Prime	Total	13,778.5	8,135.8	62.1	37.2	39.8	84.2	8.0	12,113.3	7,381.0	86.4	36.6	48.2	89.2	7.9	113.9	3,054.0	1,782.7	18.0	13.3	3.1	14.1
		Agg CMO	1,897.4							1,897.4													
		Agg ARM	8.0							8.0													
		Agg KAPO/DR	2,770.3							2,770.3													
		Prime HFO/DR	141.9							141.9													
		DR/Hy WAC ID	85.3	70.4	7.1		0.0	6.9	1.0	85.3	70.4	7.1		0.0	6.9	1.0	1.2	0.3	4.0		4.0	0.8	
		Prime FR CMO	3,385.8	3,895.5						3,283.6	3,263.6							1,085.4	1,085.4				
		Prime ARM CMO	2,768.9	2,768.9						2,653.6	2,653.6												
		Prime SIV	221.8	196.2	7.6	25.1	12.2	48.4		189.9	133.9	8.4	15.5	7.3	27.4			41.8	20.2	1.0	4.8	1.2	4.7
		Prime FR Loan	748.9	740.1	8.9	9.8	4.2	8.0	1.1	785.4	737.1	8.8	9.8	4.2	4.8	3.1		206.4	198.7	1.9	2.8	1.1	1.2
		Prime Arm Loan	156.8	126.6	2.0	1.3	0.7	1.8	0.3	127.7	122.8	1.0	1.3	0.6	1.0	0.3		10.3	0.0	0.2	0.1	0.1	0.1
		HCA/MTA Loan	646.0	418.7	13.8	6.9	4.8	6.7	2.8	661.8	410.8	13.5	6.6	4.7	8.8	2.7	113.9	29.8	2.6	0.1	0.0	0.0	0.1
		CDS-Long	115.7		23.9	20.0	34.4	31.5		103.8	40.8	29.0	17.9	30.8	24.6								7.7
		CDS-Short	123.6		5.0	20.8	66.9	3.8		123.6		5.0	20.7	62.6	3.7								0.4
	Stretch & Dist	Total	1,823.8	1,811.0	28.1	78.3	83.7	88.7	746.3	854.3	131.2	27.5	70.4	77.0	72.3	839.6	363.3	83.8	80.3	4.4	23.1	16.5	14.7
		Basis	184.8		4.0	40.3	40.8	68.4		184.8		4.4	66.1	48.8	54.2								10.3
		Loans	1,009.7	1,311.0	19.1	16.1	32.9	27.3	748.2	768.4	131.2	15.1	14.5	27.4	18.1	520.6	10.6	28.8	10.2	2.8	2.1	4.8	4.6
		Residual	25.9						25.9							25.9		4.7					
Rate Hedges																							

— = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are mkt values.

3/11

Goldman Sachs **Mortgage Strategies** Date: 10Sep07
E-mail: ficc-mtgstrat

Mortgage Dept Top Sheet - Report C: Dept Wide By Product (All Desks Covered)

Group	Type	Sub Type	Notional (\$MM)	Market Value (\$MM)**								Rate DV01 (\$)	Spread DV01 (\$)							
				Total	Agy	AAA	AA	A	BBB	BBB-	NR		Resid	Agy	AAA	AA	A	BBB	BBB-	NR
Total			21,328.4	-4,896.1	4,283.8	19,139.8	785.4	-2,758.4	-1,995.7	-1,317.7	760.7	417.7	-437.7	-1,378.3	-2,758.4	-355.8	-1,418.9	-381.7	-533.8	-41.8
	Loans																			
		Total	18,883.3	3,347.7	2,977.9	17.8	81.0	53.9	42.8	546.7	547.8	439.6	439.1	-21.7	-13.9	-11.5	-8.9	-8.9	-1.2	-1.2
		Subprime Loan	410.8	296.2	300.6	37.8	19.5	12.5	5.3	19.1	19.1	19.1	-48.1	-31.8	-2.2	-2.1	-4.8	-4.8	-0.0	
		S&O Loan	1,009.7	780.4	131.2	19.1	14.3	27.4	18.1	839.8	10.8	1.1	3.8	-10.2	-10.2	-2.8	-3.9	-1.5	-1.2	-0.3
		Alt-A Loan	732.0	736.3	895.6	18.7	9.2	4.4	-3.5	1.1	0.0	0.0	-202.9	-195.8	-8.8	-3.9	-1.5	-1.2	-0.0	
		2nd Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	
		Prime Arm Loan	190.5	127.7	122.9	1.9	5.3	0.6	3.0	0.3	0.0	0.0	-14.7	-9.8	-0.2	-0.1	-0.1	-0.1	-0.0	
		Prime Fix Loan	788.0	786.4	737.1	6.8	9.6	4.2	4.6	3.1	0.0	0.0	-382.0	-196.7	-1.6	-2.8	-1.1	-1.2	-0.8	
		NO/MTA Loan	838.0	581.0	410.8	13.5	8.8	4.7	9.5	2.7	113.8	0.0	-192.8	-2.8	-0.1	-0.0	-0.0	-0.1	-0.0	
	Retained Bonds	Total	15,234.0	-11,424.3	4,453.6	6,116.6	84.3	-197.8	87.8	-129.8	89.4	270.1	-1,344.6	-1,176.3	-4,813.4	-38.9	-44.8	-21.8	-27.5	-12.7
		Retained Bond	1,073.8	528.8	140.7	58.7	104.4	72.1	94.6	58.1	0.0	0.0	-207.5	-30.9	-20.8	-3.7	-6.3	-3.8	-7.9	-4.0
		Carry WAC IO	85.3	85.3	70.4	7.1	0.0	0.0	5.9	1.8	0.0	0.0	-78.1	-0.3	-0.0	-0.0	-0.0	-0.8	-0.0	
		Subprime Resid	58.2	58.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-117.5	0.0	0.0	0.0	0.0	0.0	0.0	
		S&O Resid	25.5	25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Alt-A Resid	132.8	132.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-70.1	0.0	0.0	0.0	0.0	0.0	0.0	
		2nd Resid	53.8	53.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-53.8	0.0	0.0	0.0	0.0	0.0	0.0	
		CMO	11,343.2	10,402.4	4,353.8	6,006.9	0.0	0.0	0.0	0.0	0.0	0.0	-2,225.0	-1,175.3	-1,541.9	0.0	0.0	0.0	0.0	
	Cash Secondary	Total	29,203.8	3,783.4	1,686.8	723.4	855.9	169.1	203.7	184.1					-894.7	-889.5	-210.4	-36.1	-89.4	-37.9
		RMBS Subprime	1,853.4	1,088.8	446.8	403.1	117.7	48.7	72.6	0.9	0.0	0.0	0.0	0.0	-180.4	-124.9	-29.3	-11.4	-16.8	
		RMBS Alt-A	181.7	147.6	1.8	0.0	145.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	
		ABS Auto-Prime	2,042.1	353.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		ABS Student Loans	41.8	34.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		ABS Student Loans	89.9	85.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		ABS Other	63.8	68.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		CCO Squared	843.2	218.4	183.2	26.2	0.4	3.7	0.0	0.0	0.0	0.0	-1.7	-15.5	-6.0	-0.0	-0.0	-0.0		
		HO CDO	10,388.8	77.3	35.4	12.4	8.0	9.8	0.9	10.8	0.0	0.0	-17.5	-4.7	-3.2	-4.3	-0.4	-0.4		
		Mezz CDO	1,400.8	331.7	820.4	46.8	24.4	8.1	0.8	4.5	0.0	0.0	-37.8	-18.5	10.8	12.7	-0.1	-2.0		
		CMBS	12,092.9	1,185.8	887.3	194.7	126.3	79.8	127.7	4.2	0.0	0.0	-241.8	-88.6	-83.3	-32.6	-81.7	-81.7		
		CDO CRE	187.1	138.9	72.0	17.7	45.8	1.3	1.5	0.0	0.0	0.0	-31.3	-8.0	-20.8	-0.8	-0.8			
		Other	22.6	22.4	19.9	0.0	2.5	0.0	0.0	0.0	0.0	0.0	-1.8	0.0	-0.1	0.0	0.0			
	Synthetics	Total	-8,229.0	-7,747.9	127.8	-121.4	-4,873.8	-2,197.1	-1,893.7	1,893.7					281.7	-42.8	1,887.8	478.2	848.4	
		ABX	8,709.0	3,799.8	1,361.8	795.4	34.2	944.1	1,959.3	0.0	0.0	0.0	0.0	0.0	-282.8	-281.3	-11.4	-21.8	-230.8	
		TAEX	2,294.2	-2,331.9	0.0	0.0	167.0	-1,233.4	-1,654.7	0.0	0.0	0.0	0.0	0.0	70.0	8.3	48.6	294.1	343.4	
		RMBS Subprime	-6,683.6	-4,232.6	-741.7	-342.8	-1,038.6	-1,233.0	-886.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		RMBS Alt-A	-729.8	-817.3	0.0	0.0	-375.0	-200.0	-42.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		RMBS Prime	-7.0	-7.0	0.0	0.0	-7.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		CGS (In Loans Bond)	-64.8	-64.2	0.0	0.0	-64.8	-37.8	-87.0	-15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		ABS	-84.1	-89.2	-18.0	0.0	-67.4	-192.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		CDO Squared	-8.3	-8.2	-6.2	0.0	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		HO CDO	-385.5	-358.7	-96.3	-178.0	-75.4	-4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		Mezz CDO	-2,151.0	-1,037.4	-363.8	-453.3	-858.8	-141.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		CMBS	4,063.5	4,270.0	1,836.9	434.8	-30.2	414.8	1,822.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		CMBS	-4,989.1	-4,808.0	-247.1	-308.9	-391.2	-410.5	-219.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		CDO CRE	-459.8	-676.8	-18.9	-23.0	-134.7	-60.8	90.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		CDO	-159.8	-158.8	-41.5	-71.8	-20.9	-22.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
		TRS	-592.5	-602.6	-642.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	Rate Hedges																			

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are mkt values.

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= Redacted by the Permanent Subcommittee on Investigations

GS MBS-E-01069052

351-13

Goldman Sachs Date: 10Sep07
E-mail: ficc-mtgstrat

Mortgage Strategies

Mortgage Dept Top Sheet – Report C1: Resi Loans / Securitization Business By Product

Group	Type	Sub Type	Notional (\$MM)	Market Value (\$MM)**								Rate DV01 (\$k)	Spread DV01 (\$k)							
				Total	Agy	AAA	AA	A	BBB	BBB-	NR		Resid	Agy	AAA	AA	A	BBB	BBB-	NR
Total			-1,041.1	-2,967.3	4,353.8	7,073.8	138.2	-32.4	-140.8	183.3	804.7	-417.1	-437.7	-1,175.3	-1,454.6	-31.8	-4.7	3.3	-47.2	-13.9
	Loans	Total	2,888.3	3,347.7	2,287.9	97.8	61.8	53.9	42.8	548.7	147.8	-439.6	-439.1	-21.7	-13.9	-11.5	-4.9	-1.2	-1.2	
		Subprime Loan	410.9	396.2	300.5	37.8	19.9	12.6	6.3	548.7	19.1	-49.1	-31.8	-2.2	-2.2	-2.7	-2.7	-2.7	-2.7	
		S&O Loan	1,009.7	760.4	(51.2)	18.1	14.3	27.4	18.1	539.8	10.5	-18.1	-10.2	-2.8	-2.1	-4.8	-4.8	-4.8	-4.8	
		AA-A Loan	732.0	736.3	895.6	18.7	0.2	4.4	3.5	1.1	2.8	-202.9	-185.8	-8.6	-3.9	-1.8	-1.2	-0.9	-0.9	
		2nd Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	
		Prime Arm Loan	130.8	127.7	122.8	1.8	1.3	8.8	1.0	0.5	0.0	-14.7	-8.9	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	
		Prime Fix Loan	788.9	766.4	737.1	6.9	8.8	4.2	4.8	3.1	382.0	190.7	-1.9	-2.8	-1.1	-1.2	-1.2	-1.2	-1.2	
		HOMMTA Loan	658.0	581.9	410.8	13.5	8.8	4.7	8.5	2.7	113.9	-192.8	-2.8	-0.1	-0.0	-0.1	-0.1	-0.1	-0.1	
	Retained Bonds	Total	19,234.0	11,424.2	4,353.8	8,118.0	85.8	197.9	87.9	128.4	29.9	-276.1	-3,344.6	-1,175.3	-1,874.1	-39.8	-44.8	-31.8	-27.6	-12.1
		Retained Bond	1,073.9	528.6	146.7	50.7	104.4	72.2	94.6	55.1		-2.8	-30.9	-20.8	-37.7	-18.0	-18.0	-18.0	-12.7	-12.7
		Residuals	280.9	137.8				83.4	15.3	29.3		-207.6	-78.1	-0.3	-0.0	-6.3	-3.8	-7.9	-0.8	-0.8
		CA/R/R/WAC IO	85.3	85.3	70.4	7.1			0.0	5.9	1.9									
		Subprime Resid	58.2	58.2								59.2	-117.3							
		S&O Resid	25.5	25.5								25.5	-4.5							
		AA-A Resid	132.0	132.0								132.0	-64.3							
		2nd Resid	53.8	53.8								53.8	-70.1							
		CSO	11,844.2	10,402.4	4,353.8	6,504.9						2,325.0	-1,175.3	-1,541.9						
	Synthetics	Total	-1,394.8	-2,036.9	-1,442.4	-25.4	-296.3	-382.0	-11.0						895.8	8.8	83.2	36.8	-8.7	-8.7
		ABX	-1,940.0	-1,972.6	-1,442.4	-50.0	-290.2	-215.0	-5.0						855.8	14.8	52.8	36.4	-2.8	-2.8
		CDO (In Loan Book)	-54.8	-64.3			24.8	-7.8	-6.9	15.9					-39.9	-9.4	6.1	-8.9	-8.9	
	Rate Hedges																			

= Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are mkt values.

Goldman Sachs **Mortgage Strategies** Date: 10Sep07
E-mail: fcc-mtgstrat

Group	Sector	Source
Prima/AIA	Hyb + ARMG Desk	Mtg NYC Prime Hybrid Portfolio
	AIA	Mtg Agg Vw Cache: 11Sep07 @Mtg RMBS Risk Result Utilz: Get Risk Results) New Portfolio SS
Subprime/2nd/SAD	Subprime 1st Lien	@Mtg RMBS Risk Result Utilz: Get Risk Results) New Portfolio 6U
	Scratch & Dent	@Mtg RMBS Risk Result Utilz: Get Risk Results) New Portfolio 8T
	2nd Lien	@Mtg RMBS Risk Result Utilz: Get Risk Results)
Correlation	HQ CDO	Mtg NYC Correlation Portfolio
	Mezz CDO	Mtg NYC Correlation Portfolio
	CDO Squared	Mtg NYC Correlation Portfolio
	CLC	Mtg NYC Correlation Portfolio
	CMBS	Mtg NYC Correlation Portfolio
	RMBS Alt A	Mtg NYC Correlation Portfolio
	RMBS Subprime	Mtg NYC Correlation Portfolio
CDO Warehouse	CDO CRE	Mtg NYC Correlation Portfolio
	ABS	Mtg NYC Correlation Portfolio
	HQ CDO	Mtg NYC CDO WH Trans Top Port
	Mezz CDO	Mtg NYC CDO WH Trans Top Port
	CDO Squared	Mtg NYC CDO WH Trans Top Port
	RMBS Subprime	Mtg NYC CDO WH Trans Top Port
CMBS Secondary	ABS	Mtg NYC CDO WH Trans Top Port
	CMBS	Mtg NYC CMBS Secondary Top Port
	CDO CRE	Mtg NYC CMBS Secondary Top Port
	Other	Mtg NYC CMBS Secondary Top Port
ABS Secondary	Other	Mtg NYC CMBS Secondary Top Port
	HQ CDO	Mtg NYC ABS Base Top Port
	Mezz CDO	Mtg NYC ABS Base Top Port
	RMBS Prime	Mtg NYC ABS Base Top Port
	RMBS Alt A	Mtg NYC ABS Base Top Port
	RMBS Subprime	Mtg NYC ABS Base Top Port
	ABS	Mtg NYC ABS Base Top Port
Other	Mtg NYC ABS Base Top Port	

Books not currently captured: CRE Loans, SPG Syndicate. **Market value of bonds/loans, bond equiv mix val for synthetics. *Notional amounts for interest only bonds are mix values.

From: Montag, Tom
Sent: Monday, March 05, 2007 8:31 AM
To: Sparks, Daniel L; Gmelich, Justin; Ruzika, Richard
Subject: Re:

How short

I thought justin had a different conclusion

----- Original Message -----

From: Sparks, Daniel L
To: Montag, Tom; Gmelich, Justin; Ruzika, Richard
Sent: Mon Mar 05 08:27:00 2007
Subject: RE:

We think the overall business is net short, but there is a lot of basis.

Long risk positions:

Resi loans
Cash RMBS resids
CDO warehouse
CDO bonds
Commercial mortgage loans
CMBS bonds

Short risk positions:

ABX
RMBS CDS
CDO CDS
CMBS TROR

-----Original Message-----

From: Montag, Tom
Sent: Monday, March 05, 2007 8:21 AM
To: Sparks, Daniel L; Gmelich, Justin; Ruzika, Richard
Subject:

Do we think the business is net short long or flat right now

From: Broderick, Craig
Sent: Thursday, March 08, 2007 7:12 AM
To: Sparks, Daniel L
Subject: RE: Mortgage risk

x-gs-classification: Internal-GS

I sent you a vmail but this answers it so no need to respond

-----Original Message-----

From: Sparks, Daniel L
Sent: Thursday, March 08, 2007 12:50 AM
To: Winkelried, Jon (EO 85B30); Montag, Tom; Viniar, David; Cohn, Gary (EO 85B30); Sherwood, Michael S; McMahon, Bill; Broderick, Craig
Cc: Ruzika, Richard
Subject: Mortgage risk

Just spent tonight negotiating with Accredited - they plan to send us \$21mm in the morning, we have new information on loans in the warehouse line that allows us to feel comfortable raising the loan mark by \$10mm, and we will buy \$50mm of A-1 rated ABCP (Accredited vehicle) from accounts (we feel that the collateral is pretty good) that rolls Thursday which will prevent ABCP extension. Then all of our EPD claims in subprime would be resolved - we may have a small Alt A claims (probably under \$1mm). If this happens, the outcome is good. New Century remains a problem on EPD.

Aside from the counterparty risks, the large risks I worry about are listed below:

(1) CDO and Residential loan securitization stoppage - either via buyer strike or dramatic rating agency change.

On the CDO front, we have been locking people at various parts of the capital structure (with a primary focus on the super-seniors - top 50% of the deal), and rushing to get deals rated. We have liquidated a few deals and could liquidate a couple more, and we are not adding risk (we had slowed down our business dramatically in the past 4 months). Our deals break down into 2 \$1BB CDOs of A-CDOs (most risky, but good progress), 2 \$1BB AA-diversified deals (less downside, less progress), and 4 other various smaller deals. We have various risk sharing arrangements, but deal unwinds are very painful.

For residential loans, we have not bought much lately and our largest pool to securitize is Alt A (\$4.3BB). There is also \$1.3BB subprime loans and \$700mm seasoned seconds. This market is also very difficult to execute in.

(2) Dramatic credit environment downturn.

Scratch & dent loans (\$900mm), residuals (\$750mm), and less liquid bond positions - if the credit environment significantly worsens, these positions will be hurt by losses, further lack of liquidity and lower prices.

(3) Covering our shorts. We have longs against them, but we are still net short.

\$4BB single name subprime split evenly between A, BBB, BBB- and \$1.3BB of A-rated CDOs.

ABX index - overall the department has significant shorts against loan books and the CDO warehouse. The bulk of these shorts (\$9BB) are on the AAA index, so the downside is limited as the index trades at 99.

Our shorts in (3) above have provided significant protection so far, and should be helpful for (1) and (2) in very bad times. However, there is real risk that in medium moves we get

hurt in all 3 areas.

Therefore, we are trying to close everything down, but stay on the short side. But it takes time as liquidity is tough. And we will likely do some other things like buying puts on companies with exposures to mortgages.

-----Original Message-----

From: Winkelried, Jon (EO 85B30)
Sent: Wednesday, March 07, 2007 1:15 PM
To: Sparks, Daniel L; Montag, Tom; Viniar, David; Cohn, Gary (EO 85B30); Sherwood, Michael S; McMahon, Bill
Cc: Ruzika, Richard
Subject: Re: Originator exposures

Thanks for that summary. Not bad

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Sparks, Daniel L
To: Montag, Tom; Viniar, David; Winkelried, Jon; Cohn, Gary; Sherwood, Michael S; McMahon, Bill
Cc: Ruzika, Richard
Sent: Wed Mar 07 12:09:03 2007
Subject: Originator exposures

Rich and I were catching up. I will send this group another message of our potential large risk areas as further stress happens, and our mitigation plans.

As for the big 3 originators - Accredited, New Century and Fremont, our real exposure is in the form of put-back claims. Basically, if we get nothing back we would lose around \$60mm vs our loans on our books (we have a reserve of \$30mm) and the loans in the trusts could lose around \$60mm (we probably suffer about 1/3 of this in ongoing exposures). The reason it is not clear is that the loans are not worth 0, there is some value, so there are estimates as to what happens on those loans.

Rumor today is that the FBI is in Accredited.

Other big risk areas I will discuss later relate to CDO and loan execution (rating agency or market shutdown), covering single name and index shorts (liquidity), and retained residuals and loan positions (if collateral performance turns worse).

From: Lehman, David A.
Sent: Sunday, August 05, 2007 1:17 PM
To: Montag, Tom
Cc: Sparks, Daniel L; Mullen, Donald
Subject: Mortgage dept summary

Residential Trading Summary (From Finck)

Week's P&L

Subprime	+27mm (ABX wider)
Alt-A	+51mm (ABX wider)
S&D	+4mm (ABX wider)
Hybrids	+30mm (ABX wider)
CMOs	-9mm (Wider AAA spreads)
Derivatives	flat

	+103mm

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Activity/Position Summary

Subprime:

Bid \$1B C-Bass loans - did not trade as all bids were below warehouse marks
 Current position: \$1B loans
 Primary Hedge: \$1B AAA ABX (covered back ~\$300mm AAAs this week)

Alt-A:

Bought \$50mm Fixed Loans from Greenpoint 5.5pts behind Agency Pass-Thrus-> only bid they saw
 Locked-in delivery of \$375mm loans to Freddie Mac
 Current Position: \$1.25B loans (including \$375mm agency delivery)
 Primary Hedge: \$1.65B AAA ABX (bought back \$50mm this week)

S&D:

Bidding \$1.3B loans out of WMC. Traded away around 80
 Current Position: \$600mm
 Primary Hedge: \$350mm ABX (mix of AAA, AA, A, and BBB)

Hybrids: AAAs -

25-30bps wider due to supply pressure / lack of liquidity
 Bid \$1.4B loans out of [REDACTED]. Traded away slightly higher
 Current Position: ~\$4.5B (roughly ~2.5B Non-agency, \$1.5B Agency, \$500mm Loans)
 Primary Hedge: \$1.6B ABX AAA (covered \$400mm this week), Agency PTs

Derivatives:

Better buying of IOs, Inverse IOs -> high yield and low balance sheet usage

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GS MBS-E-010671564

Current Position: \$4B
 Primary Hedges: Agency PTs

ABS (From Swenson)

Market Summary:

- ABX 07-1 price changes for the week:

AAA -4.5pts
 AA -9.0pts
 A -7.0pts
 BBB -4.0pts
 BBB- -3.0pts

- Sellers, both new shorts and fast money, have moved up the capital structure to AAA, AA, and A's
- dealers have been selling single-A (to hedge super senior longs) and originators have been selling triple-As.

Current Desk Position Summary:

- RMBS Single-As - net short 900mm 100% in single-name CDS
- RMBS BBB/BBB- - net short \$3,000mm (80% in single-name CDS - 50% in 2005 vintage)
- Correlation Desk - net short \$400mm of ABX 06-1 BBB and BBB-
- Mortgage Department short approx \$4bb of AAA ABX

ABX Index Flow Summary for week ended August 3rd:

- In summary, a phenomenal week for covering our Index shorts on the week. The ABS Desk bought \$3.3bb of ABX Index across various vintages and ratings over the past week. \$1.5 billion was retained by the ABS desk to cover shorts in ABX (\$900mm in ABX 06-1 As being the most significant) and \$1.0 billion was sold to internal desks across the mortgage department (\$925mm in triple-As).

- ABS and Correlation Desk Net ABX Position Change on the Week:

AAA + 75mm
 AA + 280mm
 A +1,100mm (ABX 06-1 A short of 900mm at beginning of week is now only -73mm)
 BBB + 70mm
 BBB- + 17mm

 Total +1,542mm

- Mortgage Department Net ABX Position Change on the Week

AAA + 925mm
 AA + 25mm
 A + 75mm
 BBB + 0mm
 BBB- + 0mm

Total +1,025mm

• Total ABX Indices by rating bought this week:

AAA \$1,000mm
 AA 365mm
 A 1,653mm
 BBB 110mm
 BBB- 257mm

Total \$3,385mm

— = Redacted by the Permanent
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CMBS [Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Customer Flows

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

**Redacted By The
Permanent Subcommittee
on Investigations**

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~~1057~~
1881

From: Kraus, Peter
Sent: Wednesday, September 26, 2007 10:15 PM
To: Blankfein, Lloyd
Subject: Re: Fortune: How Goldman Sachs defies gravity

I met with 10+ individual prospects and clients (and 5 instituti earnings were announced. The institutions don't and I wouldn't ex comments like ur good at making money for urself but not us. The but while it requires the utmost humility from us in response I binds clients even closer to the firm, because the alternative of take ur money to a who is an under performer and not the best, just isn't reasonable. Client's ultimately believe association with the best is good for them in the long run.

 Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Blankfein, Lloyd (EO 85B30)
To: Winkelried, Jon (EO 85B30); van Praag, Lucas (EO PBC09); Cohn, Gary (EO 85B30); Viniar, David; Rogers, John F.W. (EO 85B30); Forst, Edward (FIN PBC009); Kraus, Peter; Spilker, Marc
Cc: Robinson, Samuel (EO CKC68); Miner, Heather (Kennedy); Raphael, Andrea (EO 85B07); Rachman, Andrea (EO 85B07); DuVally, Michael (EO 85B07); Canaday, Ed (EO 85B07); Williams, Christopher (EO 85B07); Horwitz, Russell (EO 85B30)
Sent: Wed Sep 26 13:46:18 2007
Subject: Re: Fortune: How Goldman Sachs defies gravity

Also, the short position wasn't a bet. It was a hedge. Ie, the avoidance of a bet. Which is why for a part it subtracted from var, not added to var.

----- Original Message -----

From: Winkelried, Jon
To: van Praag, Lucas; Blankfein, Lloyd; Cohn, Gary; Viniar, David; Rogers, John F.W.; Forst, Edward; Kraus, Peter; Spilker, Marc
Cc: Robinson, Samuel; Miner, Heather; Raphael, Andrea; Rachman, Andrea; DuVally, Michael; Canaday, Ed; Williams, Christopher (EO, 85B/07); Horwitz, Russell
Sent: Wed Sep 26 13:41:02 2007
Subject: RE: Fortune: How Goldman Sachs defies gravity

Once again they completely miss the franchise strength and attribute it all to positions and bets

From: van Praag, Lucas
Sent: Wednesday, September 26, 2007 1:37 PM
To: Blankfein, Lloyd; Winkelried, Jon; Cohn, Gary; Viniar, David; Rogers, John F.W.; Forst, Edward; Kraus, Peter; Spilker, Marc
Cc: Robinson, Samuel; Miner, Heather; Raphael, Andrea; Rachman, Andrea; DuVally, Michael; Canaday, Ed; Williams, Christopher (EO, 85B/07); Horwitz, Russell
Subject: Fortune: How Goldman Sachs defies gravity

How Goldman Sachs defies gravity

While the credit markets went sour, one investment bank made a huge, shrewd bet - and seems to have won big. Fortune's Peter Eavis explains the stunning strategy. By Peter Eavis <mailto:peavis@fortunemail.com>, Fortune writer September 20 2007: 5:46 PM EDT NEW YORK (Fortune) -- It is one of the most stunning bets Wall Street has seen in decades.

As the credit markets fell apart over the summer, causing the prices of hundreds of billions of dollars of mortgage-backed bonds to plunge, Goldman Sachs <http://money.cnn.com/quote/quote.html?symb=GS&source=story_quote_link> (Charts

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<http://money.cnn.com/quote/chart/chart.html?symb=GS&source=story_charts_link> , Fortune 500 <http://money.cnn.com/magazines/fortune/fortune500/2007/snapshots/575.html?source=story_f500_link>) had already positioned itself so that it would profit massively from a decline in those securities. Thursday, Goldman reported earnings for its fiscal third quarter that were far above expectations.

While several businesses were surprisingly strong in a difficult period, the chief contributor to the earnings blowout were trades that made money from price drops in mortgage-backed securities. Goldman indicated this in its press release when it said that "significant losses" on certain bonds were "more than offset by gains on short mortgage products." (In Wall Street parlance, being "short" a stock or bond means that you will make money if it goes down in price.) "Goldman Sachs showed an ability to not only protect itself from the problems in the market but also to capitalize on them," says Mike Mayo, banks analyst at Deutsche Bank (Mayo rates Goldman a buy.) When asked on a public conference call Thursday, Goldman's chief financial officer David Viniar declined to give a number for the amount of money Goldman made on its mortgage short in the third quarter. Lehman sits on the hedge </2007/09/18/magazines/fortune/eavis_lehman.fortune/index.htm> Goldman doesn't provide enough numbers in its public financials to come up with an informed guess, but the firm's statement that the short trades "more than offset" bond losses that were "significant" is a clear sign that it took time to deliberately set itself up for an expected crash in the market for mortgage-backed bonds. Indeed, Merrill Lynch analyst Guy Moszkowski said Goldman's trading results were \$1.7 billion above his forecast in the third quarter, according to a research note released Thursday. (He rates Goldman a buy.) Amassing a large bearish position in mortgages would have required planning and direction from a senior level. On the conference call, Viniar said the bet was executed across the whole mortgage business, implying that it wasn't the work of one swashbuckling trader or trading desk. Of course, the prescience of the short sale would seem to confirm the view that Goldman is the nimblest, and perhaps smartest, brokerage on Wall Street. Morgan Stanley <http://money.cnn.com/quote/quote.html?symb=MS&source=story_quote_link> (Charts <http://money.cnn.com/quote/chart/chart.html?symb=MS&source=story_charts_link> , Fortune 500 <http://money.cnn.com/magazines/fortune/fortune500/2007/snapshots/905.html?source=story_f500_link>), Goldman's biggest rival, wasn't as well hedged to bond losses, while Bear Stearns' <http://money.cnn.com/quote/quote.html?symb=BSC&source=story_quote_link> (Charts <http://money.cnn.com/quote/chart/chart.html?symb=BSC&source=story_charts_link> , Fortune 500 <http://money.cnn.com/magazines/fortune/fortune500/2007/snapshots/1341.html?source=story_f500_link>) mortgage business suffered considerably in the quarter. True, from third quarter numbers, it appears that Lehman Brothers <http://money.cnn.com/quote/quote.html?symb=LEH&source=story_quote_link> (Charts <http://money.cnn.com/quote/chart/chart.html?symb=LEH&source=story_charts_link> , Fortune 500 <http://money.cnn.com/magazines/fortune/fortune500/2007/snapshots/780.html?source=story_f500_link>) also benefited from a short position in mortgages, but its bet wasn't big enough to allow the bank to report earnings that grew from either the previous or year-ago quarters. Goldman's net third quarter profits of \$2.8 billion were substantially higher than in both those two prior periods, a notable achievement during a very testing period.

While the short sale allowed Goldman to show outstandingly strong earnings in the quarter, it may actually cause problems for the bank in other ways. First, investors in Goldman's two large poorly performing hedge funds will want to know why the savvy deployed in trading for Goldman's own account was not deployed in their funds. If a strategic decision to be short certain bonds was made high up, why didn't this end up helping the Global Alpha hedge fund and the Global Equity Opportunities fund, which were down 30% and 20%, respectively, in the third quarter alone?

Subprime: Let the finger-pointing begin!
</galleries/2007/fortune/0709/gallery.subprime_blame.fortune//index.html>

Goldman spokesman Lucas van Praag responds: "We're always disappointed when we don't meet our clients' expectations. We're working hard to adjust our strategies to reflect the lessons we learned in August." In addition, the large gains from the mortgage trade will also deepen investors' desires to get a better handle on how brokerages like Goldman make money.

One of the figures that didn't seem to make sense in Goldman's earnings was a number that estimates the market risk on a broker's balance sheet. This indicator, called Value at Risk, or VaR, moved up only 5% in the third quarter from the second. If Goldman was placing big bets in volatile markets - like the short trade in mortgages - VaR might be expected to move up by more.

In other words, Goldman seems implausibly immune from the general rule in investing that higher returns almost always carry higher levels of risk. Van Praag responds that VaR didn't go up by much because Goldman reduced positions as volatility in the markets went up.

Goldman does seem to have institutionalized a higher level of trading savvy - the third quarter numbers bear that out. The market recognizes that in awarding the broker a valuation that is higher than that of its peers. Quarter in, quarter out, Goldman posts a return on equity in excess of 30%, even though it's highly leveraged, like all brokers. The high leverage should translate into at least some rough quarters. That was the case for Goldman's ailing hedge funds in the third quarter. Why is it never the case for Goldman itself? \l "TOP" << OLE Object: Picture (Metafile) >> \l "TOP"

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Anna Leath
Executive Office

Goldman
Sachs

From: Sparks, Daniel L
Sent: Monday, February 12, 2007 7:07 PM
To: Ruzika, Richard; Viniar, David; Montag, Tom; Smith, Sarah; McMahon, Bill; Lee, Brian-J (FI
 Controllers)
Cc: Winkelried, Jon (EO 85B30); Cohn, Gary (EO 85B30); Gasvoda, Kevin
Subject: Post today

(1) +\$20mm P&L today.

Secondary trading desk is net short risk in form of single names and structured index vs index longs (some index shorts also). Large move down again today (A 40 bps wider, BBB/BBB- 80 bps wider).

(2) Possible significant upside in book.

The desk has been moving single names about 1/3 of what they feel the correct correlation is (around 70%). The team needs to work with controllers to demonstrate observability. As the market has moved so much one way, there is the potential for the book to currently have significant upside revenue embedded in it.

(3) Loan & resid books flat.

Loan and residual books have been marking down with movement of ABX hedges - will be reviewed for quarter end process.

(4) Resi warehouse OK.

All margin calls received. New Century moved \$30mm off line today to [REDACTED] and plans to move \$165mm off line Tuesday to [REDACTED] and they claim we are the only ones being harsh. [REDACTED] claims we are the only one margin calling. Our marks are appropriate for moves in the market. More margin calls are going out today.

(5) Quarter end mark process.

We continue to go through positions based on market moves, loan performance, and transitioning positions to secondary desks (Wednesday) to get set for month end.

(6) [REDACTED]

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From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 6:10 PM
To: Salem, Deeb
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

meeting scheduled for tuesday

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:55 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

i do think that is a real concern. how quickly can you work with strats to get them to revise our VAR to a more realistic number?

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:47 PM
To: Salem, Deeb
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

i just asked b/c i saw the note about mortgages dropping back down to a permanent limit of 35mm (which we are way over). this would mark a change of their recent policy to just keep increasing out limit. makes me a little nervous that we may be told to do something stupid.

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:43 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

no heat over the last 2 days...that said, im not sure how aware he is of it. we've actually bot a decent amount of single name protection this week. 300mm BBB/BBB- and 50mm A's

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:38 PM
To: Salem, Deeb
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

good, was that a "no" on the heat question?

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:37 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

we have waved in ~120mm in bbb and bbb- protection the last 2 days. almost all 2006 stuff (tier 1, 2, and 3).

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:34 PM
To: Salem, Deeb
Subject: FW: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

are you getting any more heat to cut/cover risk? these VAR numbers are ludicrous, btw. completely overestimated for SPG trading, underestimated for other mortgage desks.

From: Song, Scarlett
Sent: Thursday, August 09, 2007 3:08 PM
To: Montag, Tom; Sobel, Jonathan; Sparks, Daniel L; McHugh, John; Bohra, Bunty; Pouraghabagher, Cyrus; Finck, Greg; Gasvoda, Kevin; Turok, Michael; Brazil, Alan; Gallagher, Timothy (IB PBC07); Buono, Mark; Montag, Tom; Lehman, David A.; 'Ostrem, Peter L'; Rosenblum, David J.; Birnbaum, Josh; Swenson, Michael; 'Huang, Leo'; DeGiacinto, Clayton; Egol, Jonathan; Nichols, Matthew; Nestor, Genevieve; Cawthon, Michael; Iqbal, Farrukh; Holen, Margaret; Kamilla, Rajiv; Mahoney, Justin; Weinstein, Scott; Resnick, Mitchell R; Gao, Renyuan; Bristow, Andrew; DeNatale, Mark; Gold, Erica; Cannon, JeanMarie; Stern, Matt; Alexander, Lee; Andrea, Mireille N.
Cc: Berry, Robert; Dinias, Michael; Lee, Brian-J (FI Controllers); Leventhal, Robert; Pantow, Albert; Fredman, Sheara; Fortunato, Salvatore; Mazumdar, Sanjay; Chen, Benjamin; gs-mra-mtg
Subject: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

Temporary MTG SPG VaR limit of \$110mm expired on 8/7/2007

MTG SPG is over its permanent VaR limit of \$35 mm
 Resi Prime is over its current stress test limit of \$100mm

	95% VaR (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	95.0	97.6	35
	Stress Test (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	(257)	(238)	(650)
Deriv	(24)	(25)	(30)
Res Prime	(103)	(104)	(100)
Res Credit	(108)	(111)	(185)
Credit Resid	(80)	(80)	(170)
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
SPG Trading	180	194	(160)
ABS/MBS CDO	(1)	(1)	(30)
Manager	0	0	
[Redacted]	[Redacted]	[Redacted]	[Redacted]

— = Redacted by the Permanent Subcommittee on Investigations

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From: Montag, Tom
Sent: Tuesday, August 21, 2007 8:12 AM
To: Cohn, Gary (EO 85B30)
Subject: Fw: Trading VaR \$165mm

We will get it down have been beating on him. Fyi

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Wed Aug 15 17:00:56 2007
Subject: Re: Trading VaR \$165mm

Of course it is. When we focus and push we do better. That said I agree we have to choose where to spend our time and sometimes its on cbass and countrywide and not moving product. By definition u can't focus on everything. R u really arguing u have been?

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Sent: Wed Aug 15 16:48:21 2007
Subject: RE: Trading VaR \$165mm

We haven't taken a reserve hit yet. And I think your comment about focus is not correct.

-----Original Message-----
From: Montag, Tom
Sent: Wednesday, August 15, 2007 4:03 PM
To: Sparks, Daniel L; McMahon, Bill; Mullen, Donald
Subject: Re: Trading VaR \$165mm

We just took big reserve hit to cover bid offer. How can it still be problem? Sometimes u have to pay the price or focus. Didn't sell a single gsc bond for 7 months until focus

----- Original Message -----
From: Sparks, Daniel L
To: McMahon, Bill; Montag, Tom; Mullen, Donald
Sent: Wed Aug 15 13:59:45 2007
Subject: RE: Trading VaR \$165mm

Driving VAR solely off spread looses its accuracy at low dollar prices. Trading team is meeting with market risk team to improve method, and we are also looking at what specific trades would reduce the VAR.

-----Original Message-----
From: McMahon, Bill
Sent: Wednesday, August 15, 2007 1:55 PM
To: Montag, Tom; Mullen, Donald; Sparks, Daniel L
Subject: RE: Trading VaR \$165mm

Volatility and correlations are driving the var numbers. We are working on a plan to reduce the book, but liquidity may prove to be difficult.

-----Original Message-----
From: Montag, Tom
Sent: Wednesday, August 15, 2007 1:52 PM
To: Mullen, Donald; Sparks, Daniel L; McMahon, Bill
Subject: Fw: Trading VaR \$165mm

How do we keep going up in mtg with all the buybacks and sells of last two weeks? What

can we do to lower it? To get this down seems important particularly in light of desire to put on even more risk

----- Original Message -----

From: Cohn, Gary (EO 85B30)
To: Dinias, Michael; Viniar, David; Montag, Tom; Sherwood, Michael S; Broderick, Craig; Berry, Robert; Mullen, Donald; Sparks, Daniel L; McMahon, Bill; Petersen, Bruce; Wilson, Edward
Sent: Wed Aug 15 13:43:10 2007
Subject: Re: Trading VaR \$165mm

There is no room for debate - we must get down now

----- Original Message -----

From: Dinias, Michael
To: Viniar, David; Cohn, Gary; Montag, Tom; Sherwood, Michael S; Broderick, Craig; Berry, Robert; Mullen, Donald; Sparks, Daniel L; McMahon, Bill; Petersen, Bruce; Wilson, Edward (ED, 1NYP/042)
Sent: Wed Aug 15 13:41:22 2007
Subject: Trading VaR \$165mm

Trading VaR increased \$16mm, from \$149mm to \$165mm, versus \$150mm limit.

Mortgage VaR increased \$14mm, from \$96mm to \$110mm. Mortgage risk increase was driven almost entirely from wider spreads/markdowns on ABS CDOs.

Credit Trading VaR increased \$2mm, from \$79mm to \$81mm.

Credit Origination VaR increased \$1mm, from \$62mm to \$63mm.

Interest Rate Product VaR now stands at \$144mm.

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From: Berry, Robert
Sent: Saturday, February 24, 2007 11:05 AM
To: Viniar, David; Broderick, Craig; McMahon, Bill
Cc: Dinias, Michael; Ng, Victor K
Subject: FW: Mortgage VaR

please see below.

'new prime' is the new matrix for friday cob (q/e). VaR for mortgages would jump from 66.8 to 101.2, firmwide from 146.6 to 166.8 (1st column, 'prod').

the data we have for the big short in "a" is very poor, exacerbating this result.

'test 1' (2nd column) shows the impact of mapping "a" to "bbb" scaled for volatility. mortgage VaR would then be 92.5.

'test 2' and 'test 3' (3rd and 4th) shows the impact of using single name data where we have it. even this "benchmark" data is very poor - marked approx 1 day in 3. the mortgage VaR goes down (diversification and slightly lower vols) but firmwide goes up (basis). the results are also very sensitive to the names we use.

at this point i would recommend mapping "a" to "bbb" appropriately scale, but not using the single name data, resulting in firmwide at 162.0 and interest rate category at 95.6. (i.e. 'test 1').

we expect position reduction in the past couple of days to be largely offset by further widening. (the basis point volatility increases as the level of the spread increases, increasing the risk).

we will perform the same analysis of the various approaches with friday's positions and matrix asap on monday.

From: Jha, Arbind
Sent: Friday, February 23, 2007 7:37 PM
To: Berry, Robert; Dinias, Michael; Ng, Victor K
Cc: Tolmach, Vladislav; McAndrew, Thomas R.; Zhang, Hui; Luo, Fei
Subject: Mortgage VaR

The VaR analysis below is based on positions cob 2/21. In last two business days including today, the desk have covered net ~\$1.3bn (spread dv01 \$400k/bp) of the shorts in BBB/BBB- sector. From VaR standpoint, this positional risk reduction will probably be offset by BBB and BBB- indices widening by 200 bps and 300 bps respectively in last two days.

From: Tolmach, Vladislav
Sent: Friday, February 23, 2007 7:11 PM
To: Jha, Arbind; McAndrew, Thomas R.
Subject: FW: mtg-sec-cds VaR (alternative model)

Date 2/21/2007

Environment	Portfolio	Current Prime	Current Prime	Current Prime	Current Prime
		Prod	Test I	Test II	Test III
		95% VaR	95% VaR	95% VaR	95% VaR
Prod	firmwide	-146.62	-144.82	-148.08	-150.26
Prod	IR Product Category	-76.89	-79.47	-69.54	-72.37
Prod	mbs-model	-66.80	-68.89	-58.47	-64.79
Prod	mtg-second	-65.89	-68.74	-57.26	-62.48
Prod	mtg-sec-cds	-56.17	-59.05	-51.28	-56.43

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Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1905

- Test I** Uses BBB vector for AAA, AA, A, and BBB index benchmarks (current prime)
Test II Uses 39 benchmarks that even out spread level distribution (current prime)
Test III Uses 32 benchmarks that have 35% remarks or higher (current prime)

Environment	Portfolio	New Prime Prod 95% VaR	New Prime Test IV 95% VaR	New Prime Test V 95% VaR	New Prime Test VI 95% VaR
Prod	firmwide	-166.79	-162.03	-169.34	-168.74
Prod	IR Product Category	-105.97	-95.58	-91.56	-93.61
Prod	mbs-model	-101.21	-92.52	-85.31	-83.16
Prod	mtg-second	-98.49	-90.06	-81.85	-81.68
Prod	mtg-sec-cds	-81.90	-77.14	-65.22	-68.64

- Test IV** Uses BBB vector for AAA, AA, A, and BBB index benchmarks (new prime)
Test V Uses 39 benchmarks that even out spread level distribution (new prime)
Test VI Uses 32 benchmarks that have 35% remarks or higher (new prime)

From: Primer, Jeremy
Sent: Wednesday, April 18, 2007 5:38 PM
To: Turok, Michael; Birnbaum, Josh
Subject: RE: Resolution from the MRMA meeting?

Arbind feels more fully educated on the issues.

We are expecting a slight decrease in VaR from the combination of duration effect and IO/duration cross effect.

For the vol of spread returns, MRMA came up with the idea of using the current time series for ABX spreads, and splicing on the new, lower spreads, while removing the one-day change that occurs the day we switch over. While this is not bad, Peng and I think that by modifying historical spreads to be consistent with the model and prepayment change, we will achieve something close to a 5% reduction in our vol of spread returns, leading to a 5% reduction in VaR. Ren will create such a modification to the series. He and I will discuss this approach with MRMA asap.

From: Turok, Michael
Sent: Wednesday, April 18, 2007 5:22 PM
To: Birnbaum, Josh; Primer, Jeremy
Subject: Resolution from the MRMA meeting?

From: Berry, Robert
Sent: Monday, April 23, 2007 7:16 PM
To: Viniar, David
Subject: Re: Mortgage VaR

We will of course estimate and incorporate the impact on the q2 averages. The q1 averages and point in time are fine.

----- Original Message -----

From: Berry, Robert
To: Broderick, Craig; McMahon, Bill; Viniar, David
Sent: Mon Apr 23 19:03:29 2007
Subject: FW: Mortgage VaR

fyi

From: Jha, Arbind
Sent: Monday, April 23, 2007 6:18 PM
To: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Lehman, David A.; Pouraghabagher, Cyrus; Turok, Michael; Primer, Jeremy; Kao, Kevin J.
Cc: Berry, Robert; Dinias, Michael; McAndrew, Thomas R.; Luo, Fei
Subject: Mortgage VaR

Dan,

Starting cob last Friday, we have started using the risk analytics for cash ABS and CMBS bonds from Strategists and this has resulted in a ~ \$7mm reduction in daily VaR for Mortgages - from \$67mm to \$60mm.

Please note that these cash positions previously had almost no risk analytics, however, VaR was being approximated using a portfolio level estimates of duration and spread levels.

We understand that Strategists have a plan to develop default models for these cash products, similar to mortgage synthetics and this will help us further enhance our risk measures. Meanwhile, we will continue to work with Michael Turok's group to refine our current VaR calculations on other cash products such as cash CDO and CDO Warehouse.

We have also estimated the impact of using above cash risk analytics as of Feb quarter end. At Feb '07, VaR reduction at mortgage desk level would have been close to \$3mm, with no material impact to Trading and Rates product category VaRs (see table below for QE analysis). The risk reducing effect of cash bonds has significantly increased since the last quarter end, largely due to the fact that many of these bonds (RMBS cash) have been marked down and have much wider spreads now vs. Feb month-end, generating a bigger long hedge credit for current VaR (dominated by synthetic shorts).

<<Picture (Metafile)>>

Over the week (from cob 4/13 to cob 4/20) Mortgage desk VaR has come down from \$70mm to \$60mm: About \$7mm of this is attributed to the availability of risk analytics on cash bonds as described above and the rest is roughly due to change in prepayment speeds for single name CDS on RMBS subprime sector.

Please let us know if you have any questions.

Thanks,
 Arbind

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From: Dinias, Michael
Sent: Tuesday, August 21, 2007 1:54 PM
To: Viniar, David; Cohn, Gary; Montag, Tom; Sherwood, Michael S; Winkelried, Jon (EO 85B30); Mullen, Donald; Salame, Pablo; Sparks, Daniel L; Broderick, Craig; Berry, Robert; McMahon, Bill; Petersen, Bruce; Wilson, Edward
Subject: Trading VaR Analysis
Attachments: Picture (Metafile); Mortgage VaR Contribution.pdf; FW: Potential large subprime trade and impact on Firmwide VaR

The below table computes the Trading VaR impact of going long credit risk via CDX Investment Grade, CDX High Yield, Loan CDX, and ABX BBB. For example, going long \$1.0mm/bp of ABX BBB results in \$35mm reduction in Trading VaR (from \$167mm to \$132mm). Likewise going long \$5.3mm/bp of CDX High Yield generates \$33mm decrease in Trading VaR.

Its important to note that this analysis is based on the current VaR model and that the mortgage desk has questioned the size of the implied short exposure (i.e., desk believes they are less short than implied by the VaR model). We are reviewing the current VaR methodology with the mortgage traders/strategists and assessing the impact of various potential enhancements (e.g., price volatility versus spread volatility).

Trading VaR = 167						
	US CDX IG series 8	US CDX HY100 series 8	LCDX	ABX BBB 07-1	Resulting Trading VaR	Trading VaR Impact
Scenario 10	+\$21.3mm/bp				142	-25
Scenario 11		+\$5.3mm/bp			135	-33
Scenario 12			+\$8.1mm/bp		143	-25
Scenario 13				+\$1.0mm/bp	132	-35
Scenario 14	+\$4.0mm/bp	+\$4.6mm/bp			136	-32
Scenario 15	+\$10.9mm/bp	+\$7.1mm/bp	-\$6.7mm/bp		133	-35
Scenario 16	+\$7.8mm/bp	+\$7.7mm/bp	-\$8.4mm/bp	+\$0.8mm/bp	98	-69

The attached pdf below shows Mortgage Trading VaR broken down by desk and the 3 columns from the right show marginal percentage contribution and total contribution to Firmwide VaR. Mortgage Trading has 41% marginal contribution to Firmwide VaR and adds \$48mm to Firmwide VaR. This is primarily driven by mortgage shorts on the ABS Synthetics and Correlation desks.

Decreasing the long cash vs short derivative basis risk on the Mortgage desk would also reduce VaR (albeit much less than decreasing net short). The significant long cash positions are comprised of \$900mm RMBS Suprime securities and \$100mm CDO Squared positions on the ABS Securities desk, \$115mm Cash CDOs on the Correlation desk, \$320mm CDO Mezz and \$100mm CDO Squared on the ABS/MBS CDO Origination desk. There is also \$250mm BB/B bonds in the Subs book on the Residential Prime desk and \$8.8B of loans/commitments in the Acquisition Commitments line.



Mortgage VaR
Contribution.pdf

In separate email (attached below) the desk has proposed purchasing \$10B subprime AAAs in either cash or synthetic (ABX) form. If done in "synthetic" form this would result in \$34mm reduction in Trading VaR. However if done in "cash" form Trading VaR would decrease \$11mm. The smaller Trading VaR impact of cash is due to the increase in the long cash vs. short derivative basis risk.



FW: Potential large
subprime t...

From: Lehman, David A.
Sent: Wednesday, August 22, 2007 9:53 AM
To: Creed, Christopher J
Subject: FW: mortgage var contribution

Attachments: VaR analysis_08_14_v1.pdf

From: Dinias, Michael
Sent: Thursday, August 16, 2007 10:05 AM
To: McMahon, Bill; Sparks, Daniel L; Mullen, Donald; Petersen, Bruce; Birnbaum, Josh; Swenson, Michael; Lehman, David A.
Cc: Berry, Robert
Subject: mortgage var contribution

The attached pdf below shows Mortgage Trading VaR broken down by desk and the 3 columns from the right show marginal percentage contribution to Firmwide VaR and impact on Firmwide VaR if business or individual desk was removed. As requested we added more detail under SPG Trading.

Mortgage Trading has 53.8% marginal contribution to Firmwide VaR and removing the entire mortgage business reduces Firmwide VaR by \$53mm (from \$165mm to \$112mm).

As expected SPG Trading desk dominates this risk with 56% contribution and adds \$49mm to Firmwide VaR. This is primarily driven by ABS Synthetics and Correlation book which have the bulk of the mortgage shorts.



VaR
analysis_08_14_v1.p

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:47 PM
To: Salem, Deeb
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

i just asked b/c i saw the note about mortgages dropping back down to a permanent limit of 35mm (which we are way over). this would mark a change of their recent policy to just keep increasing out limit. makes me a little nervous that we may be told to do something stupid.

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:43 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

no heat over the last 2 days...that said, im not sure how aware he is of it. we've actually bot a decent amount of single name protection this week. 300mm BBB/BBB- and 50mm A's

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:38 PM
To: Salem, Deeb
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

good, was that a "no" on the heat question?

From: Salem, Deeb
Sent: Thursday, August 09, 2007 5:37 PM
To: Birnbaum, Josh
Subject: RE: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

we have waved in ~120mm in bbb and bbb- protection the last 2 days. almost all 2006 stuff (tier 1, 2, and 3).

From: Birnbaum, Josh
Sent: Thursday, August 09, 2007 5:34 PM
To: Salem, Deeb
Subject: FW: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

are you getting any more heat to cut/cover risk? these VAR numbers are ludicrous, btw. completely overestimated for SPG trading, underestimated for other mortgage desks.

From: Song, Scarlett
Sent: Thursday, August 09, 2007 3:08 PM
To: Montag, Tom; Sobel, Jonathan; Sparks, Daniel L; McHugh, John; Bohra, Bunt; Pouraghabagher, Cyrus; Finck, Greg; Gasvoda, Kevin; Turok, Michael; Brazil, Alan; Gallagher, Timothy (IB PBC07); Buono, Mark; Montag, Tom; Lehman, David A.; 'Ostrem, Peter L'; Rosenblum, David J.; Birnbaum, Josh; Swenson, Michael; 'Huang, Leo'; DeGiacinto, Clayton; Egol, Jonathan; Nichols, Matthew; Nestor, Genevieve; Cawthon, Michael; Iqbal, Farrukh; Holen, Margaret; Kamilla, Rajiv; Mahoney, Justin;

Weinstein, Scott; Resnick, Mitchell R; Gao, Renyuan; Bristow, Andrew; DeNatale, Mark;
 Gold, Erica; Cannon, JeanMarie; Stern, Matt; Alexander, Lee; Andrea, Mireille N.
Cc: Berry, Robert; Dinias, Michael; Lee, Brian-J (FI Controllers); Leventhal, Robert;
 Pantow, Albert; Fredman, Sheara; Fortunato, Salvatore; Mazumdar, Sanjay; Chen,
 Benjamin; gs-mra-mtg
Subject: MarketRisk: Mortgage Risk Report (cob 08/08/2007)

Temporary MTG SPG VaR limit of \$110mm expired on 8/7/2007

MTG SPG is over its permanent VaR limit of \$35 mm
Resi Prime is over its current stress test limit of \$100mm
Acquisition Commitment is over its current stress test limit of \$150mm

	95% VaR (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	95.0	97.6	35
	Stress Test (\$MM)		
Desk	08/08	08/07	Limit
MTG SPG	(257)	(238)	(650)
Deriv	(24)	(25)	(30)
Res Prime	(103)	(104)	(100)
Res Credit	(108)	(111)	(185)
Credit Resid	(80)	(80)	(170)
Non-Resi Orig	4	4	(70)
CRE Loan	13	13	
ABS Loan	(10)	(10)	
SPG Trading	180	194	(160)
ABS/MBS CDO	(1)	(1)	(30)
Manager	0	0	
Commitment	(204)	(195)	(150)

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From: Poc, Francois
Sent: Tuesday, February 13, 2007 5:50 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/12/2007
Attachments: Daily Trading Risk Summary20070212.pdf

95% VaR (\$mm)

	Feb 12	Feb 09	%Contr.
Trading	128	133	100%
FICC			
Mortges	49	46	10%
Equities			

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95% Product Category VaR (\$mm)

Trading	Feb 12	Feb 09	%Contr.
	128	133	100%

Credit Scenario (\$mm)

	Feb 12	Feb 09	Limit
Mortges.	(486)	(497)	(800)

The decrease in Trading VaR was mainly driven by reduced Equity exposure in EPG. Equity raw delta across the Firm decreased from \$12.1bn to \$11.2bn.

[Redacted] was granted a temporary [Redacted] VaR limit until cob 02/12/07. [Redacted] has a temporary [Redacted] VaR limit until cob 02/13/07.

[REDACTED] VaR is over its [REDACTED] VaR limit.
Mortgages VaR is over its \$35mm limit.
[REDACTED] VaR [REDACTED] above its [REDACTED] limit.
[REDACTED] is over its temporary [REDACTED] VaR limit.



Daily Trading Risk
Summary2007...

**— = Redacted by the Permanent
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3/2/07

From: Jha, Arbind
Sent: Wednesday, February 14, 2007 7:11 PM
To: Sparks, Daniel L; Pouraghabagher, Cyrus; Turok, Michael; Burchard, Paul; Iqbal, Farrukh
Cc: Berry, Robert; Diniyas, Michael; Ng, Victor K; Luo, Fei; McAndrew, Thomas R.
Subject: Increase in Mortgage VaR

MTG SPG Desk VaR increased from \$21mm to \$48mm from cob Feb 6 to cob Feb 13, driven primarily by SPG Trading desk, with the following drivers:

- +\$14mm VaR increase due to increased market volatility and wider spreads
- +\$8mm VaR due to increase in our net short credit risk by \$350k/bp in RMBS Subprime "BBB-" sector
- +\$5mm VaR increase due to an account (MTG95943) not being loaded into risk system

Please let us know if you have any questions.

Thanks,
Arbind

From: Poc, Francois
Sent: Wednesday, February 14, 2007 6:37 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/13/2007
Attachments: Daily Trading Risk Summary20070213.pdf

95% VaR (\$mm)

	Feb 13	Feb 12	%Contr.
Trading	132	128	100%
FICC			
Mortges	48	49	8%
Equities			

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95% Product Category VaR (\$mm)

	Feb 13	Feb 12	%Contr.
Trading	132	128	100%

Credit Scenario (\$mm)

	Feb 13	Feb 12	Limit
Mortges.	(521)	(486)	(800)

_____ VaR has a temporary _____ limit until cob 02/21/07.
 _____ has a temporary _____ VaR limit until cob 02/13/07.

Mortgages VaR is over its \$35mm limit. Temporary \$50mm limit was granted until cob 02/20/07.

_____ is over its temporary _____ VaR limit.

From: Poc, Francois
Sent: Tuesday, February 20, 2007 6:21 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/16/2007
Attachments: Daily Trading Risk Summary20070216.pdf

95% VaR (\$mm)

	Feb 16	Feb 15	%Contr.
Trading	136	155	100%
FICC			
Mortges	63	57	16%
Equities			

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95% Product Category VaR (\$mm)

	Feb 16	Feb 15	%Contr.
Trading	136	155	100%

Credit Scenario (\$mm)

	Feb 16	Feb 15	Limit
Mortges.	(533)	(527)	(800)

The decrease in Trading VaR was mainly driven by reduced exposure in and Equity raw delta across the Firm decreased from \$17.0bn to \$12.9bn.

Mortgages VaR is over its temporary \$60mm limit. over its VaR limit.

Mortgages VaR has a temporary \$60mm limit until cob 02/27/07.
[REDACTED] temporary [REDACTED] limit until cob 02/21/07.



Daily Trading Risk
Summary2007...

[REDACTED] = Redacted by the Permanent
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From: Poc, Francois
Sent: Thursday, February 22, 2007 6:02 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/21/2007
Attachments: Daily Trading Risk Summary20070221.pdf

95% VaR (\$mm)

	Feb 21	Feb 20	%Contr.
Trading	147	147	100%
FICC			

Mortges	67	63	16%
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Equities

95% Product Category VaR (\$mm)

	Feb 21	Feb 20	%Contr.
Trading	147	147	100%

Credit Scenario (\$mm)

	Feb 21	Feb 20	Limit
Mortges.	(522)	(565)	(800)

Mortgages VaR is over its temporary \$60mm limit.

is over its VaR limit.

Mortgages VaR has a temporary \$60mm limit until cob 02/27/07.

has a temporary limit until cob 02/21/07.



Daily Trading Risk
Summary2007...

From: Poc, Francois
Sent: Monday, February 26, 2007 8:04 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/23/2007
Attachments: Daily Trading Risk Summary20070223.pdf

95% VaR (\$mm)

	Feb 23	Feb 22	%Contr.
Trading	154	142	100%
FICC			
Mortges	85	64	23%
Equities			

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95% Product Category VaR (\$mm)

	Feb 23	Feb 22	%Contr.
Trading	154	142	100%

Credit Scenario (\$mm)

	Feb 23	Feb 22	Limit
Mortges.	(531)	(585)	(800)

The increase in Trading VaR was mainly driven by Mortgages and the weekly update of our Market data.

Trading VaR is over its \$150mm limit.
 Mortgages VaR is over its temporary \$60mm limit.
 [Redacted] is over its temporary [Redacted] VaR limit.

Mortgages VaR has a temporary \$60mm limit until cob 02/27/07.
[REDACTED] has a temporary [REDACTED] limit until cob 02/28/07.



Daily Trading Risk
Summary2007...

**[REDACTED] = Redacted by the Permanent
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From: Poc, Francois
Sent: Tuesday, February 27, 2007 6:55 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/26/2007
Attachments: Daily Trading Risk Summary20070226.pdf

95% VaR (\$mm)

	Feb 26	Feb 23	%Contr.
Trading	153	154	100%
FICC			
Mortges	85	85	25%
Equities			

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95% Product Category VaR (\$mm)

	Feb 26	Feb 23	%Contr.
Trading	153	154	100%

Credit Scenario (\$mm)

	Feb 26	Feb 23	Limit
Mortges.	(516)	(531)	(800)

Trading VaR is over its \$150mm limit. Temporary limit of \$165mm granted until cob 03/07/07.

_____ is over its temporary _____ VaR limit.

Mortgages VaR has a temporary \$90mm limit until cob 03/06/07.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
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████████████████████ VaR has a temporary ██████████ limit until cob 02/28/07.
Temporary limit extended to ██████████ until cob 03/07/07.



Daily Trading Risk
Summary2007...

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From: Poc, Francois
Sent: Wednesday, February 28, 2007 7:42 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/27/2007
Attachments: Daily Trading Risk Summary20070227.pdf

95% VaR (\$mm)

	Feb 27	Feb 26	%Contr.
Trading	144	153	100%
FICC			
Mortges	83	85	27%

Equities

95% Product Category VaR (\$mm)

	Feb 27	Feb 26	%Contr.
Trading	144	153	100%

[Redacted] = Redacted by the Permanent Subcommittee on Investigations

Credit Scenario (\$mm)

	Feb 27	Feb 26	Limit
Mortges.	(506)	(516)	(800)

The decrease in Trading VaR was mainly driven by [Redacted]

[Redacted] is over its [Redacted] limit.

Trading VaR has a temporary \$165mm limit until cob 03/07/07.

Mortgages VaR has a temporary \$90mm limit until cob 03/06/07.
[REDACTED] VaR has a temporary [REDACTED] limit until cob 03/07/07.



Daily Trading Risk
Summary2007...

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

From: Poc, Francois
Sent: Thursday, March 01, 2007 6:02 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN 85B030); Evans, J. Michael (EO CKC68); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau
Subject: MarketRisk: End of Day Summary - cob 02/28/2007
Attachments: Daily Trading Risk Summary20070228.pdf

95% VaR (\$mm)

	Feb 28	Feb 27	%Contr.
Trading	131	144	100%
FICC			

Mortges	81	83	29%
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Equities

— = Redacted by the Permanent Subcommittee on Investigations

95% Product Category VaR (\$mm)

	Feb 28	Feb 27	%Contr.
Trading	131	144	100%

Credit Scenario (\$mm)

	Feb 28	Feb 27	Limit
Mortges.	(506)	(516)	(800)

The decrease in Trading VaR was mainly driven by Global IRP and Global Forex.

Trading VaR has a temporary \$165mm limit until cob 03/07/07.

Mortgages VaR has a temporary \$90mm limit until cob 03/06/07.

has a temporary limit until cob 03/07/07.

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1925



Daily Trading Risk
Summary2007...

From: Winkelried, Jon (EO 85B30)
Sent: Thursday, August 16, 2007 7:54 PM
To: Sparks, Daniel L
Subject: Re: Mort P&L explanation

I think you should drop the micro manage theme in this environment

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Sparks, Daniel L
To: Winkelried, Jon
Sent: Thu Aug 16 19:03:31 2007
Subject: RE: Mort P&L explanation

I try, but it is much harder than you would think with all the things we are dealing with - completely dislocated markets with little price transparency, systems/tools that are not where they should be, focused controllers (who I think are doing a very good job in a tough market) and many cooks in the kitchen who like to micro-manage.

But I hear the message.

-----Original Message-----
From: Winkelried, Jon (EO 85B30)
Sent: Thursday, August 16, 2007 6:59 PM
To: Sparks, Daniel L
Subject: Re: Mort P&L explanation

Good time to make sure we're conservative

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Sparks, Daniel L
To: Winkelried, Jon
Sent: Thu Aug 16 18:54:37 2007
Subject: RE: Mort P&L explanation

I feel fine - but we will have up and down days, and we will have adjustments both ways.

-----Original Message-----
From: Winkelried, Jon (EO 85B30)
Sent: Thursday, August 16, 2007 6:53 PM
To: Sparks, Daniel L
Subject: Re: Mort P&L explanation

Thanks. Do you still feel we are being conservative with our marks

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom; Sherwood, Michael S; Mullen, Donald; McMahon, Bill; Salame, Pablo
Cc: Cohn, Gary; Winkelried, Jon; Viniar, David
Sent: Thu Aug 16 18:29:28 2007
Subject: Mort P&L explanation

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1932

A number of you have asked about the +\$121mm:

Large items:

Correlation +\$145mm - detail below, but 94mm of it is from correlation adjustment in ABX (from 50 to 70%) as market observability better recently, rest is from outright shorts (██████████) with market move Resids/subs down \$50mm, as we approach quarter/month end - resid mark on alt a has to come down and valuation showing at least this much (probably more to come down) Single name subprime shorts vs ABX longs (still net short) +\$18mm

Remaining things for month end are (1) synthetics adjustment to mid and widening bid/offer reserve, (2) review on resids and scratch and dent, and (3) normal controller review which we have started but will require much focus with the significant moves

Correlation breakdown:

- Up \$94mm due to changes in correlation for mezz RMBS supersenior trades
- Up ██████████ market wider
- Up ██████████ market wider
- Up \$7mm on single-name RMBS wider
- Up \$10mm on ABX prices lower

██████████ = Redacted by the Permanent Subcommittee on Investigations

FICC Mortgages - Daily P&L Estimate

I. SUMMARY

	TOTAL	
Structured Products	121,050,000	
- Resi Prime/Mtg Derivs	2,250,000	
- Resi Credit	(43,000,000)	
██████████	██████████	
- ABS L&F	-	
- SPG Trading	158,000,000	
- CDO / CLO	4,000,000	
- Other Structure Products	-	
Europe	-	
Other (Advisory, PFG, Managers/Other)	-	
MORTGAGES	121,050,000	
Mortgages WTD	185,524,003	
Mortgages MTD	153,739,944	

II. DETAIL

Business Strategy Desk Daily Total Comments

STRUCTURED PRODUCTS

Mortgage Derivative	250,000	
Agency Derivatives	250,000	curve steeper
Whole Loan Derivs	-	
MSR	-	
Residential Prime	2,000,000	
FHA/VA - Primary	-	
FHA/VA - Secondary	-	
Prime Hybrid - Primary	-	
Prime Hybrid - Secondary	-	
Agency Hybrid	3,000,000	trading
Prime Fixed	-	
Agency CMO - Primary	(1,000,000)	trading
Agency CMO - Secondary	-	
Residential Credit	(43,000,000)	
Scratch and Dent	-	

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Subprime		-	
Alt-A	7,000,000	ABX hedge movement	
2nd Liens		-	
Subs	(5,000,000)		
Residuals - Scratch & Dent			
Residuals - Subprime		-	
Residuals - Alt-A	(45,000,000)		
Residuals - 2nd Liens		-	
CRE Loan Trading		[REDACTED]	[REDACTED]
CMJV		[REDACTED]	[REDACTED]
ABS Loans & Finance		[REDACTED]	[REDACTED]
SPG Trading	158,000,000		
CMBS Trading	(5,000,000)	CMBS CDS	
CRE CDO			
ABS Trading	18,000,000	ABS CDS	
Property Derivatives			
Correlation	145,000,000	Correlation Mark Change, ABS CDS, CMBS CDS	
CDO/CLO	4,000,000		
ABS / MBS CDO	4,000,000		
GSI SP Credit Warehouse		-	
US CLO		-	
EURO CLO		-	
CRE CDO		-	
Retained Principal Positions		-	
Tax Related Securities		-	
Non-economic residuals		-	
Economic residuals			
Warehouse Lending		-	
Residential		-	
Commercial		-	
Asset Backed		-	
Syndicate		-	
ABS		-	
CMBS		-	
CDO		-	
RMBS		-	
Other		-	
Total Structured Products		121,050,000	
EUROPE			
Acquisition Finance		-	
Syndicate		-	
Trading		-	
European CMBS		-	
Syndicate		-	
Trading		-	

Total Europe	-
Total Advisory	-
Total PFG JV	-
Total Manager's Account / Other	-

From: Lehman, David A.
Sent: Tuesday, August 28, 2007 9:00 AM
To: Sparks, Daniel L

Had breakfast with Montag

Went well, this was the time we set up to chat previously but had been re-scheduled

Talked a little bit about business, he wanted to know how the desk thought about him and mullen being very involved - I told him we understood the scrutiny on the business given the overall pressure on our market, large P+L and risk swings, etc.

I did tell them that continued clarity on what he and Mullen want to see done would be appreciated. (i.e. if they want to see trade spots in resids, super senior, etc, keep us focused on that vs all the other things we have going on)

Told him fresh perspectives are appreciated

I reiterated that while we have had (and have) some tough times/positions, I objectively thot GS had done a great job dealing with its issues early and righting the ship

Outside of that he asked about my career, I told him I was very happy in current role, interested in int'l @ some point to the extent the Firm needs me (told him Asia or Lat Am were most interesting)

.....
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917 [REDACTED]
e-mail: david.lehman@gs.com

Goldman
Sachs

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

David Lehman
Fixed Income, Currency & Commodities

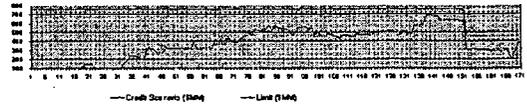
Disclaimer:

This material has been prepared specifically for you by the Goldman Sachs Fixed Income Structured Product Group (SPG) Trading Desk and is not the product of Fixed Income Research. We are not soliciting any action based upon this material. Opinions expressed are our present opinions only. The material is based upon public information which we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Additionally, the material is based on certain factors and assumptions as the SPG Trading Desk may in its absolute discretion have considered appropriate. There can be no assurance that these factors and assumptions are accurate or complete, that estimated returns or projections can be realized, or that actual returns or results will not be materially different than those presented. Certain transactions, including those involving ABS, CMBS, and CDOs, may give rise to substantial risk and are not suitable for all investors. The SPG Trading Desk may have accumulated long or short positions in, and buy or sell, the securities that are the basis of this analysis. The SPG Trading Desk does not undertake any obligation to update this material.

Market Risk Report 8/14/07 Mortgage Portfolio Summary

Mortgage VaR

Mortgage Credit Scenario



Portfolio Name	VaR (SMM) 08/14/07	VaR (SMM) 08/13/07	Stress Test (SMM) 08/14/07	Stress Test (SMM) 08/13/07	Cash MV (2) (SMM)	OAS DV01 (\$M/bp)
Mortgage Structured Products	110.1	96.2	(325.1)	(305.3)	27,882	
Mortgage Derivative	3.9	3.7	(22.4)	(22.4)	3,091	(122)
Inverse IO	3.2	3.2	(7.5)	(9.8)	561	(209)
Strip IO/PO	1.5	1.0	(8.0)	(7.1)	1,787	127
Agency Derivative	0.3	0.4	(5.5)	(4.1)	611	76
Whole Loan Derivative	0.3	0.3	(1.3)	(1.4)	132	(116)
Residential Prime	3.5	3.5	(99.0)	(102.5)	11,095	123
Agency CMOs	1.8	1.8	(9.9)	(10.3)	2,308	283
FHAVA	0.5	0.5	(2.6)	(2.6)	188	47
Prime Hybrid	6.6	6.5	(46.3)	(46.6)	3,456	330
Prime Fix	5.9	5.8	(14.6)	(19.8)	4,485	(555)
ARMs	0.5	0.5	1.4	1.6	353	17
Subs ⁽¹⁾	8.9	8.9	(25.1)	(24.9)	306	
Residential Credit	7.2	8.2	(114.1)	(114.4)	3,098	
Alt A	2.4	1.9	0.1	(0.5)	793	
Subprime	4.5	3.9	(1.5)	(1.3)	1,148	
Second Lien			(1.2)	(1.2)	89	
Sub/Non-Performing	2.7	1.6	(31.2)	(31.1)	747	
Credit Residuals ⁽¹⁾			(80.2)	(80.2)	320	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SPG Trading	74.6	111.0	138.5	174.9	3,617	(1,468)
CMBS Securities	19.7	16.8	(47.8)	(47.1)	1,460	1,444
ABS Securities	36.8	46.4	(20.0)	(19.8)	1,958	398
ABS Synthetics	74.2	125.4	28.9	60.5		-962
Correlation Book	42.6	37.2	177.6	181.6	187	(2,348)
ABS/MBS CDO Origination	45.5	23.8	8.3	(5.5)	500	n/a
Manager Account	0.0	0.0	0.0	0.0	0	0
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Europe Mortgage⁽¹⁾	0.5	0.5	0.0	0.0	1,147	

Note (1) On PNL VaR (2) Exclude hedges

	CF	NCF	Total	CDO
Real Prime	80.9	52.0	132.9	25
Real Credit	161	169	320	

Significant Risk Changes:

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Acquisition Commitment scenario limit has been changed to \$250 until 8/21
 Mtg SPG desk Stress test temporary limit is \$750mm (vs. permanent \$500mm)
 MTG SPG desk VaR limit has been changed to \$110mm until 8/21

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1951

From: Mullen, Donald
Sent: Tuesday, August 21, 2007 7:47 PM
To: Cohn, Gary (EO 85B30); Viniar, David
Cc: Montag, Tom
Subject: FW: MarketRisk: End of Day Summary - cob 8/20/2007

Attachments: Daily Trading Risk Summary20070820.pdf

We will have a plan to reduce mortgage var tomorrow and will begin executing immediately

From: Walters, Kristen
Sent: Tuesday, August 21, 2007 7:44 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN PBC09); Evans, J. Michael (EO CKC68); McMahon, Bill; Viniar, David; Ruzka, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis)
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Yunger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen; Goh, Amy
Subject: MarketRisk: End of Day Summary - cob 8/20/2007

Firmwide VaR was unchanged at \$167mm (versus a \$150mm limit) with decreased [redacted] risk offset by increases in Mortgages.

95% VaR by Business (\$mm)

	20-Aug	17-Aug	% Contr
Trading	167	167	100%
FICC	[redacted]	[redacted]	[redacted]
Mortges	103	97	46%
[redacted]	[redacted]	[redacted]	[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category (\$mm)

	20-Aug	17-Aug	% Contr
Trading	167	167	100%
[redacted]	[redacted]	[redacted]	[redacted]

Credit Scenario (\$MM)

	Current	Prior	Limit
[redacted]	[redacted]	[redacted]	[redacted]
Mortges.	(315)	(308)	(750)
[redacted]	[redacted]	[redacted]	[redacted]

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1951

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Limit Excesses

Firmwide VaR was over its limit of \$150mm at a level of \$167mm.

[Redacted] scenario temporary limit of [Redacted] at a level of [Redacted]
[Redacted] VaR limit of [Redacted] (at a level of [Redacted])

Temporary Limits

[Redacted] VaR has a temporary limit of [Redacted] until cob 8/29.

[Redacted] a temporary VaR limit of [Redacted] until cob 8/29.

Mortgages has a temporary VaR limit of \$110mm until cob 8/29.

[Redacted] temporary limit of [Redacted] until cob 8/29.

Mortgage Trading widening scenario has a temporary limit of <\$750mm> until cob 8/29.



Daily Trading Risk
Summary2007...

[Redacted] = Redacted by the Permanent
Subcommittee on Investigations

From: Walters, Kristen
Sent: Wednesday, August 29, 2007 3:35 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN PBC09); Evans, J. Michael (EO CKC68); McMahon, Bill; Viniar, David; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis)
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Yunger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen; Goh, Amy
Subject: MarketRisk: End of Day Summary - cob 8/28/2007
Attachments: Daily Trading Risk Summary20070828.pdf

Firmwide VaR decreased \$3mm to \$135mm (relative to a \$150mm limit).

95% VaR by Business (\$mm)

	28-Aug	27-Aug	% Contr
Trading	135	138	100%
FICC			
Mortges	85	84	42%

— = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category (\$mm)

	28-Aug	27-Aug	% Contr
Trading	135	138	100%

Credit Scenario (\$mm)

	28-Aug	27-Aug	Limit
Mortges.	(398)	(397)	(750)

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1954

Orig. (2,327) (2,327) (2,250)

Limit Excesses

[REDACTED] scenario temporary limit of [REDACTED] at a level of [REDACTED]
[REDACTED] temporary VaR limit of [REDACTED] (at a level of [REDACTED]).
[REDACTED] widening scenario temporary limit of [REDACTED] at a level of [REDACTED].

Temporary Limits

[REDACTED] VaR has a temporary limit of [REDACTED] until cob 8/29.
[REDACTED] has a temporary VaR limit of [REDACTED] until cob 8/29.
Mortgages has a temporary VaR limit of \$110mm until cob 8/29.
Mortgage Trading widening scenario has a temporary limit of <\$750mm> until cob 8/29.
[REDACTED] has a temporary VaR limit of [REDACTED] (effective until 9/27).



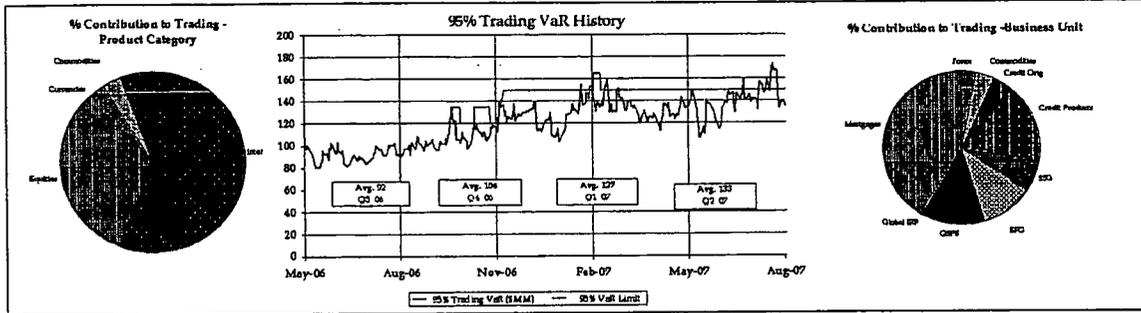
Daily Trading Risk
Summary2007...

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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8/28/07

Trading VaR Summary



Business Unit: 95% Confidence Level VaR				12month rolling			QTD	2Qtr07	3Q06	YTD
Portfolio	8/28/2007 VaR (\$MM)	8/27/2007 VaR (\$MM)	Limit	% Cont'db Trading	Average	High	Avg VaR (\$MM)	Avg VaR (\$MM)	Avg VaR (\$MM)	Avg VaR (\$MM)
Trading	135	138	150	100%	127	174	140	133	92	133
PICC Division										
Mortgages	85	84	110	42%	42	114	67	63	13	51
Equities Division										

Product Category: 95% Confidence Level VaR				12month rolling			QTD	2Qtr07	3Q06	YTD
Portfolio	8/28/2007 VaR (\$MM)	8/27/2007 VaR (\$MM)	Limit	% Cont'db Trading	Average	High	Avg VaR (\$MM)	Avg VaR (\$MM)	Avg VaR (\$MM)	Avg VaR (\$MM)
Trading	135	138	150	100%	127	174	140	133	92	133

Business Unit Limit Violations/Comments

- Credit Origination VaR is \$65mm vs. a temporary limit of \$50mm (effective until 8/29)
- Interest Rate Product Category has a temporary VaR limit of \$150mm effective until cob 8/29
- Global Credit Products has a temporary VaR limit of \$90mm (effective until 8/29)
- GCP VaR includes an estimated adjustment to long credit exposure reflecting valuation adjustments in the global bespoke book
- Mortgages has a temporary VaR limit of \$110mm (effective until 8/29)
- Money Markets has a temporary VaR limit of \$8mm (effective until 9/27)

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COB: August 28, 2007

08/28/07

Footnote Exhibits Page 3856
Credit Widening Stress Test

(All values are in \$millions)

	Current 8/28/2007	Prior 8/27/2007	Last Quarter 5/25/2007	Rolling 12 Month			Limit
				Average	High	Low	

Global Interest Rate Products							
Liquid Mortgage Products	(23)	(36)	(62)	(54)	(152)	(23)	(100)

Mortgage Trading	(398)	(397)	(108)	(257)	(687)	77	(750)
Mortgage Derivatives	(28)	(28)	(29)	(23)	(37)	(8)	(30)
Residential Prime	(95)	(96)	(92)	(86)	(120)	(51)	(100)
Residential Credit	(97)	(97)	(111)	(136)	(194)	(47)	(185)
Credit Residuals	(63)	(63)	(122)	(120)	(160)	(63)	(170)
Non-Resi Origination	(41)	(41)	(62)	(32)	(91)	59	(70)
SPG Trading	135	143	300	84	(132)	409	(160)
ABS/MBS CDO Origination	(11)	(11)	(70)	(44)	(98)	8	(30)
Acquisition Commitment	(261)	(267)	(45)	(179)	(300)	(13)	(250)

Warehouse							
CDO	0	0	0	(36)	(104)	1	(100)

Emerging Markets							
------------------	--	--	--	--	--	--	--

Credit Trading							
Flow							
Prop							
Structured Credit							
Credit CDO Origination							
Municipals							

Global SSG							
------------	--	--	--	--	--	--	--

Credit Origination: Loans & Hedges	(2,327)	(2,327)	(1,094)	(1,103)	(2,636)	(473)	(2,250)
Loans	(2,906)	(2,906)	(1,438)				
Hedges	579	579	344				
Syndication	(1,029)	(1,029)	(582)	(540)	(1,278)	(220)	(700)
Portfolio	(70)	(70)	(27)	(42)	(98)	(17)	(55)
Residual New Issue	(58)	(58)	(27)	(29)	(70)	(7)	(40)
Future Sale	(329)	(329)	(15)	(44)	(342)	(8)	
Workout	0	0	0	(0)	(0)	0	(2)
Bridge Loan	(748)	(748)	(357)	(295)	(846)	(27)	(400)
Liquidity Commitments	(12)	(12)	3	(4)	(44)	12	(10)
Commitment Letter Outstanding	(22)	(22)	(80)	(142)	(469)	(22)	(600)
Securities	(60)	(60)	(9)	(13)	(86)	6	(25)

Notes:

For Credit Origination: Impact includes single signature commitments; Absolute Fall '98 Spread Widening Impact is \$3,063MM

COB: August 28, 2007

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Subcommittee on Investigations

**Redacted By The
Permanent Subcommittee
on Investigations**

From: Walters, Kristen
Sent: Friday, September 14, 2007 5:14 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN PBC09); Evans, J. Michael (ED CKC062); McMahon, Bill; Viniar, David; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis); Jammal, Shahnaz; Atkinson, David J (Market Risk Management and Analysis); McDade, Iain
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Yunger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen; Goh, Amy
Subject: MarketRisk: End of Day Summary - cob 9/13/2007
Attachments: Daily Trading Risk Summary20070913.pdf

VaR increased by \$2mm to \$144mm reflecting an increase [redacted] VaR of \$12mm as well as higher Mortgage VaR. Higher Mortgage VaR resulted in a Rate Product Category limit excess (\$126mm relative to a limit of \$125mm).

95% VaR by Business (\$mm)

	13-Sep	12-Sep	% Contr
Trading	144	142	100%
FICC	[redacted]	[redacted]	[redacted]
Mortges	90	87	38%
[redacted]	[redacted]	[redacted]	[redacted]
Equities	[redacted]	[redacted]	[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category (\$mm)

	13-Sep	12-Sep	% Contr
Trading	144	142	100%
[redacted]	[redacted]	[redacted]	[redacted]

Credit Scenario (\$MM)

	13-Sep	12-Sep	Limit
Mortges.	(389)	(395)	(800)
[redacted]	[redacted]	[redacted]	[redacted]

[REDACTED]

Limit Excesses

[REDACTED] scenario temporary limit of [REDACTED] at a level of [REDACTED]
[REDACTED] VaR limit of [REDACTED] (at a level of [REDACTED]).

Temporary Limits

[REDACTED] VaR has a temporary limit of [REDACTED] effective until cob 9/18.

[REDACTED] has a temporary VaR limit of [REDACTED] effective until cob 9/11.

Mortgages has a temporary VaR limit of \$90mm effective until cob 9/18.

[REDACTED] has temporary limit of [REDACTED] until cob 9/28

Mortgage Trading widening scenario has a temporary limit of <\$800mm> until 9/28.

[REDACTED] temporary VaR limit of [REDACTED] effective until cob 9/27.



Daily Trading Risk
Summary2007...

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

From: Walters, Kristen
Sent: Thursday, September 27, 2007 7:56 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN PBC009); Evans, J. Michael (ED CKC068); McMahon, Bill; Viniar, David; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis); Jammal, Shahnaz; Atkinson, David J (Market Risk Management and Analysis); McDade, Iain
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Younger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen; Goh, Amy; Shi, Chenggang; Bracco, Tom
Subject: MarketRisk: End of Day Summary - cob 9/26/2007
Attachments: Daily Trading Risk Summary20070926.pdf

VaR was \$165mm relative to a permanent limit of \$150mm.

95% VaR by Business (\$mm)

	26-Sep	25-Sep	% Contr
Trading	165	167	100%
FICC	[REDACTED]	[REDACTED]	[REDACTED]
Mortges	77	77	17%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Equities	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category (\$mm)

	26-Sep	25-Sep	% Contr
Trading	165	167	100%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Credit Scenario (\$MM)

	26-Sep	25-Sep	Limit
Mortges.	(375)	(387)	(800)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Limit Excesses

Firmwide VaR exceeded its permanent limit of \$150mm.

[REDACTED] VaR exceeded its permanent limit of [REDACTED]
[REDACTED] exceeded its permanent limit of [REDACTED]
[REDACTED] limit of [REDACTED] (at a level of [REDACTED]).

Temporary Limits

[REDACTED] spread widening scenario temporary limit of [REDACTED] until cob 9/28

[REDACTED] has a temporary VaR limit of [REDACTED] until cob 10/2

[REDACTED] temporary VaR limit of [REDACTED] until 10/2.

Mortgages temporary VaR limit of \$90mm effective until cob 10/2.

[REDACTED] temporary widening scenario limit of [REDACTED] until cob 9/28

Mortgage Trading widening scenario temporary limit of <\$800mm> until 9/28.

[REDACTED] VaR limit of [REDACTED] effective until cob 9/27.



Daily Trading Risk
Summary2007...

**[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations**

From: Walters, Kristen
Sent: Wednesday, October 03, 2007 5:55 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (IMD PBC009); Evans, J. Michael (ED CKC068); McMahon, Bill; Viniar, David; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis); Jammal, Shahnaz; Atkinson, David J (Market Risk Management and Analysis); McDade, Iain
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Yunger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen; Goh, Amy; Shi, Chenggang; Bracco, Tom
Subject: MarketRisk: End of Day Summary - cob 10/2/2007
Attachments: Daily Trading Risk Summary20071002.pdf

VaR decreased by \$8mm to \$169mm (relative to a permanent limit of \$150mm). A temporary limit of \$185mm was granted and becomes effective for cob 10/3 through 10/30.

95% VaR by Business (\$mm)

	2-Oct	1-Oct	% Contr
Trading	169	177	100%
FICC	[REDACTED]	[REDACTED]	[REDACTED]
Mortges	83	82	18%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category (\$mm)

	2-Oct	1-Oct	% Contr
Trading	169	177	100%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Credit Scenario (\$MM)

	Oct-2	Oct-1	Limit
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mortges.	(404)	(388)	(800)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1954

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Limit Excesses

Firmwide VaR exceeded its limit of \$150mm. A temporary limit of \$185mm becomes effective cob 10/3 through 10/30

[redacted] VaR exceeded its permanent limit of [redacted]. Temporary limit of [redacted] becomes effective cob 10/3 through 10/30

[redacted] VaR exceeded its permanent limit of [redacted]. Temporary limit of [redacted] becomes effective cob 10/3 through 10/30

[redacted] limit of [redacted] (at a level of [redacted]).

[redacted] exceeded its temporary VaR limit of [redacted]. A temporary limit of [redacted] becomes effective cob 10/3 through 10/30.

Temporary Limits

[redacted] widening scenario temporary limit of [redacted] until cob 10/9
[redacted] temporary VaR limit of [redacted] until 10/9.

Mortgages Temporary VaR limit of \$85mm effective until cob 10/9.

[redacted] temporary widening scenario limit of [redacted] until cob 10/26

Mortgage Trading widening scenario temporary limit of <\$800mm> until 10/26.

[redacted] temporary VaR limit of [redacted] effective until cob 10/26.



Daily Trading Risk
Summary2007...

**[redacted] = Redacted by the Permanent
Subcommittee on Investigations**

From: Walters, Kristen
Sent: Friday, October 19, 2007 5:15 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Forst, Edward (IMD PBC009); Evans, J. Michael (ED CKC068); McMahon, Bill; Viniar, David; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Young, Paul; Heller, Dave B; Agus, Raanan A; Schroeder, Jeff; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Diniias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis); Jammal, Shahnaz; Atkinson, David J (Market Risk Management and Analysis); McDade, Iain
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Yunger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen; Goh, Amy; Shi, Chenggang; Bracco, Tom
Subject: MarketRisk: End of Day Summary - cob 10/18/2007
Attachments: Daily Trading Risk Summary20071018.pdf

VaR increased by \$9mm to \$154mm driven by [REDACTED] reduced diversification benefit. [REDACTED] had a net reduction in equity delta, but an increase in [REDACTED] exposure which increased VaR. [REDACTED] had an overall delta increase (which included an increase in the [REDACTED] as well as a decrease in index short delta.

95% VaR by Business (\$mm)

	18-Oct	17-Oct	% Contr
Trading	154	145	100%
FICC	[REDACTED]	[REDACTED]	[REDACTED]
Mortges	74	74	14%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Equities	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category (\$mm)

	18-Oct	17-Oct	% Contr
Trading	154	145	100%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Credit Scenario (\$MM)

	18-Oct	17-Oct	Limit
Mortges.	(381)	(440)	(800)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[Redacted]

Limit Excesses

[Redacted] exceeded its widening scenario limit of [Redacted] at an impact of [Redacted].

Temporary Limits

Firmwide VaR has a temporary limit of \$185mm through cob 10/30.

[Redacted] VaR has a temporary limit of [Redacted] through cob 10/30.

[Redacted] has a temporary limit of [Redacted] through cob 10/30.

[Redacted] has a temporary VaR limit of [Redacted] through cob 10/30.

[Redacted] temporary VaR limit of [Redacted] until 10/30.

Mortgages Temporary VaR limit of \$85mm effective until cob 10/30.

[Redacted] temporary widening scenario limit of [Redacted] until cob 10/26.

Mortgage Trading widening scenario temporary limit of <\$800mm> until 10/26.

[Redacted] VaR limit of [Redacted] effective until cob 10/26.



Daily Trading Risk
Summary2007...

[Redacted] = Redacted by the Permanent
Subcommittee on Investigations

47-3

From: Walters, Kristen
Sent: Thursday, December 13, 2007 6:32 PM
To: Viniar, David; Cohn, Gary (EO 85B30); Montag, Tom; Sherwood, Michael S; Evans, J. Michael (ED CKC068); McMahon, Bill; Ruzika, Richard; Mullen, Donald; Eisler, Ed; Sobel, Jonathan; Ealet, Isabelle; Heller, Dave B; Agus, Raanan A; Sparks, Daniel L; Broderick, Craig; Beshel, Liz; Berry, Robert; Petersen, Bruce; Wilson, Edward; Lahey, Brian; Lee, Brian-J (FI Controllers); Dinias, Michael; Pastro, Al; Ng, Victor K; Maretz, Andy; Johnson, Darau; Hughes, Jon O (Market Risk Management & Analysis); Jammal, Shahnaz; Atkinson, David J (Market Risk Management and Analysis); McDade, Iain
Cc: Shaw, Michael; Jha, Arbind; Kendrick, Richard; Filgueiras, Geraldo A.; Cumming, Caroline; Parker, Grant; Chodos, Jason E.; Haar, Robert; Yunger, Dalia (Kronenberg); McAndrew, Thomas R.; Walters, Kristen; Goh, Amy; Shi, Chenggang; Bracco, Tom; Chang, Gary; Cannon, JeanMarie; Gold, Erica
Subject: MarketRisk: End of Day Summary - cob 12/12/2007
Attachments: Daily Trading Risk Summary20071212.pdf

Trading VaR decreased \$5mm to \$146mm (relative to a \$165mm temporary limit)

- [redacted] and [redacted] risk increased.
- [redacted] delta was higher by [redacted] (across [redacted] and [redacted]).
- [redacted] were offset by [redacted] risk in the [redacted] and [redacted] businesses and [redacted].

Firmwide Limit Violations

- [redacted] exceeded its VaR limit of [redacted] at a level of [redacted].

Divisional Limit Violations

- Mortgage VaR exceeded its temporary VaR limit of \$80mm at a level of \$81mm.
- [redacted] credit spread widening limits were exceeded.

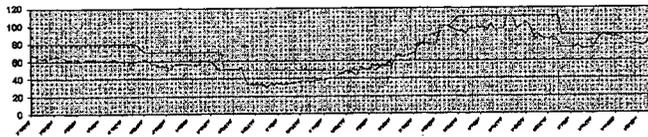


Daily Trading Risk Summary2007...

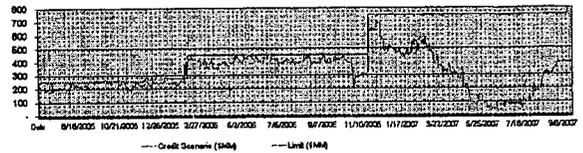
[redacted] = Redacted by the Permanent Subcommittee on Investigations

Market Risk Report 9/28/07 Mortgage Portfolio Summary

Mortgage VaR



Mortgage Credit Scenario



Portfolio Name	VaR (SMM) 09/28/07	VaR (SMM) 09/27/07	%Contrib Mtg Desk	Stress Test (SMM) 09/28/07	Stress Test (SMM) 09/27/07	Cash MV (3) (SMM)	OAS DV01 (SM/bp)
Mortgage Structured Products	79.7	83.6	100%	(379.2)	(349.2)	34,595	
Mortgage Derivative	4.4	4.8	1%	(30.1)	(31.4)	2,656	(14)
Inverse IO	3.9	3.7		(8.8)	(8.8)	276	(243)
Strip IO/PO	5.3	2.4		(16.2)	(16.2)	1,614	316
Agency Derivative	2.2	0.9		(5.0)	(6.3)	639	19
Whole Loan Derivative	0.6	0.5		(0.1)	(0.1)	127	(106)
Residential Prime	7.0	5.7	-3%	(94.0)	(93.5)	9,807	859
Agency CMOs	2.2	2.0		(7.8)	(8.3)	1,720	40
FHA/VA	0.3	0.3		(1.8)	(1.7)	175	(17)
Prime Hybrid	2.8	3.0		(44.6)	(43.4)	3,202	237
Prime Fix	2.4	1.7		(16.8)	(16.8)	4,059	530
ARMs	0.5	0.6		(2.5)	(2.7)	387	70
Sube ⁽¹⁾	15.6	16.6		(20.6)	(20.6)	263	
Residential Credit	15.9	16.7	-5%	(68.1)	(69.7)	1,965	
All A	1.6	1.9		(0.3)	(0.3)	382	
Subprime	3.2	4.2		0.5	0.6	474	
Second Lien				(1.1)	(1.1)	88	
Sub/Non-Performing	1.7	1.6		(32.8)	(32.7)	867	
Credit Residuals ⁽²⁾				(34.4)	(36.3)	155	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SPG Trading	113.2	114.7	119%	184.5	198.5	3,486	983
CMBS Securities	14.6	16.0	9%	28.8	48.6	1,147	74
ABS Securities	25.8	25.8	-14%	(23.1)	(22.5)	2,135	529
ABS Synthetic	84.4	85.1	84%	24.5	22.3	498	
Correlation Book	44.4	44.3	41%	154.7	150.5	191	(118)
ABS/MBS CDO Origination	24.6	25.4	-8%	(13.7)	(13.8)	453	n/a
Manager Account	0.0	0.0	0%	0.0	0.0	(20)	(7)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Europe Mortgage⁽³⁾	0.5	0.5	0%	n/a	n/a	1,329	

Note (1): Subs portfolio rolls up to Resi Credit for VaR. (2): On PNL VaR. (3): Represents MV of Cash exposure and Excludes hedges

	CF	NCF	Total
Resi Prime	47	49	96
Resi Credit	87	68	155

CDO Equity	29
------------	----

Significant Risk Changes:

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Acquisition Commitment scenario limit has been changed to \$300 until cob 9/28
 Mtg SPG desk Stress test temporary limit is \$800mm (vs. permanent \$500mm) until cob 9/28
 MTG SPG desk VaR limit has been changed to \$90mm until cob 10/5

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1956



Global Mortgages Business Unit Townhall Q3 2007

Private & Confidential: For Internal Use Only

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-013668603

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1967

4/2/08



Agenda

- I. **Financial Performance**
 - a) **Firmwide**
 - b) **FICC**
 - c) **Global Mortgages**
- II. **Compliance**
- III. **Business Initiatives**
- IV. **Closing Remarks**

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Firmwide Third Quarter Earnings

(\$ in Millions, Except Per Share Amounts)

	3Q07	2Q07	3Q06	% Change 3Q07 Versus	
				2Q07	3Q06
Net Revenues	12,334	10,182	7,584	21	63
Pre-Tax Earnings	4,259	3,431	2,362	24	80
Net Earnings	2,354	2,333	1,594	22	79
Diluted EPS	6.13	4.93	3.26	24	88
ROE	31.6%	26.7%	20.9%		
ROTE	36.6%	31.2%	25.2%		
Book Value Per Share	84.65	81.30	67.87	4	25

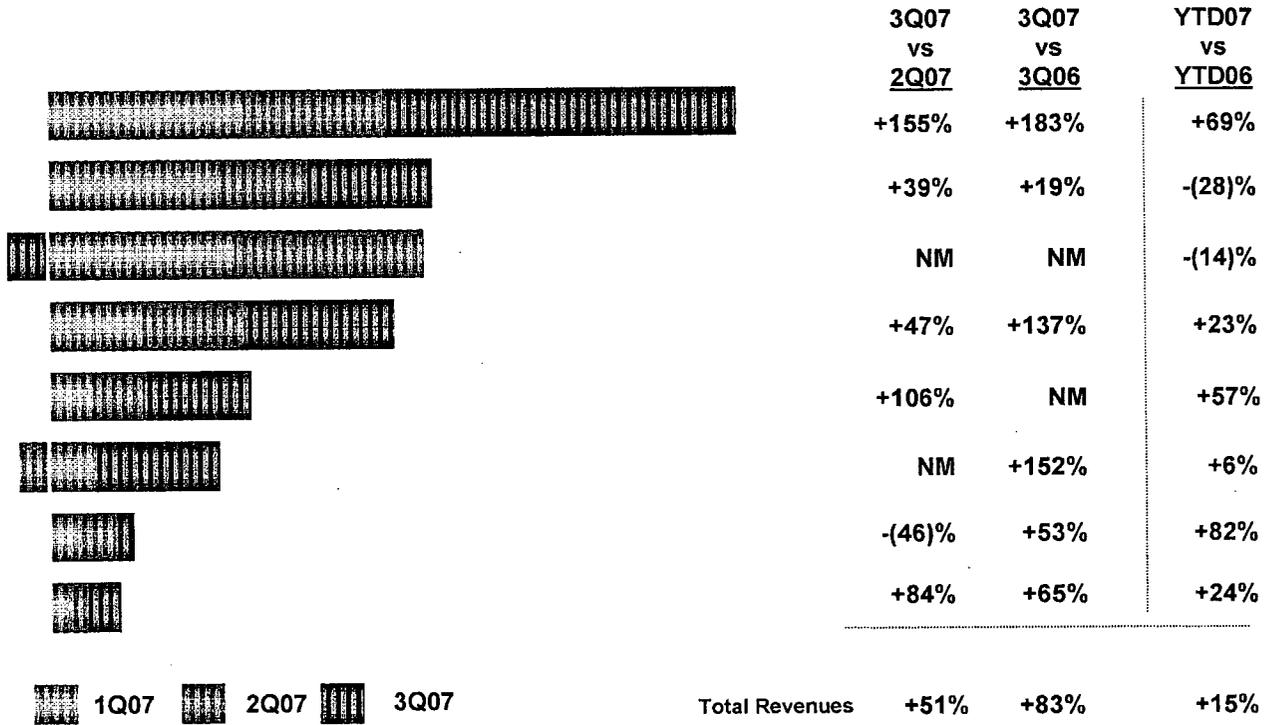


FICC Business Unit

Q3 2007 Revenues by Business Unit (as internally reported)

- Record quarter, beating previous record set in 1Q07
- YTD 07 up 15% vs YTD 06

(\$ in mm)

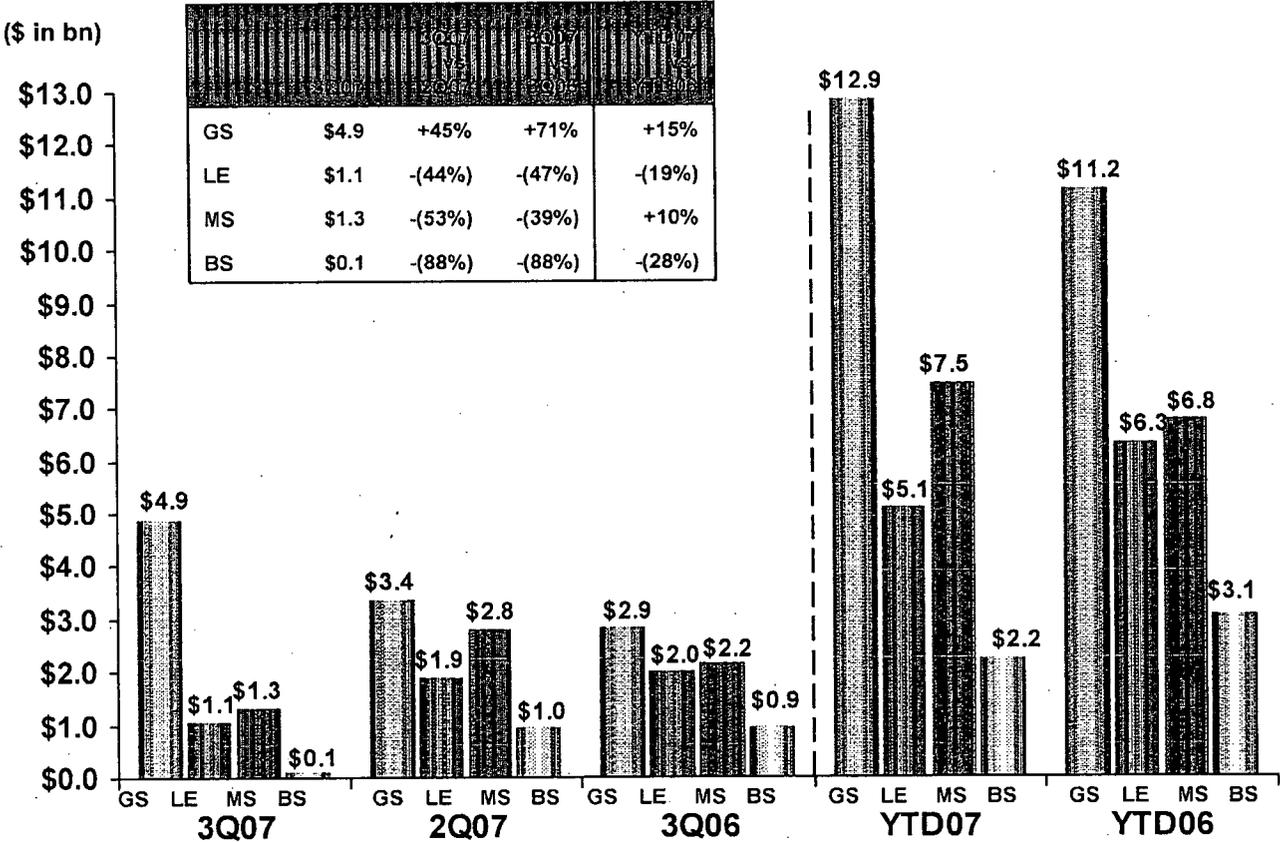


473 3



Q3 2007 FICC Competitor Analysis

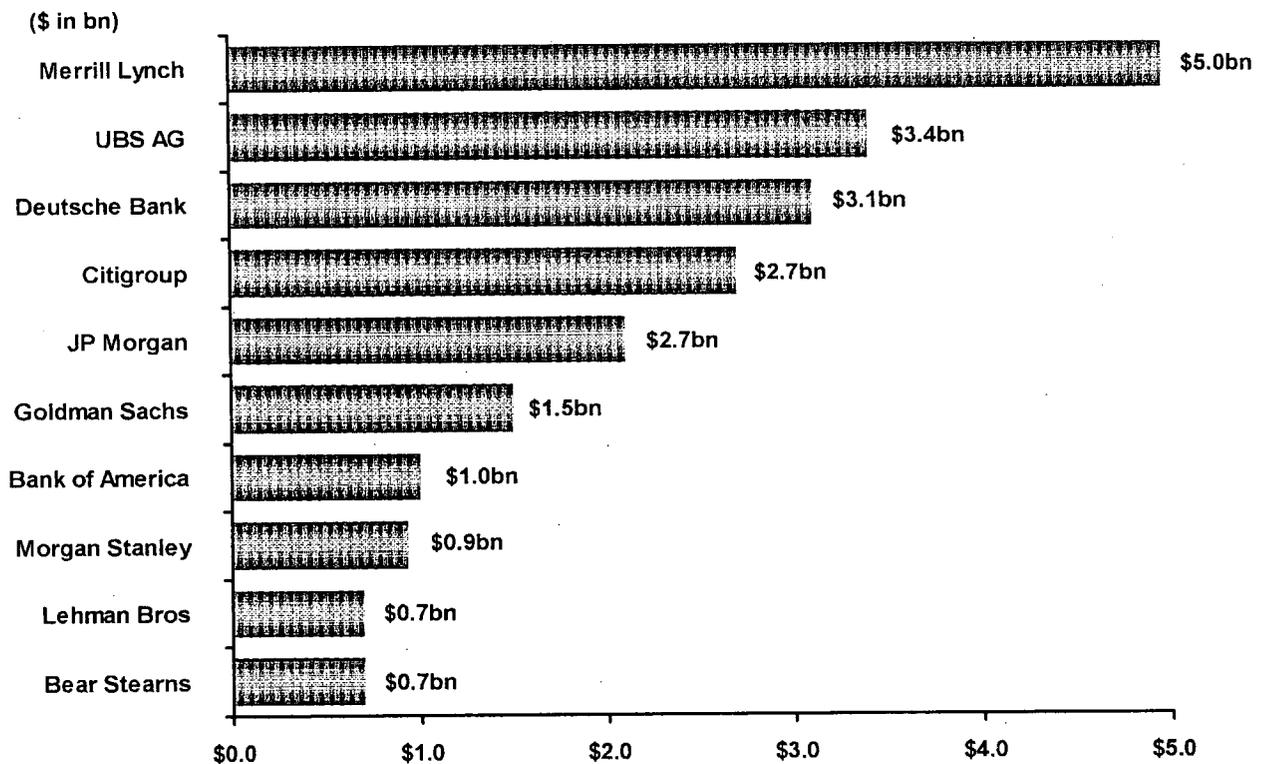
(as externally reported)





Q3 2007 FICC Competitor Analysis

Write-downs (Net of Hedges)



Note: Reported Goldman Sachs, Morgan Stanley, Lehman Bros, Bear Stearns; others based on company expectations, with the exception of JP Morgan, and Bank of America (based on study by Sanford Bernstein)



Q3 2007 Mortgages Competitor Overview

GS Mortgages Outperformance vs. Competition

- Merrill Lynch

- UBS AG

- Deutsche Bank

- Citigroup

- JP Morgan

- Morgan Stanley

- Lehman Brothers

- Bear Stearns

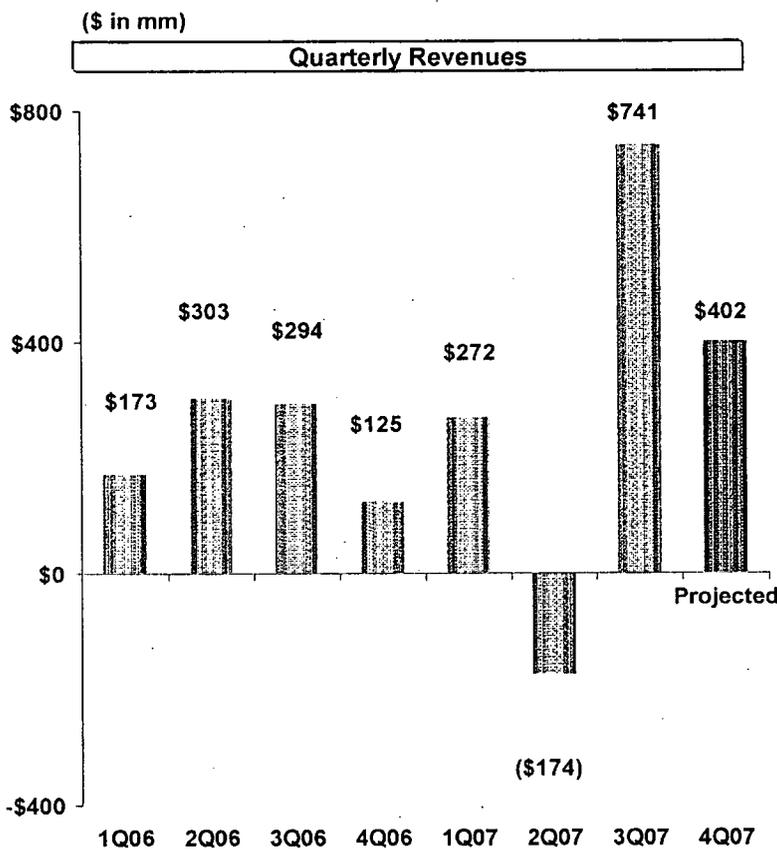
40

— = Redacted by the Permanent Subcommittee on Investigations



Q3 2007 Global Mortgages Revenues

(Quarterly Performance)



Q3 2007 Revenue Performance

Global Mortgages: ↑ 152% vs. Q3 2006

Q3 2007 Performance Drivers

SPG Trading:

- Strong results from trading long correlation and net short bias

CDO:

- Continued mark-downs of long positions

Residential Credit:

- Driven by write-downs across Sub Prime and Alt-A, partially offset by gains on short ABX positions

Residential Prime:

- Result of deterioration in deal performance and the lack of investor appetite for RMBS

[Redacted]

- [Redacted]

6/5/07



Global Mortgages Performance

Tactical Positioning

- The business has taken proactive steps to position the firm strategically in the ensuing mortgage credit and liquidity crisis

Timing	Action
Q1 2007	<ul style="list-style-type: none"> ■ Shut down residential mortgage warehouses ■ Reduced loan positions ■ Increased protection for disaster scenarios
Q2 2007	<ul style="list-style-type: none"> ■ Shut down CDO warehouses ■ Took significant mark to market losses ■ Reduced loan purchases ■ Reduced counterparty exposure
Q2 2007 and Q3 2007	<ul style="list-style-type: none"> ■ Positioned business tactically <ul style="list-style-type: none"> – Shorted synthetics – Reduced loan and security purchases – Shorted CDOs and RMBS – Increased long correlation position – Reduced long inventory
Q3 2007	<ul style="list-style-type: none"> ■ Actively managed risk exposure to hedge funds
Q3 2007 and Q4 2007	<ul style="list-style-type: none"> ■ Significant covering of short positions ■ Opportunistically looking to buy assets

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on Investigations**

4/20/14



Looking Ahead

Global Mortgages Business Initiatives

- Litton Acquisition
- Home Price Derivatives
- Brazilian Mortgage Business
- European Residential Mortgage Business
- Synthetics & Correlation Trading
- Reverse Mortgages

4



Closing Remarks

Q4 2007

Finish Strong

431-3

From: Horwitz, Russell
Sent: Tuesday, November 13, 2007 11:19 AM
To: Blankfein, Lloyd
Subject: Fw: Goldman Doesn't Plan Significant Writedown, CEO Blankfein Says

----- Original Message -----

From: Mason, Deborah
To: Horwitz, Russell
Cc: Clareman, Bart; Ohmer, Adrian
Sent: Tue Nov 13 10:58:39 2007
Subject: Goldman Doesn't Plan Significant Writedown, CEO Blankfein Says

Goldman Doesn't Plan Significant Writedown, CEO Blankfein Says
2007-11-13 10:49 (New York)

By Christine Harper

Nov. 13 (Bloomberg) -- Goldman Sachs Group Inc., the biggest U.S. securities firm by market value, doesn't plan to take any significant writedowns on mortgage-related assets, Chief Executive Officer Lloyd Blankfein said today.

Blankfein made his comment in response to a question today at a conference in New York hosted by Merrill Lynch & Co. He also said the firm is still betting that mortgage-backed securities and collateralized debt obligations will decline in value.

"As we said at the end of the third quarter, we continue to be net short in these markets," Blankfein said in response to a question about the firm's position. "We said at that time we continue to be bearish on the sector."

Goldman Sachs is on pace to post its fourth consecutive year of record profit, even as other securities firms and banks, including Merrill Lynch and Citigroup Inc., have written down more than \$45 billion in mortgage-related assets this year.

Blankfein said his firm has "a pretty good grip" on the valuation of its so-called Level 3 assets, which are the most difficult to value. Assets that fall into the category include private equity and real estate investments, leveraged loans and mortgage-related securities.

"We're confident we have a grip on the valuation of these things," he said. •

From: Horwitz, Russell
Sent: Sunday, September 23, 2007 9:42 PM
To: Blankfein, Lloyd; Winkelried, Jon; Cohn, Gary; Rogers, John F.W.
Cc: Becht, Julie; Leibowitz, Michelle; Whipple, Ellis; Jorgensen, Lissette; Won, Lina; Lipnick, Allison; Wilson, Natasha
Subject: Weekly Competitor, EM and Regulatory News -- Week Ending 9/21/07

Weekly Competitor, Regulatory and EM News - week ending Sept 21 2007

Competitors

- **LEH 3Q07:** Net Rev \$4.3 bn, EQ \$1.3 bn (down 19% vs 2Q07, up 64% vs 3Q06, YTD07 up 66%), 2nd best ever, strength in cash and derivatives, FICC \$1.1 bn (down 44% vs 2Q07, down 47% vs 3Q06, YTD07 down 19%).
- **BSC 3Q07:** Net Rev \$1.3 bn, EQ \$1.1 bn (up 22% vs 2Q07, up 45% vs 3Q06, YTD07 up 15%), records in structured equity products and PB/clearing, FICC \$0.1 bn (down 88% vs 2Q07, down 88% vs 3Q06, YTD07 down 28%).
- **MS 3Q07:** Net Rev \$8.0 bn, EQ \$1.8 bn (down 21% vs 2Q07, up 16% vs 3Q06, YTD07 up 28%), records in derivatives and PB, offset by \$480M loss in quantitative strategies, FICC \$1.3 bn (down 53% vs 2Q07, down 39% vs 3Q06, YTD07 up 10%).
- **Writedown Summary:**
 - **Lehman:** \$700M: Loans and mortgages, net of hedges
 - **Morgan Stanley:** \$940M: Loans, net of hedges, net of fees
 - **Bear:** \$700M: \$250M Loans, net of fees, and \$450M Mortgages, net of fees and hedges
- Fitch downgraded its outlook for UBS from stable to negative, another sign that investors believe the worst of the U.S. subprime-mortgage crisis is yet to hit the bank.
- Three years after taking the top financial post at Lehman, Chris O'Meara is shifting to become the firm's global head of risk management, and will be succeeded by Erin Callan, who currently runs the firm's investment-banking practice for hedge funds.
- Deutsche Bank CEO Josef Ackerman said in a television interview that the bank will write down the value of leveraged loans and scale back hiring plans after making "mistakes" and "exaggerated commitments" during the credit boom.
- Deutsche Bank said it has opened two desks in Singapore to provide prime brokerage and financing services to hedge funds, joining Citigroup, Morgan Stanley and Merrill Lynch, which earlier this year set up their prime brokerage offices there.
- Merrill said it will cut jobs at its First Franklin Financial mortgage lending unit, although did not disclose the number. Lehman has already cut more than 2,000 positions in its mortgage-lending unit, and Bear about 240. An estimated 50,000 positions have been cut so far this year throughout the mortgage industry.
- Nomura said it would close its US futures brokerage as part of a broader restructuring of operations in the region after the heavy mortgage losses revealed this year. Nomura announced in July that it would pull out of the residential mortgage-backed securities business in the US.
- Carlyle Group is selling a 7.5% stake to the Mubadala investment arm of the Abu Dhabi government for \$1.35 billion. The deal represents a 10% discount to a \$20 billion valuation on the firm. Mubadala will also invest \$500 million in Carlyle's latest flagship buyout fund.
- Carlyle hired David Marchick, a partner at Covington & Burling, as their first global head of regulatory affairs.

Emerging Markets / Other

- [REDACTED]
- [REDACTED]

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on Investigations**

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Subcommittee on Investigations

From: Horwitz, Russell
Sent: Sunday, October 21, 2007 1:34 PM
To: Blankfein, Lloyd; Winkelried, Jon; Cohn, Gary; Rogers, John F.W.
Cc: Becht, Julie; Jorgensen, Lissette; Whipple, Ellis; Lipnick, Allison; Wilson, Natasha
Subject: Weekly Competitor, EM & Regulatory News -- Week Ending 10/19/07

Weekly Competitor, EM and Regulatory News - week Ending October 19 2007

Competitors

- **Citi 3Q07:** Net Rev \$22.7bn, EQ \$1.0bn (down 35% vs 2Q07, up 19% vs 3Q06, up 37% YTD07 vs YTD06), strength in cash and derivatives and doubling of equity finance revenues, FICC \$0.7bn (down 80% vs 2Q07, down 71% vs 3Q06, down 4% YTD07 vs YTD06). FICC includes \$1.6bn in mortgage write-downs, net of hedges and a \$636mm loss in credit trading. In addition, \$900mm of loan losses, net of fees, was included in 3Q07 debt underwriting revenues (loss) of (-193mm). On Wednesday, Citi took the unusual step of publicly denying the rumor that Chuck Prince's resignation was imminent.
- **JPM 3Q07:** Net Rev \$16.1bn, EQ \$0.5bn (down 57% vs 2Q07, down 18% vs 3Q06, up 33% YTD07 vs YTD06), weaker trading results vs 3Q06, partially offset by strong client revenue and \$150mm from CVA. FICC \$0.7bn (down 72% vs 2Q07, down 72% vs 3Q06, down 14% YTD07 vs YTD06). FICC includes \$1.3bn in loan write-downs, net of fees, \$339mm in mortgages write-downs, net of hedges, and gains of \$305mm from CVA. Very weak credit trading performance, significantly lower results in commodities and record performance in FX and rates.
- **BofA 3Q07:** FICC: loss of -\$886mm, comprised of Credit loss of -885mm, Structured Products loss of -569mm, and Liquid products gain of 568mm. BofA signaled it could dramatically scale back its investment banking division after extremely poor performance in 3Q.
- **Morgan Stanley** said it is laying off about 300 bankers, traders and analysts, mainly in mortgages/other asset-backed, but also in equities trading and investment banking. The bulk of the layoffs are in the US, although about 75 are losing jobs in Europe and a handful in Asia.
- **Nomura** said Monday it expected to report a \$622mm loss related to US mortgage business, in addition to a similar-sized loss accumulated over the previous two quarters – bringing its subprime-related losses to \$1.25bn. Nomura confirmed its plans to withdraw from the US RMBS market and cut US headcount from about 1,300 at end of March to 900 people as part of a broad restructuring. Nomura said the subprime hit would wipe out 2Q profits (ending Sept), dragging it to a pre-tax loss of between (\$340mm) and (\$510mm) for the quarter.
- Citigroup said it has secured funding through year end for the \$80bn in SIVs it manages after selling \$20 billion in assets since the midsummer credit crunch.

[REDACTED]

- Morgan Stanley's Saxon Mortgage Services will buy rights to service home loans for \$175 million from NovaStar Financial Inc., the subprime lender trying to survive a cash shortage.

[REDACTED]

**Redacted By The
Permanent Subcommittee
on Investigations**

From: Birnbaum, Josh
 Sent: Friday, July 20, 2007 3:10 PM
 To: [REDACTED]
 Subject: RE: * ABX Markets 07-2, 07-1, 06-2, 06-1: 3:00pm

That would have rocked for both of us

-----Original Message-----

From: [REDACTED]
 Sent: Friday, July 20, 2007 3:08 PM
 To: Birnbaum, Josh
 Subject: RE: * ABX Markets 07-2, 07-1, 06-2, 06-1: 3:00pm

You should have moved to [REDACTED] and taken [REDACTED] of my promote on a few billsky

-----Original Message-----

From: Birnbaum, Josh [mailto:josh.birnbaum@gs.com]
 Sent: Friday, July 20, 2007 3:08 PM
 To: Daniel Loeb
 Subject: RE: * ABX Markets 07-2, 07-1, 06-2, 06-1: 3:00pm

I'm a wuss too. I have a huge short, but I should have done it on the buy side.

-----Original Message-----

From: [REDACTED]
 Sent: Friday, July 20, 2007 3:06 PM
 To: Birnbaum, Josh
 Subject: RE: * ABX Markets 07-2, 07-1, 06-2, 06-1: 3:00pm

Glad I had a taste of it...i am a [REDACTED] for not focusing.

-----Original Message-----

From: Birnbaum, Josh [mailto:josh.birnbaum@gs.com]
 Sent: Friday, July 20, 2007 3:05 PM
 To: [REDACTED]
 Subject: RE: * ABX Markets 07-2, 07-1, 06-2, 06-1: 3:00pm

greatest trade ever

-----Original Message-----

From: [REDACTED]
 Sent: Friday, July 20, 2007 3:02 PM
 To: Birnbaum, Josh
 Subject: RE: * ABX Markets 07-2, 07-1, 06-2, 06-1: 3:00pm

That's my boy, Joshua...way to tend to my markets.

-----Original Message-----

From: Birnbaum, Josh [mailto:josh.birnbaum@gs.com]
 Sent: Friday, July 20, 2007 3:01 PM
 Subject: * ABX Markets 07-2, 07-1, 06-2, 06-1: 3:00pm

ABX.HE.07-2

	Cpn	Price	Ch	Spread	Ch	Size
SpDur						
AAA	76	97-00 / 100-00	-0-26+	136 / 76	+16.5	25x 25
5.02						
AA	192	94-16 / 97-16	-1-00	334 / 256	+25.8	25x 25
3.88						
A	369	77-16 / 81-16	-2-141	989 / 879	+67.2	25x 25

1

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1995

3.63										
BBB	500		53-00 /	57-00	-1-19+		1854 / 1739	+46.4		10x 10
3.47										
BBB-	500		45-00 /	49-00	-3-10+		2099 / 1983	+96.8		10x 10
3.44										
ABX.HE.07-1										
	Cpn		Price		Ch		Spread	Ch		Size
SpDur										
AAA	9		94-16 /	96-16	-0-301		126 / 84	+20.0		50x 50
4.69										
AA	15		87-16 /	90-16	-1-301		376 / 290	+56.1		25x 25
3.46										
A	64		67-00 /	69-00	-2-13+		1070 / 1009	+73.8		25x 25
3.28										
BBB	224		44-16 /	46-16	-2-17		1969 / 1906	+79.6		10x 10
3.18										
BBB-	389		41-16 /	43-16	-2-11+		2276 / 2212	+76.1		10x 10
3.1										
ABX.HE.06-2										
	Cpn		Price		Ch		Spread	Ch		Size
SpDur										
AAA	11		96-00 /	98-00	-0-252		102 / 56	+17.9		50x 50
4.41										
AA	17		90-24 /	93-24	-1-056		325 / 225	+39.3		25x 25
3										
A	44		74-16 /	76-16	-1-296		920 / 852	+66.3		25x 25
2.91										
BBB	133		53-00 /	55-00	-2-09		1824 / 1752	+82.0		10x 10
2.78										
BBB-	242		46-16 /	48-16	-2-16		2216 / 2142	+92.3		10x 10
2.71										
ABX.HE.06-1										
	Cpn		Price		Ch		Spread	Ch		Size
SpDur										
AAA	18		98-00 /	100-00	-0-073		70 / 18	+5.9		50x 50
3.87										
AA	32		96-00 /	99-00	-0-11+		182 / 69	+13.5		25x 25
2.67										
A	54		87-08 /	89-08	-0-23		566 / 486	+28.9		25x 25
2.49										
BBB	154		77-00 /	79-00	-1-245		1124 / 1040	+74.7		10x 10
2.37										
BBB-	267		68-08 /	70-08	-1-243		1624 / 1538	+75.2		10x 10
2.34										

**Spreads computed from prices using a weighted average spread duration (generated at the base Bloomberg speed) for all 20 reference obligations in the index.

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MEMORANDUM



FOR INTERNAL USE ONLY

To:

Chris Cole
 Michael Sherwood
 Andy Chisholm
 Alex Dibelius
 Ed Forst
 Richard Gnodde
 Jon Sobel
 Ken Wilson
 Yoel Zaoui
 David Solomon

Craig Broderick
 Mike Esposito
 John Rafter
 Michael Daffey
 Stefan Green
 Matthew Westerman
 Yusuf Aliredha
 Chris Barter
 Philip Holzer
 Todd Leland

Cc:

Christoph Stanger
 Luigi Rizzo
 Peter Kimpel

Bernhard Herdes
 Christoph Hansmeyer
 Tilo Dresig

From:

IBD Financing
 Raphael Heynold
 Michael Poppel
 Jörg Pietzner

FICC Sales
 Christoph Gugelmann
 Peter Biendarra

Credit
 Philip Kahre
 Martin Ettl

Date: 10 August 2007

Re: Summary of German Bank US Sub Prime Exposure

In light of recent events relating to Deutsche Industriebank AG ("IKB") and press reports on German banks' exposure to the US sub prime mortgage market, we wanted to provide Goldman Sachs' European and Financial Institutions Management with our understanding of the current situation, related financial and reputational risks as well as potential business opportunities.

Please note that it is very difficult to get a full picture of the issues and exposures at this point as information is not fully available. Our assessment is hence based on conversations with clients, public releases as well as internal discussions. It is not meant to be a complete assessment of all the issues or a recommendation to Management.

I. Our Assessment of German Bank US Subprime Exposures

None of the German Banks have been direct lenders in the US subprime Real Estate market. Any exposure which they may have, will be the result of either:

1. On-balance sheet investments in asset-backed securities ("ABS") or CDOs of ABS ("CDOs")
2. Investments in ABS and/or CDOs through off-balance sheet investment vehicles including sponsored conduits and structured investment vehicles ("SIVs")
3. Liquidity lines provided by the German banks to third party investment vehicles

A number of German banks have been significant investors in ABS and CDOs over the past years. These investments have either happened on the bank's own balance sheets or through off-balance sheet investment vehicles.

The investment vehicles have been either set-up as conduits or as SIVs and have reached significant sizes (see table below as well as Appendix). It is our understanding that only few of the investment vehicles are being consolidated on the banks' balance sheets, [REDACTED]

We have outlined below our assessment of the scale of ABS (mortgage) and CDO exposures of the major banks as well as the size of their conduits and liquidity lines. The assessment of their on-balance sheet exposures is principally based on publicly available information as well as discussions with our global FICC sales force.

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

II. Overview of German Banks' Exposure to US Subprime

Bank	On B/S ³	Structured Credit Investments (€bn)				Comments on Subprime Exposure
		Conduits	Vol ¹	Top Two Liquidity Providers	SIVs	
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deutsche Bank	✓	Aspen Funding Corp	2,897 Deutsche (\$3.7bn)			According to press reports, Deutsche did not comment on their subprime exposures, but said since the first signs of an overheated market in 2002 they had "strongly reduced" their exposure to subprime.
		Bille Securitisation Ltd	68 Deutsche (\$1.9bn)			
		Gemini Securitization Corp LLC	10,782 Deutsche (\$19.4bn)			
		Newport Funding Corp	3,400 Deutsche (\$3.7bn)			
		Rheingold Securitisation Ltd	6,818 Deutsche (\$49.7bn)			
		Rhein-Main Securitisation Ltd	7,765 Deutsche (\$17.5bn)			
		Sub Total	31,731			
[REDACTED]	✓	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
HVB	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
IKB	✓	Rhineland Funding Capital Corp	17,923 KfW (\$11.6bn), private banks (\$8.8bn)	Rhinebridge plc		Was bailed out by KfW and bank consortium, which took over liquidity lines and provided guarantee fund.
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	○	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	✓	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Annual reports, press reports.

441-3

Indirect exposures:

- Reputational issues as a result of having placed some assets with those banks as well as conservative bids on ABCP
- We understand from clients that valuation marks provided by Goldman Sachs on ABS are substantially lower than the competition's valuations. As a result, clients are irritated by the valuation difference

V. Potential Business Opportunities

- Providing asset and risk analysis
- Potentially source cheap ABS assets or engage in ABS block trades, but possibly also source assets trading close to par to reduce overall size of assets/liquidity exposure for the banks; ABS assets could be bought by Goldman Sachs trading desks or GSAM Liquidity Partners III
- Offering alternatives to liquidity for banks, might be especially attractive for state backed situations like IKB or West LB (grandfathering of conduit)
- Recapitalizations through capital raising or relief
- Potentially provide M&A and/or restructuring advice to distressed banks

From: Lehman, David A.
Sent: Tuesday, November 27, 2007 8:12 AM
To: Sparks, Daniel L
Cc: Williams, Geoffrey; Gerst, David
Subject: FW: ACA

From: Tourre, Fabrice
Sent: Monday, November 26, 2007 4:43 PM
To: Sparks, Daniel L
Cc: Williams, Geoffrey; Gerst, David; Lehman, David A.; Egol, Jonathan
Subject: ACA

Dan, as mentioned to Geoff and David, our desk (and to my knowledge, the corporate credit derivatives businesses) have never executed any derivatives trades with ACA. We have \$2.3mm notional of net exposure on ACA CDS, and we have been discussing with Paul Huchro (the CDS trader for financials) and GS legal what would happen upon an ACA bankruptcy (which is the most likely scenario in our opinion). David Gerst or I can give you more color live on the credit, and next steps given our CDS exposure. Bigger issue in my view is the fact that our counterparties for all the supersenior trades we have indirectly executed with ACA (those counterparties are CIBC and ABN Amro) are most likely going to come back to us to ask us for MTM on the trades they are intermediating - some of these trades have been outright short trades for us, and some of them have been crosses for Paulson.

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 Subcommittee on Investigations**

**Goldman
 Sachs**

Fabrice Tourre
 Structured Products Trading

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**Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #1998**

From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 7:17 PM
To: Montag, Tom
Subject: RE: Subprime volatility

Not giving me a hard time at all - this activity is the first time mortgage business has had stress years, and the stress is real.

GSC CDO was a high grade (\$1.5 Billion AAA/AA/A structured products RMBS/ABS/CMBS/CDO) - full capital structure distribution, but we had a few unsold positions - \$31mm AA'ss, \$49mm A's, \$21mm BBB's, \$5mm equity. Not uncommon, and we take reserves against these and keep marketing. Senior debt went to [REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

From: Montag, Tom
Sent: Thursday, December 07, 2006 7:09 PM
To: Sparks, Daniel L
Subject: RE: Subprime volatility

just trying to learn not give you a hard time--what is the GSC CDO--underlyer--full cap structure? who bought, manager etc

From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 7:08 PM
To: Montag, Tom
Subject: RE: Subprime volatility

Priced GSC CDO - \$7mm in profit
Sold Alt A resid that we had marked at \$1mm for \$5mm (I can explain live)

From: Montag, Tom
Sent: Thursday, December 07, 2006 7:02 PM
To: Sparks, Daniel L
Subject: RE: Subprime volatility

yes but what were the deals--specifics please

thanks

From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 6:55 PM
To: Montag, Tom
Cc: Ruzika, Richard
Subject: RE: Subprime volatility

CDO and Alt A deals were new issues that we priced today (normal regular business)

Other risk areas with some relation to subprime loans are:
the loan book where we but loans, securitize and sell them
the residual book where we retain some equity positions from securitizations we do
the loan warehouse (detailed below)

1

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2009

our CDO warehouse (ramp up for deals)

Likely fall-out - more originators close and spreads in related sectors widen (have been one-way tightening for a while)

From: Montag, Tom
Sent: Thursday, December 07, 2006 6:46 PM
To: Sparks, Daniel L
Cc: Ruzika, Richard
Subject: RE: Subprime volatility

do we have any securitized deals we have been working on over the last month since we closed last one? are we close?

do we have other positions that "hedge" this risk at all?

is the rest of desk correlated to this risk as well?

what were the CDO and Alt A deals?

From: Sparks, Daniel L
Sent: Thursday, December 07, 2006 6:07 PM
To: Montag, Tom; Ruzika, Richard; Viniar, David; McMahon, Bill
Cc: Cohn, Gary (EO 85B30)
Subject: Subprime volatility

Activity in ABX today started out muted, drifting a bit wider until mid-afternoon when rumors went around the market about an originator failure - MLN. Market widened, then tightened as MLN's CFO called each dealer and described situation (not closing). It felt like there was some spill over to swap spreads.

ABX/CDS position ended down around \$9mm on the day; Mortgage Department should be net flat from CDO and Alt A deals.

On ABX position, no size reduction today but a few large accounts looking to buy outright and in levered form, and today was spent getting them information they needed. The large short (Paulsen) seems like they plan to keep selling the index over time.

On our mortgage loan warehouse, we have \$185mm loan to MLN collateralized by mortgages and we are making a margin call to them based on our new loan mark from the updated loan information they sent us today to true up our margin cushion - right now the cushion is 0 based on new loan info, the margin call will be for around \$5mm. MLN's problem is that they rolled out a new Alt A product, messed up the pricing, and did not figure it out for a week - costing them probably \$15mm.

Generally, originators are struggling with EPDs (early payment defaults) which require them to buy back loans and take losses - thinly capitalized firms can't take much of it. Lower margins and volumes are also causing pain. Ownit (████████████████████) closed Monday. Premiums for these originators - all of whom are for sale - are rapidly falling.

Our other funded warehouse lines are \$287mm funded to Accredited (\$600mm mkt cap), \$126MM TO New Century (\$2BB mkt cap), \$80mm to LownHome (GS equity investor in start-up/good info/on Board) and \$40mm to Senderra (GS equity investor in start-up/good info/on Board).

I'm around 2-2914.

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 Subcommittee on Investigations

**Goldman
Sachs**

Date: December 13th, 2006

To: Firmwide Risk Committee

Re: December 13th FRC Minutes

— = Redacted by the Permanent
Subcommittee on Investigations

The December 13th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Lloyd Blankfein, Tom Montag, Craig Broderick, [REDACTED], [REDACTED], and [REDACTED].

Divisional Reports

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Dan Sparks

- Noted the stress in the subprime market.
- Concern around '06 subprime originators as two more failed last week.
- Concern around early payment defaults, \$5BN in loans to subprime borrowers, warehouse lines to 6 subprime lenders, and \$16MM in '06 residual positions and alt-a and subprime residual positions from '04-05.
- Street aggressively putting back early payment defaults to originators thereby affecting the originator's business. Rumors around more failures are in the market.
- All margin calls made by the 6 subprime lenders. Business more concerned with early default payments than warehouse lenders.

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From: Sparks, Daniel L
Sent: Wednesday, February 14, 2007 6:33 AM
To: Sparks, Daniel L
Subject: Risk

Over var due to massive spike in subprime volatility and we are working with bruce on that.
Over limit on cre loan scenario list but will correct next week with large securitization pricing.
Over limit on cdo risk but that will adjust as moving positions to desks.

Bad week in subprime

collateral performance on loans was poor - we took a write-down on second lien deals and on the scratch and dent book last week

News was bad - hsbc and new century announcements

Synthetics markets got hammered - around 150 wider

Trading desk had sold significant risk in the form of index, tranced index, and single names - so it has gotten on the short side.

Lag on the pricing of single name synthetics vs the index, and transparency is difficult with the volatility.

Trading desk feels like it is been very conservative in the mark and has significant work to do in getting transparency, working with controllers for upcoming quarter end, and covering the single names.

Loan books are hedged with abx so spread protection there.

Residuals have abx also, but that is much more monthly performance issue.

Loan preformance will play out for a long time.

Originators are really in a bad spot. Thinly capitalized, highly levered, dealing with significant loan put-backs, some with retained credit risk positions, now having trouble selling loans above par when it cost them 2 points to produce.

Will have to, and are, really tighten credit standards which will cut volume significantly.

Warehouse lines we have to originators - we are aggressively marking there positions which have resulted in 3 things:

Margin calls - which they have made
Clients moving loans to other dealers' lines Relationship damage

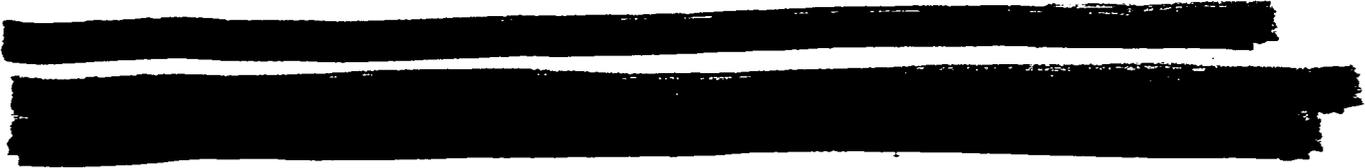
What is the next area of contagion.

Cdo's - which have been the buyer of most single name mezz subprime risk for the past year.

We significantly reduced our deal ramp up starting 2 months ago, but we do have warehouse risk and are doing 4 things:

Finding warehouse risk partners
Combining business with secondary trading desk so all risk housed and managed by traders
Buying protection on cdo's Executing deals

Portions of the alt a market - spending time on it.



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From: Sparks, Daniel L
Sent: Monday, February 26, 2007 8:32 AM
To: Montag, Tom
Subject: Re: Questions you had asked

Roughly 2 bb, and they are the deals to worry about. Focus is super- senior, which if we get done will make them work

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Mon Feb 26 07:43:29 2007
Subject: RE: Questions you had asked

cdo squared--how big and how dangerous

-----Original Message-----
From: Sparks, Daniel L
Sent: Monday, February 26, 2007 7:37 AM
To: Montag, Tom
Subject: Re: Questions you had asked

Roughly 2 bb high grade deals and 2 bb cdo's squared

In client meeting in greenwich and can give more details in hour and half

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Mon Feb 26 07:31:49 2007
Subject: Re: Questions you had asked

So what is total of cdo warehouse after liquidation by sector

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Sent: Mon Feb 26 06:47:43 2007
Subject: Re: Questions you had asked

Still subprime, but only outright bbb subprime is in gsc deal we may liquidate. Other subprime in form of a, aa, aaa subprime and in form of a-rated cdo's (greywolf and dillon read).

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Sun Feb 25 22:49:48 2007
Subject: Re: Questions you had asked

Thanks. So no warehouse in subprime? What about greywolf-what is in that

----- Original Message -----
From: Sparks, Daniel L

To: Montag, Tom
Cc: Ruzika, Richard
Sent: Sun Feb 25 20:34:19 2007
Subject: Questions you had asked

Last week the trading desks did the following:

(1) Cover around \$1.5 billion single name subprime BBB- CDS and around \$700mm single name subprime BBB CDS. The desk also net sold over \$400mm BBB- ABX index. Desk is net short, but less than before. Shorts are in senior tranches of indexes sold and in single names. Plan is to continue to trade from short side, cover more single names and sell BBB- index outright.

(2) The CDO business liquidated 3 warehouses for deals of \$530mm (about half risk was subprime related). Business also began liquidation of \$820mm [REDACTED] - all synthetics done, cash bonds will be sold in next few days. One more CDO warehouse may be liquidated this week - approximately \$300mm with GSC as manager. That will leave us with 2 large CDOs of A-rated CDOs, 2 high grade deals with limited subprime mezz risk, and 2 other small warehouses that are on hold. Getting super-senior done on CDOs is the critical path, and that is where the focus is - for the CDOs of CDOs, NATIXIS (Paris) on Dillion Reed deal and Wincap (London) on Greywolf deal.

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

From: Sparks, Daniel L
Sent: Wednesday, March 07, 2007 7:21 AM
To: Sparks, Daniel L
Subject: Risk Comm

Alt A and mortgage CDOs widened

ABX over the week tightened 300 bps on light volume

After the close Friday 3 large subprime companies made announcements that really has accelerated the meltdown
Fremont, Accredited, New Century
Pretty much game over in subprime

Liquidations are beginning

The street is very exposed - put-back exposure, warehouse lines, servicing agreements, loans on books, CDO ramps

It is going to be very ugly for the street for a long time

Not just mark-to-market, as many things aren't marked or are difficult to mark forms

Also in going forward business - the subprime revenue machine is over

There will be distressed opportunities and trading opportunities

We are trying to close down exposures, doing from the short side

— = Redacted by the Permanent
Subcommittee on Investigations

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2017

From: Egol, Jonathan
Sent: Tuesday, January 30, 2007 12:15 AM
To: Tourre, Fabrice
Subject: Re: Finally got some time to look at P&L

LDL tomorrow

----- Original Message -----
From: Tourre, Fabrice
To: Egol, Jonathan
Sent: Mon Jan 29 23:03:39 2007
Subject: Re: Finally got some time to look at P&L

"The market is dead" ??? Ouahhh, what do you mean by that ? Do you have any insight I don't ?

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Egol, Jonathan
To: Tourre, Fabrice; ficc-mtgcorr-desk
Sent: Mon Jan 29 22:58:14 2007
Subject: Re: Finally got some time to look at P&L

I have been supportive of taking down the BBB long for some time. The mkt is dead.

----- Original Message -----
From: Tourre, Fabrice
To: ficc-mtgcorr-desk
Sent: Mon Jan 29 20:56:45 2007
Subject: FW: Finally got some time to look at P&L

Fyi, Jordan and Peng spent sometime looking at the variance. I think this makes sense.

Jordan, I am concerned about the basis risk in our single name book, can you look, for that day, at the 50 names that moved the most on Friday, and for these 50 names, let me know what hedge we have on (i.e. the exact ABACUS trade in the 95903 book, as well as its DV01 in 95902 and 95903 separately) that was the P&L incurred in the combined 95902/95903 books and related to these names ?

We are long outright approx \$250mm of ABX.HE.BBB.06-2, currently trading at 92-20/93-20 (369/337). Do we like the risk there ? ABACUS 04-2 will help us reduce this exposure: we are short the 5-27% tranche (\$220mm notional), we might want to use all our allowed substitutions (10% p.a. + reinvestments, so a combined \$150mm I guestimate) to reinvest into that index. In theory we could use the small triple-B bucket we have available in ABACUS 05-2, but we have to think about the >95 price constraint a little bit... The alternative is for us to switch the CDO bucket in ABACUS 04-2, but in that case we should think about selling this ABX position if we don't like it at this price -- I am a seller there, we should take our loss and move on.

From: Yu, Peng
Sent: Monday, January 29, 2007 7:12 PM
To: Yu, Peng; Tourre, Fabrice; Kaufman, Jordan

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2019

Subject: RE: Finally got some time to look at P&L

BTW, nothing really new here. It was just as what we expected.

From: Yu, Peng
 Sent: Monday, January 29, 2007 7:09 PM
 To: Tourre, Fabrice; Kaufman, Jordan
 Subject: Finally got some time to look at P&L

Here's the breakdown of spread DV01 by sector, rating and security type

Mtg95903	Mtg95902 (Single Name)	Mtg95902 (Index)
Subprime BBB	171,533	-152,437
Subprime BBB-	134,653	-141,734
		-105,284
		-2,618

So in theory, 95903 and 95902 single names are almost perfectly hedged against parallel spread moves. But in reality, spreads were not changed in parallel on Friday, which resulted in a -1.3 mm for combined 95903 and 95902 (single name). This is mostly concentrated in the BBB- space. I took a brief look, some spreads blew out by 20, and some can jump by almost 100!

Now the BBB index exposure of 95902 is also a naked position. Assuming index moved by 20 bps in parallel, the P&L should be around 2 mm. IN reality, since spread didn't move in parallel, P&L was - 2.4 mm.

So the total for 95903 and 95902 was about - 4 mm. There're two take-away points here:

- * Index position in 95902 is not hedged against 95903
- * Non-parallel moves in spreads can cause P&L not easily reproducible by just looking at aggregated DV01s

Let me know if anything doesn't make sense here

From: Egol, Jonathan
Sent: Monday, January 29, 2007 11:00 PM
To: Egol, Jonathan; Tourre, Fabrice; ficc-mtgcorr-desk
Subject: Re: Finally got some time to look at P&L

This is not my personal opinion -- just a synopsis of the views of the customers we have seen today.

----- Original Message -----

From: Egol, Jonathan
To: Tourre, Fabrice; ficc-mtgcorr-desk
Sent: Mon Jan 29 22:58:14 2007
Subject: Re: Finally got some time to look at P&L

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----- Original Message -----

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To: ficc-mtgcorr-desk
Sent: Mon Jan 29 20:56:45 2007
Subject: FW: Finally got some time to look at P&L

Fyi, Jordan and Peng spent sometime looking at the variance. I think this makes sense.

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Subject: RE: Finally got some time to look at P&L

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Sent: Monday, January 29, 2007 7:09 PM
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1

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2019

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Now the BBB index exposure of 95902 is also a naked position. Assuming index moved by 20 bps in parallel, the P&L should be around 2 mm. IN reality, since spread didn't move in parallel, P&L was - 2.4 mm.

So the total for 95903 and 95902 was about - 4 mm. There're two take-away points here:

- * Index position in 95902 is not hedged against 95903
- * Non-parallel moves in spreads can cause P&L not easily reproducible by just looking at aggregated DV01s

Let me know if anything doesn't make sense here

From: Egol, Jonathan
Sent: Sunday, February 11, 2007 7:47 PM
To: Tourre, Fabrice
Subject: Re: Index Tranche Pricing Study - 08Feb07.xls

I actually heard from a customer they are blowing up on the resi side.

----- Original Message -----

From: Tourre, Fabrice
To: Egol, Jonathan
Sent: Sun Feb 11 18:57:55 2007
Subject: RE: Index Tranche Pricing Study - 08Feb07.xls

----- = Redacted by the Permanent
Subcommittee on Investigations

I have color from [REDACTED]. I am actually very impressed with these guys, how diligently they have been operating this business, little to no retained positions, no CDO² in the pipeline, they are definitely on the smart side. And they are still placing mezz deals.

-----Original Message-----

From: Egol, Jonathan
Sent: Sunday, February 11, 2007 6:56 PM
To: Tourre, Fabrice
Subject: Re: Index Tranche Pricing Study - 08Feb07.xls

You know I love it all I'm saying is the cdo biz is dead we don't have a lot of time left

----- Original Message -----

From: Tourre, Fabrice
To: Egol, Jonathan
Sent: Sun Feb 11 18:55:10 2007
Subject: RE: Index Tranche Pricing Study - 08Feb07.xls

Don't think the Paulson trade is dead. Supersenior pretty much done with ACA, AAAs could be placed in 2 shots, this is sufficient. Remember we make \$\$\$ per tranche placed...

-----Original Message-----

From: Egol, Jonathan
Sent: Sunday, February 11, 2007 6:54 PM
To: Tourre, Fabrice
Subject: Re: Index Tranche Pricing Study - 08Feb07.xls

Sure. As long as you realize the paulson trade may also already be dead (although given it is baa2 it may still have a decent shot).

----- Original Message -----

From: Tourre, Fabrice
To: Egol, Jonathan
Sent: Sun Feb 11 18:52:47 2007
Subject: RE: Index Tranche Pricing Study - 08Feb07.xls

I hear you. I agree on the single-As. Only concern is that we should push bespoke trades from every angle before showing transparent markets. I think we should show the single-A bespoke to IKB.

-----Original Message-----

From: Egol, Jonathan
Sent: Sunday, February 11, 2007 6:51 PM
To: Tourre, Fabrice
Subject: Re: Index Tranche Pricing Study - 08Feb07.xls

I absolutely agree. That is why I suggested we start shifting focus to single-As. This

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Report Footnote #2020

product is already dead.

----- Original Message -----

From: Tourre, Fabrice
To: Egol, Jonathan
Sent: Sun Feb 11 18:48:40 2007
Subject: RE: Index Tranche Pricing Study - 08Feb07.xls

By the way I am not sure why we are spending some much strat time on something that will have NO flow. No street firm committed on this, and with the underlying market trading at distressed levels I doubt that customers will want to participate...

-----Original Message-----

From: Egol, Jonathan
Sent: Sunday, February 11, 2007 6:48 PM
To: Williams, Geoffrey; ficc-mtgcrr-desk; Birnbaum, Josh; Kamilla, Rajiv
Cc: Kao, Kevin J.; Yu, Peng
Subject: Re: Index Tranche Pricing Study - 08Feb07.xls

If the index gets to 75 the 15-25 will look less sensitive as well. :-)

----- Original Message -----

From: Williams, Geoffrey
To: ficc-mtgcrr-desk; Birnbaum, Josh; Kamilla, Rajiv
Cc: Kao, Kevin J.; Yu, Peng
Sent: Sun Feb 11 15:49:57 2007
Subject: FW: Index Tranche Pricing Study - 08Feb07.xls

In an effort to better understand how speeds / stepdown / etc should affect the market, Kevin and Peng ran the Baa3 pricing I put together Wed night through the model with each of the following toggles:

Speeds -- 80, 100 and 120 PPC
Step-down -- yes and no
Survival Curve Safe Period -- 0, 1, 2 and 3 years

Base correlations were calibrated for each iteration and a calculation of the "arb" versus the index was made.

<<Pricing Output from Strats.xls>>

Takeaways:

- According to the model, step-down and speeds (to a lesser extent) have a significant effect on the tranche/index basis. For example, in the baseline 100 PPC w/ stepdown case, the basis is worth 1.75% versus 2.50% in the 80 PPC w/ stepdown case or 6.5% in the in the 80 PPC w/out stepdown case. Keeping an eye on stepdown likelihood will be important when evaluating the tranche/index basis although my guess is that most will overlook this initially.
- When looking at base correlations, step-down and speeds have little to no effect on the lower attachment points but have significant impact on the 15%+ attachments. Conversely, the Survival Curve Safe Period (which takes into account the lack of jump risk) has a significant impact on the lowest attachment points (5% base correlation is 10% for a 3y lockout versus 40% for no lockout).

Thoughts / comments welcome.

From: Kao, Kevin J.
Sent: Friday, February 09, 2007 5:46 PM
To: Williams, Geoffrey
Cc: Yu, Peng
Subject: Index Tranche Pricing Study - 08Feb07.xls

There was one bad run (80 PPC with stepdown and 0 lockout).

589 3

Here's the updated one (with two graphs).

Please use this one instead.

<<Index Tranche Pricing Study - 08Feb07.xls>>

From: Tourre, Fabrice
Sent: Tuesday, February 20, 2007 12:10 PM
To: Egol, Jonathan
Subject: Re:

LDL

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Egol, Jonathan
To: Tourre, Fabrice
Sent: Tue Feb 20 12:09:14 2007
Subject: RE:

who

-----Original Message-----
From: Tourre, Fabrice
Sent: Tuesday, February 20, 2007 12:09 PM
To: Egol, Jonathan
Subject:

By the way, quote from an ABS correlation trader (non-GS): "the mezz. ABS CDO business is dead".

Sent from my BlackBerry Wireless Handheld

From: Tse, Irene
Sent: Wednesday, March 28, 2007 8:03 AM
To: ficc-ratessales; ficc-gflow
Subject: Thoughts on FI - DO NOT FORWARD PLEASE!

The durable good number today, in my mind is 10 times more important than the Bernake's speech at 10:30 pm. In my opinion, Big Ben has already given the speech on A1 of WSJ yesterday. I just can't see what he says today would be relevant. A negative core durable good, however, is not on anybody's radar screen. The ex-trans, non-defense capital ex air, shipment data, backlog of non-defense capital were all extremely pathetic. The composition of the report is basically more inventories, and less demand. This reinforce the Fed's worry that business spending is going to zero as lp referred to yesterday. The housing slowdown has the risk now not be offsetting by stronger capital spending. Both growth and the market are DEAD if that's the case.

**Redacted by the
Permanent Subcommittee on Investigations**

From: Sobel, Jonathan
Sent: Wednesday, June 27, 2007 4:19 PM
To: Sparks, Daniel L; Gasvoda, Kevin
Subject: Fw: Citi feedback on debt mkts

Fyi

----- Original Message -----

From: Young, William (MB 85B14)
To: Sobel, Jonathan
Sent: Wed Jun 27 15:59:46 2007
Subject: Citi feedback on debt mkts

FYI - my notes from Citi

Just talked to Perlowitz who runs Mtg desk at Citi. He is very nervous -

1. Subprime issue not identified correctly - not a subprime problem, the street is suffering from an illiquid products problem. Once value moves on an illiquid product that carries high leverage, obviously you get significant downside. Very real issue is CDO/CLO bid. Some Citi people think CDO market is dead - a potential result of contagion.

2. On subprime, Citi sees significant additional downside - only issue that prevents a "catastrophe" is employment. Mkt is experiencing very high fraud rates, under estimated impact of mark to market for new loans (once person is unemployed, your are getting keys - no liquidity at decent price to liquidate collateral)

3. Concerned all financial institutions were underwriting everything based on extremely benign assumptions. All starting to come back now as banks pull in risk -

I told him it sounded like a good time to buy a subprime platform - he agreed

Second, talked with [REDACTED] who runs all [REDACTED] at Citi

1. Deals in mkt right now - three center of plate/attention.

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Permanent Subcommittee on Investigations**

From: Sparks, Daniel L
Sent: Thursday, August 30, 2007 8:27 PM
To: Eagle, Todd (IB 85B11); Aberg, Peter (FICC 85B27); Madhavan, Manju (FICC 85B27);
 Buono, Mark
Cc: Schanzer, Bruce (IB 85B11); Koester, Reinhard (IB 85B23); Spiro, Eli (IB 85B23)
Subject: Re: RAIT

We should not do anything that would get in the way of gs buying assets from them

----- Original Message -----

From: Eagle, Todd (IB 85B11)
To: Aberg, Peter (FICC 85B27); Madhavan, Manju (FICC 85B27); Sparks, Daniel L; Buono, Mark
Cc: Schanzer, Bruce (IB 85B11); Koester, Reinhard (IB 85B23); Spiro, Eli (IB 85B23)
Sent: Thu Aug 30 19:42:17 2007
Subject: Re: RAIT

Their business model is clearly highly levered, and growth will be constrained given lack of current CDO market, but I think if we had the opportunity to advise them on a capital raise we would be extremely interested. They have mostly termed out their existing financing and have little in the way of short term liabilities (which they are looking to pay down with capital raise). Investors/buyers might find value in assets without ascribing material value to platform/future growth. We will look to get a business selection call set up to discuss further.

Todd Eagle
 Goldman, Sachs & Co.
 212-902-8332
 Cell 914-██████████

----- = Redacted by the Permanent
 Subcommittee on Investigations

85 Broad Street, 11th Fl.
 New York, NY 10004

----- Original Message -----

From: Aberg, Peter
To: Madhavan, Manju; Eagle, Todd; Sparks, Daniel L; Buono, Mark
Sent: Thu Aug 30 17:46:28 2007
Subject: RE: RAIT

We need to keep open the option to purchase assets if they begin to liquidate positions. If you do not believe that to be possible within the context of whatever advisory type assignment you would propose then we need to have a broader business selection call. My impression from a distance is that the business model pursued by these guys (taking junior parts of either a corporate or CRE capital structure and obtaining further leverage via the CDO market) is dead for the foreseeable future. Is there a large buyer universe for this business given the current market environment?

-----Original Message-----

From: Madhavan, Manju
Sent: Thursday, August 30, 2007 5:35 PM
To: Aberg, Peter
Subject: FW: RAIT

FYI

-----Original Message-----

From: Eagle, Todd
Sent: Thursday, August 30, 2007 5:31 PM
To: Madhavan, Manju
Cc: Schanzer, Bruce
Subject: Re: RAIT

1

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #2022

Manju- we'd like to call the co as soon as possible (ideally now; they were expecting to hear back from us re: our principal interest today), and need to be clear when we call them to pitch business. We of course would keep you guys in mind, but we can't be restricted when we call the co. Can you either clear this for us or find Peter to get his input/clear now? Thx.

Todd Eagle
Goldman, Sachs & Co.
212-902-8332
Cell 914-400-6916

85 Broad Street, 11th Fl.
New York, NY 10004

----- Original Message -----

From: Madhavan, Manju
To: Eagle, Todd; Brooks, Adam; Kava, Alan
Cc: Schanzer, Bruce; Aberg, Peter
Sent: Thu Aug 30 17:22:57 2007
Subject: RE: RAIT

I think that is correct for Mortgages. May be interested in bidding on resi and cre assets, so would be good to keep that option open if possible depending on ultimate transaction that materializes. Defer to Peter if he has other thoughts.

-----Original Message-----

From: Eagle, Todd
Sent: Thursday, August 30, 2007 5:07 PM
To: Brooks, Adam; Kava, Alan; Madhavan, Manju
Cc: Schanzer, Bruce
Subject: RAIT

Hi.. Can WH and resi mortgages pls confirm for me that you are ok with GS proceeding in trying to position us for another business opportunity with RAIT any way we can (including possible advisor to RAIT and/or buy-side advisor to another principal), as it is my understanding that you decided to pass on the opportunity today. Thx.

Todd Eagle
Goldman, Sachs & Co.
212-902-8332
Cell 914-[REDACTED]

85 Broad Street, 11th Fl.
New York, NY 10004

**----- = Redacted by the Permanent
Subcommittee on Investigations**

From: Cohn, Gary (EO 85B30)
Sent: Friday, February 09, 2007 7:34 PM
To: Sparks, Daniel L; Ruzika, Richard; Viniar, David; Montag, Tom; Smith, Sarah; McMahon, Bill
Cc: Winkelried, Jon (EO 85B30); Gasvoda, Kevin
Subject: Re: Scratch & dent loan write down \$30mm

----- = Redacted by the Permanent
 Subcommittee on Investigations

Thanks very helpful

----- Original Message -----

From: Sparks, Daniel L
To: Ruzika, Richard; Viniar, David; Montag, Tom; Smith, Sarah; McMahon, Bill
Cc: Winkelried, Jon; Cohn, Gary; Gasvoda, Kevin
Sent: Fri Feb 09 18:42:42 2007
Subject: RE: Scratch & dent loan write down \$30mm

Additional P&L info for today - total for mort department was down \$15mm.

Large moves today in market - general moves below:
 ABX A 25 bp wider
 ABX BBB 70 bp wider
 ABX BBB- 100 bp wider

Scratch & dent \$30mm down (as described) [REDACTED]
 [REDACTED] SPG trading \$21mm up - from market move
 CDO positions \$5mm down - from market move CDO warehouse \$7mm down - weekly update of mark
 to deal

SPG trading has significant single name shorts vs the ABX longs, and the desk used
 generally a 50-60% correlation for today's move which they believe is conservative. The
 desk is also short single A CDOs.

-----Original Message-----

From: Ruzika, Richard
Sent: Friday, February 09, 2007 4:28 PM
To: Sparks, Daniel L; Viniar, David; Montag, Tom; Smith, Sarah; McMahon, Bill
Cc: Winkelried, Jon (EO 85B30); Cohn, Gary (EO 85B30); Gasvoda, Kevin
Subject: Re: Scratch & dent loan write down \$30mm

Ok, you've been communicating the write down was coming. Let's go through the residual
 risk and make sure we get to the correct number for the quarter.

 Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Sparks, Daniel L
To: Viniar, David; Montag, Tom; Ruzika, Richard; Smith, Sarah; McMahon, Bill
Cc: Winkelried, Jon (EO 85B30); Cohn, Gary (EO 85B30); Gasvoda, Kevin
Sent: Fri Feb 09 14:21:30 2007
Subject: Scratch & dent loan write down \$30mm

Just finished meeting with Bill. \$30mm loss will go into the estimate tonight. There is
 \$300mm of the \$800mm book that controllers needs to do additional work on with the desk,
 but the view is that the amounts are close enough to put the estimate in tonight.

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #2029

From: Gasvoda, Kevin
Sent: Friday, June 08, 2007 11:59 AM
To: Madhavan, Manju (FICC 85B27); Pouraghabagher, Cyrus; Deming, Peter (FICC 85B27); Becker, Lee (FICC 85B27); Pondelik, Miles (FICC 85B27)
Cc: Aberg, Peter (FICC 85B27); Sparks, Daniel L
Subject: RE: Project Omega - Mortgages MTM of Resids (Preliminary)

Good job guys

From: Madhavan, Manju (FICC 85B27)
Sent: Friday, June 08, 2007 11:57 AM
To: Pouraghabagher, Cyrus; Deming, Peter (FICC 85B27); Becker, Lee (FICC 85B27); Pondelik, Miles (FICC 85B27)
Cc: Gasvoda, Kevin; Aberg, Peter (FICC 85B27)
Subject: FW: Project Omega - Mortgages MTM of Resids (Preliminary)

FYI

From: Dagtoglou, Ion
Sent: Friday, June 08, 2007 10:23 AM
To: Madhavan, Manju
Subject: RE: Project Omega - Mortgages MTM of Resids (Preliminary)

Manju, just wanted to thank you and your team for the call today. Roy, Stephan and I in ESSG found it very useful and appreciate the huge amount of work behind the analysis. The pieces are beginning to come together and the deal's just getting interesting.

Ion

From: Brennan, John (IB PBC01)
Sent: Friday, June 08, 2007 11:39 AM
To: Mateusz Szeszkowski; Enrico Grasso; Pla, Carlos (MB PBC04); Campbell, Tim (MB PBC04); Campbell, Roy; Dagtoglou, Ion; Ederer, Matthias; matthew.sebagmontefiore@oliverwyman.com; edward.freeman@freshfields.com; kieran.cooper@kpmg.co.uk; elisa.woods@kpmg.co.uk; andrew.walker@kpmg.co.uk
Cc: henry.brown@oakfieldpartners.com; mike.turner@oakfieldpartners.com; Rafter, John (IB PBC01); Geoghegan, Basil (IB PBC01); Frank, Karen (IB PBC01); Rasmussen, Matthias (IB PBC01); Madhavan, Manju (FICC 85B27); Becker, Lee (FICC 85B27); Deming, Peter (FICC 85B27); Pondelik, Miles (FICC 85B27)
Subject: Project Omega - Mortgages MTM of Resids (Preliminary)

Please find attached the preliminary back-book valuation document. Please note that this is highly preliminary and that the team have a number of questions for [REDACTED] that have not yet been answered.

<< File: 06 Summary of Securitization Valuation.pdf >>

Attached are the strats of the portfolio (These may be too detailed for most people on the call)

<< File: Master Strats.pdf >>

Thanks - John

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2031

From: Sparks, Daniel L
Sent: Monday, January 08, 2007 7:55 AM
To: Gasvoda, Kevin; Gill, Michelle; Aberg, Peter (FICC 85B27)
Subject: Re: Color on the Sub Prime Market

I'm flying back from the (bull-market) cmbs conference. People here are talking about it - it reminds me so much of 98 in cmbs, only worse. I just can't see how any originator is worth a premium.

I'm also a bit scared of accredited and new century, and I'm not sure about taking on a bunch of new exposures.

Is it right that we have an alt a deal with 30 percent delinq?

----- Original Message -----

From: Gasvoda, Kevin
To: Sparks, Daniel L
Sent: Mon Jan 08 07:50:09 2007
Subject: RE: Color on the Sub Prime Market

Intersting, thanks. I need to call Keith, he left me a very nice vmail before the holidays. I'll get more direct color from him but nothing below surprises me.

-----Original Message-----

From: Sparks, Daniel L
Sent: Monday, January 08, 2007 7:28 AM
To: Gasvoda, Kevin
Subject: Fw: Color on the Sub Prime Market

----- Original Message -----

From: Keith Johnson <KJohnson@clayton.com>
To: Sparks, Daniel L
Sent: Sun Jan 07 22:32:46 2007
Subject: FW: Color on the Sub Prime Market

attachments were to big

From: Keith Johnson
Sent: Sunday, January 07, 2007 10:25 PM
To: dan.sparks@gs.com; Kevin Gasdova (kevin.gasdova@gs.com)
Subject: Color on the Sub Prime Market

Dan & Kevin

I want to thank you for all the business in 2006 -- but I want you to also be aware of what we are seeing at this side of the business.

1. Put Backs - I think we are working on over \$7 billion of put backs "at this very moment". A couple of reasons why this has accelerated: First, it is yearend and the auditors are asking lots of questions of mortgage companies and bond funds. Second, we have some weak players who are selling their operations (Option One, Ameriquest, etc.).

We are seeing people holding and buying residuals (from weak shelves) and then hiring us to find reasons to put back delinquent loans -- this enhances their residuals and also

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puts pressure to sell these institutions at lower price.

2. Collection Issues - We are also being hired to review collection notes and histories (Servicing Reviews) looking for errors to create a "Put Back" - the benchmark is collection and foreclosure timelines that exceed the Fannie Mae standards - creating higher loss severities. Clayton does this on all securities it monitors via the Denver (old Murrayhill operations) - you should ask your Florida group to make sure they are on top of this.

Collection time-line is a common problem for sub prime shops that have grown fast and have not kept pace with servicing demands. The breach is that failure to liquidate in a timely manner creates excess servicing advances of principal & interest. These excess advances are great for the holders of the NIM bonds bad for residuals in later years-- during the excess advance residual & "B" piece holders may be valuing their positions to high (because no losses are being realized) -- when the final liquidation of problems occur HUGE loss severity happens and the residual "B" pieces take the hit.

3. Warehouse Lines - Assume you guys are all over any exposure -- we have been all over the country collecting and inventorying collateral on OWNit, MLN and there are some concerns for Ameriquest, ResMae, etc. Several Wall Street firms are doing a tighter control over collateral. We are not seeing fraud, such as selling the loans twice.

4. Look at the Attachements - I am attaching two documents that I think address some of these issues. The larger document has a detailed "Put Back" section that gives you a road map and sample reports we have found helpful in negotiations.

Hope all is well -- again thanks for the business.

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From: Gething, Christopher
Sent: Tuesday, February 27, 2007 9:13 AM
To: Rubanowice, Ron; Trentler, Brandon D.; Braun, Michael; Gilkes, Leon; Winslow, Kurt; Chan, Lincoln
Cc: Kenney, John; Ruiz, Sandra M; Jivrajani, Jayesh; Conk, Brendan; Gasvoda, Kevin; Gill, Michelle; Sparks, Daniel L; Loreen, Kirsten; McHugh, John; Shell, Dave
Subject: Our Expansion

My (our) appreciation to you all for your work in connection with the expansion of the St. Petersburg office which was completed last week. The timing, execution and new technology are tremendous. I think the success was due to the extra hours that you put in. Thank you very much.

Goldman, Sachs & Co.
100 2nd Avenue South | Suite 200 S
Tel: 727.825.3832 | Fax: 212.256.5107
NY Tel: 212.902.1434 | Cell Phone: 516 [REDACTED]
email: christopher.gething@gs.com

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Christopher M. Gething *Goldman Sachs*
Fixed Income Currency and Commodities
Structured Products (Mortgages) Group

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From: Morris, Loren
Sent: Wednesday, March 14, 2007 3:22 PM
To: Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

x-gs-classification: Internal-GS

I like the idea of DQ patterns. I'd like to list all deals of a certain status and use it as an inclusive list for prioritization. Thanks

From: Gasvoda, Kevin
Sent: Wednesday, March 14, 2007 4:17 PM
To: Morris, Loren; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

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Great Loren, thanks. Delinq triggers may be one way to look at it but early deals are going to be so far from triggering I'd prefer, once we clear thru the emergency list, focusing on DQ pattern the first 4 months of a deal.

From: Morris, Loren
Sent: Wednesday, March 14, 2007 12:51 PM
To: Morris, Loren; Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

Kelli informs us that the data is being loaded today for 06 FM 2 and then a sample can be pulled. Working with [REDACTED] on NC2 should not be distracting. Assuming the confidentiality agreement was signed, they can work more closely with Clayton. We're off to other vendors at this point. Bohan in next week.

Results of the Digital Risk review will be provided next Tuesday. Over 2,600 loans were reviewed, a significant amount of those are Long Beach and Fremont seconds. Seconds from FM1 are being re- reviewed internally. Contrary to Clayton's initial review, on average, about 50% of about 200 files look to be repurchase obligations. [REDACTED] is looking at the Long Beach loans that Long Beach rejected repurchase. He is finding fraud that had not initially been alleged. We'll forward those a flow basis to WaMu contact.

Looking to develop a comprehensive deal sheet, perhaps based on delinquency triggers to use for prioritization and status tracking. Envision this centralized in Repurchase Group. Let me know if you have any other questions or comments. Thanks

From: Morris, Loren
Sent: Wednesday, March 14, 2007 11:10 AM
To: Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael
Subject: RE: NC Visit

Kevin, I'll be able to update you shortly. Thank You for sending along this information.

From: Gasvoda, Kevin
Sent: Wednesday, March 14, 2007 10:13 AM
To: Murray, Kelli; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc; Dente, Michael; Morris, Loren
Subject: RE: NC Visit

Yes and thank you regarding 2nd liens, I think priority s/b on Fremont and Long Beach vs. NC on 2nd lien deals. Fremont first since they still have cash but may not for long. Do we have any early returns on Fremont 2nd lien deal scrubs?

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W/ [REDACTED] on NC2 we need to not halt that entirely but should pull back resources there. We should also move 06FM2 up the priority list.

From: Murray, Kelli
Sent: Wednesday, March 14, 2007 10:06 AM
To: Gasvoda, Kevin; Gething, Christopher; Gill, Michelle
Cc: Flamino, Marc
Subject: RE: NC Visit

As you know, we have an extensive re-underwrite review underway on 06 NC2, and also other NC loans in the 2nds deals that are in the pipeline for scrubs. Should we change course at all here given the fact NC can't pay? Keep in mind, we're spending ~ \$250/loan for these scrubs. Please give us some guidance here.

Thanks.

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From: Gasvoda, Kevin
Sent: Tuesday, March 13, 2007 10:45 PM
To: Larson, Erika L.; Gething, Christopher; Murray, Kelli; Gill, Michelle
Cc: Knox, Deana C.; Flamino, Marc
Subject: RE: NC Visit

Good report, thanks. I spoke to [REDACTED], and he was very constructive and wants to be helpful.

Assume they will not be able to buy back any epd's so we need to work w/ them to make sure our loans are getting the epd attention.

Thanks

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From: Larson, Erika L.
Sent: Tuesday, March 13, 2007 9:31 PM
To: Gasvoda, Kevin; Gething, Christopher; Murray, Kelli; Gill, Michelle
Cc: Knox, Deana C.; Flamino, Marc
Subject: RE: NC Visit

On-Site Visit

- Very receptive & accommodating to my visit ([REDACTED] & collection mgmt), in an office w/system access & freedom to come & go and to meet w/department managers
- Overall feeling I received on-site is "normal servicing environment". Per [REDACTED]

+ [REDACTED]

• [REDACTED]

• [REDACTED]

• [REDACTED]

- Also, going to setup details around special call campaign for our FPDs & EPDs
- Investor Acctg/Rpting -
 - Appears issue with the wires coming to GS are due to delays in moving loans into 07-NC1 inv code - loans did not get moved from GS to 07-NC1 until 3/8/07
 - Meeting w/mgr tomorrow afternoon to ensure all loans moved to appropriate investor code for rpting & remitting to Master Servicing going forward.
 - Also need to determine how we want to handle the rpting for the Dec15 group of loans that transferred to [REDACTED] - normally NC should be responsible for 1st rpting since they were servicing as of 2/28.

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

DAILY DELINQUENCY REPORT BY INVESTOR

#133 - Goldman whole loans (Feb28 & Mar5) & dlq securitized loans (Dec28 & Jan30)
#437 - 07 NC1

As of 03/10/07						
	00133		133		00437	
	#	\$	% #	% \$	#	\$
0-30	808	169,890,640	20.35%	21.18%	3,310	685,713,
31-59	303	59,897,913	7.63%	7.47%		
60-89	91	19,215,315	2.29%	2.40%		
90+	20	4,512,134	0.50%	0.56%		
CUR	2,232	423,222,984	56.22%	52.77%	3,374	586,952,
FPD	516	125,248,513	13.00%	15.62%		
Total	3,970	801,987,499	2.40%	2.64%	6,684	1,272,666,

As of 03/12/07						
	00133		133		00437	
	#	\$	% #	% \$	#	\$
0-30	651	137,162,122	16.46%	17.17%	2692	565,147,
31-59	289	57,545,409	7.31%	7.21%	6	1773
60-89	92	19,288,271	2.33%	2.42%	2	161
90+	20	4,512,134	0.51%	0.56%		
CUR	2,498	480,767,979	63.16%	60.20%	3995	706935
FPD	405	99,407,179	10.24%	12.45%		
Total	3,955	798,683,093	2.40%	2.64%	6695	1,274,018,

Let me know if you have any questions or requests.

Thanks.

Erika Larson
Goldman, Sachs & Co
727-825-3844

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From: Gasvoda, Kevin
Sent: Tuesday, March 13, 2007 6:34 PM

To: Larson, Erika L.; Gething, Christopher; Murray, Kelli; Knox, Deana C..
Cc: Flamino, Marc; Gill, Michelle
Subject: RE: NC Visit

Terrific thanks. Since they are not going to pay our epd's we need to have fewer EPD's!
 Pls push them to make the special calls.

thnx

From: Larson, Erika L.
Sent: Tuesday, March 13, 2007 6:30 PM
To: Gething, Christopher; Murray, Kelli; Knox, Deana C..
Cc: Gasvoda, Kevin; Flamino, Marc; Gill, Michelle
Subject: RE: NC Visit

Deana,
 I spoke with the FPD/EPD Collection VP & he can run a special campaign on our EPD loans. I know you're still working on a settlement for the DEC28 trade but it would be beneficial to run these through. He's going to pull the loans he shows as EPD for GS but I would like to compare to our list. Can you send me the loan level for the Dec28 EPD's?
 I'm also having him include the loans from the Jan30 trade that tentative qualify today - they have through Thursday (45 days) to pay.

All,
 I'll send an update on other items regarding my visit later tonight.

Thanks.

Erika Larson
 Goldman, Sachs & Co
 727-825-3844

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From: Gething, Christopher
Sent: Saturday, March 10, 2007 8:45 AM
To: Murray, Kelli; Knox, Deana C..
Cc: Larson, Erika L.; Gasvoda, Kevin; Flamino, Marc; Gill, Michelle
Subject: RE: NC Visit

Thanks Kelli, keep these guys on all email in this regard

From: Murray, Kelli
Sent: Friday, March 09, 2007 9:41 PM
To: Knox, Deana C..
Cc: Gething, Christopher; Larson, Erika L.
Subject: NC Visit

Deana,

We're scheduled for Erika to be on site at NC Tues-Thurs of next week.
 Don't know if you have any EPD needs she can help you with while on site, but to the extent you need anything, we should get together first thing Mon morning.

From: Sparks, Daniel L
Sent: Saturday, March 10, 2007 9:51 AM
To: Gill, Michelle; Gasvoda, Kevin; Flamino, Marc; Dente, Michael
Subject: RE: priorities

What happened on loan bids today

From: Gill, Michelle
Sent: Friday, March 09, 2007 3:01 PM
To: Gasvoda, Kevin; Flamino, Marc; Dente, Michael
Cc: Sparks, Daniel L
Subject: RE: priorities

My updates below

From: Gasvoda, Kevin
Sent: Friday, March 09, 2007 8:52 AM
To: Gill, Michelle; Flamino, Marc; Dente, Michael
Cc: Sparks, Daniel L
Subject: priorities

Just writing what we discussed, let me know what I'm missing:

NOVASTAR (Flamino point)

- Get Stieps on phone w/ their attrny to finalize settlement letter
- Get the \$ today
- Make progress on 2nd claim settlement

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FREMONT (Gasvoda point)

- Push on \$40mm EPD resolution
- Get [REDACTED] letter to trustee, cc'ing Fremont on repurch oblig done today
- Dente to work on servicing amendment and backup plans
- Gasvoda checking to see if resids are for sale

NEW CENTURY (Gasvoda point)

- Close out TPO line
 - Determine if we have possession of all collateral
 - Determine how we make sure sales continue to happen and we trap cash
 - Compliance/legal on desk for 3pm pricing
- TRS resid valuations TODAY (may be near zero)
- Longer term - b/s valuation for DIP possibility
- Give EPD claims filed to Sang for documentation purposes

ACCREDITED (Gill point)

- Bid whole loans today, discuss holdback w/ company - DONE
- Gill to have reality securitization call w/ Accredited - DONE
- Gill to negotiate confi w/ Accredited - HAVE THE CONFI, WE HAVE NOT CLEARED CONFLICTS, DAN WILL CALL YOU
- Get updated Accredited b/s (loan and resid details) to begin valuation work - DON'T THINK WE CAN GET PRIOR TO SIGNING CONFI
- Begin discussions and set plan w/ Cerberus (Dan to confirm)

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From: Chavez, Ed
Sent: Friday, June 29, 2007 10:00 AM
To: Harris, Steve; Wicker, Devin; Nestor, Genevieve; Gill, Michelle; Gething, Christopher; Pohani, Anu N; Peterson, Linda; Ozment, Joseph; Hood, Kris; Annunziata, Michael L.; Shuey, William
Cc: Gallagher, Brian; Winslow, Thomas; Rivera, Jonathan X; Pascual, Alphonse
Subject: Countrywide Investigation Review Update
Attachments: CW Investigation Review 6-27.xls; Chavez, Ed.vcf

We have completed reviews on 43 of the 68 loans that scored between 600 to 699 in Basepoint. We have confirmed fraud on 23 (53.49%) of those reviews representing a total dollar amount of \$16,445,388.40.

The Investigations team received a total of 150 loans to review from this trade and we have completed 125 of those reviews. We have identified fraud in 72 (48%) of the completed reviews which represents a total fraud exposure of \$46,977,184.50.

On the attached spreadsheet, lines 86-153 represent the 68 loans currently being reviewed.

Below are some details regarding the primary misrep/fraud reason.

Bail-out	7
Employment	16
Flip	1
HUD1	1
Income	4
Non-Arms Length	1
Occupancy	1
Other	1
Straw	3
Undisclosed R/E	20
VOD	17

Please advise if you have any questions.

Ed



CW Investigation
Review 6-27.x...

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Sachs

Edward B. Chavez
Fixed Income, Currency & Commodities

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Chavez, Ed.vcf

From: Sparks, Daniel L
 Sent: Monday, March 12, 2007 8:04 AM
 To: Forst, Edward (FIN 85B030)
 Subject: RE: Subprime opportunities

When we buy loans from them, they have obligations to repurchase loans for 2 main reasons:
 (1) EPD - early payment defaults. If the loans don't make the first payment when we own them, they repurchase at par. This takes a while to negotiate and process.
 (2) breach of reps & warranties - biggest one will be fraud (originator, broker, borrower). This will take a while to work through also.
 These claims relate to loans on our books and in securitizations - most where we hold some amount of residual risk.

Settlement occurs either by the originator repurchasing the loans or by the GS giving them a new price for those loans - down 25ish points for example.

The street is aggressively putting things back, like a run on the bank before there is no money left to fulfill the obligations.

We have a \$30mm reserve against the new century stuff, total loss exposure should be \$25mm to \$50mm.

-----Original Message-----

From: Forst, Edward (FIN 85B030)
 Sent: Monday, March 12, 2007 3:46 AM
 To: Sparks, Daniel L
 Subject: Re: Subprime opportunities

Can you tell me just a bit more about "unfilled claims" at New Century?

Thx,
 Ed

----- Original Message -----

From: Sparks, Daniel L
 To: Sparks, Daniel L; Ruzika, Richard; Montag, Tom; Viniar, David; Cohn, Gary; Winkelried, Jon; Sherwood, Michael S; Forst, Edward; Broderick, Craig; Bermanzohn, Fran
 Sent: Sun Mar 11 23:10:21 2007
 Subject: RE: Subprime opportunities

We worked all weekend on investment opportunities relating to accredited, new century and fremont. We are looking at accredited and new century with cerberus, and fremont with jerry ford (and maybe cerberus). All are long-shots. Expect new century to file in next few days, opportunity will be post bk. If we can, we may propose taking some resids to offset epd claims for new century. New century is the one where we are going to get hurt with respect to large unfulfilled claims.

Accredited could be interesting, but they may already have another proposal where they get \$400mm this week in pref equity. They have to move quickly to avoid accounting issues/going concern issue Friday. Fremont is taking initial bids monday, so we will see what happens after they get feedback. We have not done much there yet.

From: Sparks, Daniel L
 Sent: Friday, March 09, 2007 10:51 PM

1

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 Report Footnote #2044

To: Ruzika, Richard; Montag, Tom; Viniar, David; Cohn, Gary (EO 85B30);
Winkelried, Jon (EO 85B30); Sherwood, Michael S; Forst, Edward (FIN 85B030)
Subject: Subprime opportunities

This weekend we are focused on the following:

(1) Accredited - will look at investment opportunity with Cerberus. GS team includes PIA, IBD and Mortgages. Sounds like another group is considering injecting \$400mm of convertible preferred capital into Accredited as early as mid-next week. Accredited needs capital by end of week or it will trip covenants.

(2) Fremont - Gerry Ford looking, we will try to tag along and are trying to get Cerberus included. Indicative bids for the company are due Monday. IBD and Mortgages.

(3) New Century - they are in worst shape, Cerberus is looking at something and may include us, but we don't think there is much there. GS is considering making proposals on buying/financing resids that could give them some cash and allow us to offset EPD (unsecured) claims they owe us.

Things are very preliminary, and if/when we get anything close to real we will reach out to you.

We also continue to look at asset purchase opportunities - alone, with C-BASS, or maybe with others.

From: Gething, Christopher
Sent: Sunday, April 15, 2007 11:21 AM
To: Winslow, Thomas; Gallagher, Brian; Morris, Loren; Cassidy, John
Cc: Gill, Michelle; Gasvoda, Kevin; Flamino, Marc; Hemphill, Lee; Katz, Brian; Bricker, Craig T
Subject: FW: March 2007 Counterparty Surveillance
Attachments: Goldman_March 2007 Counterparty Surveillance.XLS

John, pls have the above included in the monthly sends and to Tom and Brian, this is the monthly review of our counterparties that we need to factor into your efforts. To Credit, similarly we use this to monitor issues that pop up

From: Tallman, David [mailto:DTAllman@tpw.com]
Sent: Friday, April 13, 2007 6:32 PM
To: Tallman, David; john.cassidy@goldman.com; christopher.getting@goldman.com; Altarescu, Howard; Pohani, Anu N; joseph.durso@ny.email.gs.com; Marks, Aaron D.; Murray, Kelli; Gill, Michelle; Vargas, Jessica J.
Cc: Ornstein, Stephen F.; Yoon, Matthew S.; Holahan, John P.
Subject: March 2007 Counterparty Surveillance

Please find attached the March counterparty surveillance report (and boy, is it a doozy). Please call us at [REDACTED] if you have any questions.

Thanks,
David

David A. Tallman

Thacher Proffitt & Wood LLP
1700 Pennsylvania Avenue, Suite 800
Washington, DC 20006
Ph: (202) 626-5640
Fax: (202) 626-1930
dtallman@tpw.com

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From: Sparks, Daniel L
Sent: Wednesday, March 21, 2007 1:56 PM
To: Montag, Tom
Subject: RE: FYI....

We did a good job cutting this down - our current number is about \$300mm, none of which is to new century (we closed them out and took the loans).

Separately, our credit exposures are to new century, fremont and others and related to epd and other put back claims. About 2/3 of these loans are in deals where we own 50-100% of the resids - so the risk is not dollar for dollar. Gasvoda thinks our reserves are adequate.

-----Original Message-----

From: Montag, Tom
Sent: Wednesday, March 21, 2007 12:10 PM
To: Sparks, Daniel L
Subject: Fw: FYI....

What r our equiv numbers

----- Original Message -----

From: Viniar, David
To: Cohn, Gary (EO 85B30); Sparks, Daniel L; Ruzika, Richard; Montag, Tom
Sent: Wed Mar 21 12:06:34 2007
Subject: FW: FYI....

I like our position better

From: Andrews, John G
Sent: Wednesday, March 21, 2007 12:01 PM
To: Broderick, Craig
Cc: Viniar, David; Kennedy, Heather
Subject: FYI....

MS said on their call that they have \$5.2 billion funding commitments to sub prime, of which \$2.3 billion has been funded. Also said they had \$2.5 billion funded to New Century.....

From: Gill, Michelle
Sent: Friday, August 10, 2007 7:06 PM
To: Montag, Tom; Mullen, Donald
Cc: Viniar, David; Sparks, Daniel L; Gasvoda, Kevin
Subject: Fremont - Incremental Information

Tom / Don,

As per your voicemails, please find below the information requested

- (1) Amount of exposure to Fremont via unsold allotments
- (2) Need for sticker
- (3) Fremont's repurchase claim relative to amount purchased / other sellers

The below represents unsold allotments where Fremont collateral is a substantial portion of the transaction:

In total across investment grade and non-investment grade, we have approximately \$102mm of exposure of unsold allotments (most of which is in NIM / residual form)

Unsold Allotments

Bonds	Position Size	Price (as of 8/10/07)	% Fremont	Exposure
GSAMP 2007-FM2 (B1)	14,524,000		15.00	100%
GSAMP 2007-FM2 (B2)	14,023,000		8.00	100%
FHLT 2006-E (M9)	18,609,000		17.00	100%
GSAMP 2006-S3 (M7)	9,885,000		0.00	54.0%
GSAMP 2006-S5 (M6)	7,278,000		0.00	58.0%
GSAMP 2006-S5 (B1)	6,451,000		0.00	58.0%
GSAMP 2006-S5 (B2)	5,624,000		0.00	58.0%
GSAMP 2006-S6 (M7) *	5,844,000		0.00	0.5%
GSAMP 2006-S4 (B2) **	8,809,000		0.00	2.0%
FHLT 2006-B (SLM8)	2,034,000		0.00	100.0%
FHLT 2006-B (SLM9)	2,282,000		0.00	100.0%
Total				

* Percentage Fremont is less than 10%

** Percentage Fremont is less than 10% however Fremont is a named originator in this deal

NIMS and RESIDS

DEAL	M5 NAME	%owned	MV (as of 8/10/07)	% Fremont
GSAA 2004-3 and GSAA 2004-5	GSAA 04NIM2 CERT		100%	2,850,000
GSAMP 2003-FM1	GSAMP 03FM1 X		51%	0
GSAMP 2004-FM1	GSAMP 04FM1 NRES		19%	0
GSAMP 2004-FM2	GSAMP 04FM2 NRES2		70%	0
GSAMP 2005-HE1	GSAMP 05HE1 N R		70%	2,625,760
GSAMP 2005-HE3	GSAMP 05HE3 NRES		70%	6,000,000
GSAMP 2005-HE4	GSAMP 05HE4 N1		21%	3,628,497
GSAMP 2005-HE4	GSAMP 05HE4 N2		100%	6,500,098
GSAMP 2005-HE4	GSAMP 05HE4 NRES		70%	1,500,000
GSAMP 2005-HE6	GSAMP 05HE6 NRES		70%	0
GSAMP 2006-FM1	GSAMP 06FM1 N1		39%	293,108
GSAMP 2006-FM2	GSAMP 06FM2N N1		9%	634,300
GSAMP 2006-FM2	GSAMP 06FM2N N2		100%	1,432,200
GSAMP 2006-FM3	GSAMP 06FM3N N2		97%	532,700
GSAMP 2006-S3	GSAMP 06S3 P		100%	924,542
GSAMP 2006-S3	GSAMP 06S3 P		100%	924,542
GSAMP 2006-S4	GSAMP 06S4 X		100%	4,667,216
GSAMP 2006-S4	GSAMP 06S4 P		100%	838,440

1

Permanent Subcommittee on Investigations
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GSAMP 2006-S5	GSAMP 06S5 P	100%	425,976
GSAMP 2006-SD1	GSAMP 06SD1 X	100%	1,000,000
GSAMP 2006-SD3	GSAMP 06SD3 X	100%	1,000,000
GSAMP 2007-FM1	GSAMP 07FM1N N2	100%	2,425,500
GSAMP 2007-FM1	GSAMP 07FM1N N3	100%	875,560
GSAMP 2007-FM2	GSAMP 07FM2 N1	100%	14,811,159
GSRPM 2006-2	GSRPM 062 X	100%	1,606,293
Total			95,826,451

Tom, in answer to your question, the repurchase claims and disclosure about our potential are separate issues

The question is whether an investor in bonds backed by Fremont collateral would view Goldman's potential investment in Fremont as material.

We have the disclosure drafted and are walking it around to the investment team and will confirm with Fremont / Jerry Ford's team that they are comfortable with verbiage

The external parties are comfortable in concept, but need to see the verbiage, pending your sign off conceptually on disclosing our potential investment

I have included the disclosure below:

In connection with the proposed minority investment by the Investor Group, an affiliate of the sponsor and Fremont General have reached an agreement in principle pursuant to which such affiliate of the sponsor will acquire a minority equity interest in Fremont General representing approximately 9.1% of the common stock of Fremont General Corporation upon conversion of certain convertible preferred shares and exercise of warrants to be purchased in the transaction. The consummation of the stock purchase is subject to bank regulatory approvals as well as customary closing conditions.

In terms of repurchase claims on Fremont collateral relative to our purchases, please find summarized below:

We have been told by Jerry's team that our claims represent 3 - 4 times the next nearest counterparty (and we were not the largest purchaser)

Fremont represents the largest counterparty to whom we have claims

I have included Long Beach as a comparison as they are the next largest counterparty (and we have also bought second liens from them; a large portion of our repurchase claims have been from second lien collateral)

We are in process of the scheduling a meeting with Fremont to discuss the repurchase claims, we have discussed the week of August 20th, hope to have confirmed by end of day today (Friday) or early next week

Bucket	Original Balance	90+ Balance (6/30/07)	Initial Scrub	Completed S
Whole Loan Sales	\$15,733,189.00	\$ 209,144	\$ 209,144	
GSAMP 05HE1 R	\$412,365,287.94	\$ 21,697,495	\$ 1,883,000	\$
GSAMP 05HE3 R1	\$279,031,942.50	\$ 20,593,900	\$ 384,000	
GSAMP 05HE4 R1	\$707,339,913.90	\$ 66,318,897		
GSAMP 05HE6 R1	\$133,105,730.00	\$ 20,988,277	\$ 17,624,327	\$ 4,
GSAMP 05SEA1 R1	\$218,400.00	\$ 218,400	\$ 218,400	
GSAMP 06FM1 R	\$895,892,074.60	\$ 280,312,175	\$ 192,204,928	\$ 192,
GSAMP 06FM2 R	\$966,808,111.10	\$ 135,959,787	\$ 29,472,196	\$ 29,
GSAMP 06FM3 R	\$718,560,453.10	\$ 62,199,446		
GSAMP 06HE3 R	\$102,013,313.00	\$ 20,627,303		
GSAMP 06S3 R	\$267,743,130.95	\$ 70,248,154	\$ 64,403,134	\$ 33,
GSAMP 06S4 R	\$14,952,241.00	\$ 4,770,767	\$ 4,032,112	\$
GSAMP 06S5 R	\$195,234,799.15	\$ 54,358,487	\$ 48,046,817	\$ 14,
GSAMP 06S6 R	\$1,862,590.00	\$ 1,154,680	\$ 1,066,890	\$
GSAMP 06SD1 R1	\$5,970,312.17	\$ 1,615,359	\$ 1,615,359	\$
GSAMP 06SD2 R	\$9,615,718.00	\$ 4,669,068	\$ 3,604,528	\$
GSAMP 06SD3 R	\$24,591,275.00	\$ 14,036,369	\$ 10,181,104	\$
GSAMP 06SEA1 R	\$2,077,500.00	\$ 1,212,100	\$ 996,350	
GSAMP 07FM1 R	\$688,635,538.80	\$ 55,793,129		
GSAMP 07FM2 R	\$967,588,764.00	\$ 57,435,552		
GSAMP 07HE2 R	\$2,238,000.00	\$ 1,655,500		
GSAMP 07SEA1 R	\$8,893,864.00	\$ 4,331,385	\$ 1,959,185	\$
GSRPM 061 R	\$1,100,060.00	\$ 527,160		

GSRPM 062 R	\$8,426,230.00	\$ 4,907,702		
GSRPM 071 R	\$17,439,303.00	\$ 13,052,685		
Whole Loan	\$1,347,423,432.88	\$ 127,364,744	\$ 1,811,345	\$ 1,
Grand Total	\$7,794,861,174.09	\$1,046,257,664.07	\$379,712,819.00	\$278,631
		13.42%	36.29%	

*GSAMP 2006-FM1 has a compliance issue with current loans = total balance of \$113 mm

LONG BEACH / WASHINGTON MUTUAL

Deal	Orig Balance	90+ Bal (6/30/07)	Initial Scrub	Completed Scrub
Whole Loan Sales	\$ 668,650	\$ 668,650		
GSAMP 05S2 R	\$ 438,796,866	\$ 17,427,761		
GSAMP 05SEA1 R1	\$ 99,800	\$ 52,200	\$ 52,200	
GSAMP 06S1 R	\$ 518,392,557	\$ 80,949,869	\$ 38,481,705	\$ 11,6
GSAMP 06S3 R	\$ 175,750,380	\$ 49,238,672	\$ 44,615,104	\$ 25,4
GSAMP 06SD1 R1	\$ 2,207,191	\$ 1,218,611	\$ 973,800	\$ 8
GSAMP 06SD2 R	\$ 180,938,903	\$ 95,705,802	\$ 86,269,514	\$ 5,8
GSAMP 06SD3 R	\$ 6,504,536	\$ 3,883,173	\$ 3,573,173	\$ 1,6
GSAMP 06SEA1 R	\$ 37,332,617	\$ 14,674,900	\$ 12,466,885	\$ 2
GSAMP 07SEA1 R	\$ 1,329,443	\$ 72,980		
GSRPM 061 R	\$ 759,300	\$ 30,000		
GSRPM 062 R	\$ 3,401,919	\$ 2,181,896	\$ 2,156,696	\$ 1
GSRPM 071 R	\$ 5,485,349	\$ 1,896,281		
LBMLT 06WL1 R	\$ 1,907,889,166	\$ 242,582,450		
whole loan	\$ 337,661,479	\$ 77,186,960		
Grand Total	\$ 3,617,218,156	\$ 587,770,204	\$ 188,589,077	\$ 45,8
		16.25%	32.09%	

Let me know if you would like any additional information
Thanks mg

Goldman, Sachs & Co.
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**Goldman
Sachs**

Michelle Gill
Managing Director
Fixed Income, Currency & Commodities
Structured Products Group

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From: Bell, Janet
Sent: Monday, June 25, 2007 3:47 PM
To: Knox, Deana C.; Pohani, Anu N; Morris, Loren
Cc: Berger, Ann; Gasvoda, Kevin; Gill, Michelle; Sparks, Daniel L
Subject: RE: Option One

Great Job

From: Knox, Deana C.
Sent: Monday, June 25, 2007 2:51 PM
To: Bell, Janet; Pohani, Anu N; Morris, Loren
Cc: Berger, Ann
Subject: Option One

Option One has agreed to settle the entire claim, paying \$2.5M (repurchase and monitor) and \$3M will be rescinded. Putting all the pieces together now, expect funding early next week.

Let me know if you have questions.

Goldman Sachs & Co.
100 2nd Avenue South | Suite 200N |
St. Petersburg, FL 33701
Ph: 727-825-3809 | Fax: 727-825-3821
email: deana.knox@gs.com

Deana C. Knox - Vice President
Fixed Income Currency and Commodities

**Goldman
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From: Morris, Loren
Sent: Thursday, June 07, 2007 12:29 PM
To: Gething, Christopher
Subject: FW: WFALT 05-2 Repurchase demand

FYI

-----Original Message-----

From: Moliski, William
Sent: Thursday, June 07, 2007 12:26 PM
To: Gill, Michelle; Morris, Loren
Cc: Nestor, Genevieve; Parkinson, David; Liepold, Christina; Hernandez, Sarah; Herrera, Lina M.
Subject: RE: WFALT 05-2 Repurchase demand

I had a conversation with Brad Davis at Wells last night concerning this issue. In the past, we have bought loans from a counterparty and then subsequently securitized them off the issuers shelf. To do this, we had them deposited into the trust by the shelf's depositor (in this case, Wells Fargo Mortgage). When that happens, the trade is considered a whole loan purchase by us, we have an MLPA, do 25% due diligence, close the trade and then effect the transfer back to the depositor by way of a transfer agreement, similar to the ones used for GSMC - GSMSC. In this case, we get a full set of reps and warranties as part of the whole loan trade and then the depositor makes reps and warranties to the trust. We would be able to demand repurchase in the event of a breach under the MLPA

However, normally, when we do 'underwritings', we generally just buy the AAAs, never accept ownership of the loans, do minimal due diligence, and get no MLPA reps/warrants. The depositor once again makes the reps and warranties, but we don't have any ability to demand breach.

With respect to this trade, we did 25% due diligence, stipped the MLPA as the governing document, but have no documentation of a MLPA signature page or any transfer agreements. Also, we bought the entire capital structure, including the resid (and took 100% structuring risk).

From Brad's view, the MLPA stip was a mistake on their part, but because there is no MLPA signature page, it is a moot point. Also, the lack of transfer agreements mean we never took possession of the loans. Therefore, this was an underwriting, there is no MLPA (or associated reps and warranties), the only reps that are germane are the ones made to the trust by the depositor

-----Original Message-----

From: Gill, Michelle
Sent: Thursday, June 07, 2007 11:16 AM
To: Morris, Loren
Cc: Nestor, Genevieve; Moliski, William; Parkinson, David; Liepold, Christina; Hernandez, Sarah; Herrera, Lina M.
Subject: RE: WFALT 05-2 Repurchase demand

Couple of questions

- (1) When we buy loans, don't we typically assign the reps into the trust?
- (2) If the answer to the above is no, I'd like to understand why
- (3) Definitionally, then shouldn't the whole loan document and the securitization document be one and the same

Thanks mg

-----Original Message-----

From: Morris, Loren

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #2054

Sent: Thursday, June 07, 2007 12:14 PM
To: Gill, Michelle
Subject: FW: WFALT 05-2 Repurchase demand

Michelle, I could use your help on this issue. Attached is the email chain that indicates the discussion surrounding which was the controlling document. It was determined to be the whole agreement and we ran with it.

At this point, now that we have Wells asserting that it is not, but is the PSA, which affords us no useable reps and warranties, we seem to be waffling on our opinion. I don't know if legal was involved, but, perhaps they should be now to settle this once and for all. Thanks

-----Original Message-----

From: Parkinson, David
Sent: Thursday, June 07, 2007 11:58 AM
To: Morris, Loren
Subject: FW: WFALT 05-2 credit watch discussion

David Parkinson
Goldman, Sachs & Co.
100 2nd Ave. South, Suite 200S
St. Petersburg, FL 33701
Phone: (727) 825-3807
Fax: (212) 428-3600
Email: David.Parkinson@GS.com

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-----Original Message-----

From: Moliski, William
Sent: Monday, May 07, 2007 2:36 PM
To: Jordanov, Nasko; Parkinson, David; Nestor, Genevieve; Liepold, Christina; Gething, Christopher; Carter, Lauren; Murray, Kelli; Maglio, Robert
Cc: Deliiska, Asseneta N.
Subject: RE: WFALT 05-2 credit watch discussion

As Genevieve mentioned, these are the flow Wells agreements in place in October 2005.

-----Original Message-----

From: Jordanov, Nasko
Sent: Monday, May 07, 2007 2:36 PM
To: Parkinson, David; Nestor, Genevieve; Liepold, Christina; Gething, Christopher; Carter, Lauren; Murray, Kelli; Maglio, Robert
Cc: Moliski, William; Deliiska, Asseneta N.
Subject: RE: WFALT 05-2 credit watch discussion

Assya, you were managing the trade from the Finance side. Please advise if you can help to get the deal docs with the R&W.

I checked my email and could not find any R&W doc.

Thank you!

Nasko Jordanov
Goldman, Sachs & Co
85 Broad Street, 27th floor
New York, NY 10004
Phone: (212) 357 6641
Fax: (212) 493 0452
E-mail: Nasko.Jordanov@gs.com

-----Original Message-----

From: Parkinson, David
Sent: Monday, May 07, 2007 1:13 PM
To: Nestor, Genevieve; Liepold, Christina; Gething, Christopher; Carter, Lauren; Murray, Kelli; Maglio, Robert; Jordanov, Nasko
Cc: Moliski, William
Subject: RE: WFALT 05-2 credit watch discussion

It looks like Nasko Jordanov worked on this deal as the Transaction Manager.

Nasko,
Do you by chance have or now where the agreements for this deal are? Will you double check your emails because I know you save everything and you have it there if you were ever copied on them. We are looking for the agreements with Reps and Warrants.

David Parkinson
Goldman, Sachs & Co.
100 2nd Ave. South, Suite 200S
St. Petersburg, FL 33701
Phone: (727) 825-3807
Fax: (212) 428-3600
Email: David.Parkinson@GS.com

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-----Original Message-----

From: Nestor, Genevieve
Sent: Monday, May 07, 2007 1:07 PM
To: Liepold, Christina; Gething, Christopher; Carter, Lauren; Parkinson, David; Murray, Kelli; Maglio, Robert
Cc: Moliski, William
Subject: RE: WFALT 05-2 credit watch discussion

It was a loan purchase. Same as any other loan purchase in terms of what Wells represents (from breach of rep/warranty perspective).

-----Original Message-----

From: Liepold, Christina
Sent: Monday, May 07, 2007 1:05 PM
To: Nestor, Genevieve; Gething, Christopher; Carter, Lauren; Parkinson, David; Murray, Kelli; Maglio, Robert
Cc: Moliski, William
Subject: RE: WFALT 05-2 credit watch discussion

WLEG doesn't handle these types of deals- I will reach out to finance.

-----Original Message-----

From: Nestor, Genevieve
Sent: Monday, May 07, 2007 1:03 PM
To: Gething, Christopher; Liepold, Christina; Carter, Lauren; Parkinson, David; Murray, Kelli; Maglio, Robert
Cc: Moliski, William
Subject: RE: WFALT 05-2 credit watch discussion

Some combination of finance and WLEG must have it. I have the bid slips we sent with the original trade (entered into on Sept 20, 2005) but they don't mention breach of rep or warranty reps.

-----Original Message-----

From: Gething, Christopher
Sent: Monday, May 07, 2007 12:50 PM
To: Nestor, Genevieve; Liepold, Christina; Carter, Lauren; Parkinson, David; Murray, Kelli; Maglio, Robert
Cc: Moliski, William
Subject: RE: WFALT 05-2 credit watch discussion

Do we have a contract for the whole loans ? We must have reps we can process on

-----Original Message-----

From: Nestor, Genevieve
Sent: Monday, May 07, 2007 11:40 AM
To: Liepold, Christina; Carter, Lauren; Parkinson, David; Murray, Kelli; Gething, Christopher; Maglio, Robert
Cc: Moliski, William
Subject: RE: WFALT 05-2 credit watch discussion

Bill would be point person on what is in the securitization documents. For this deal we purchased loans from Wells but agreed to securitize off of their shelf with GS holding on to the residual and any unsold allotments of bonds.

-----Original Message-----

From: Liepold, Christina
Sent: Monday, May 07, 2007 11:26 AM
To: Carter, Lauren; Parkinson, David; Murray, Kelli; Gething, Christopher; Nestor, Genevieve; Maglio, Robert
Subject: RE: WFALT 05-2 credit watch discussion

Who is Finance handles these/ Who can we go to with questions?

-----Original Message-----

From: Carter, Lauren
Sent: Monday, May 07, 2007 11:22 AM
To: Parkinson, David; Murray, Kelli; Liepold, Christina; Gething, Christopher; Nestor, Genevieve; Maglio, Robert
Subject: RE: WFALT 05-2 credit watch discussion

They are in the folder on the repurchase drive. Please review, maybe I am missing something.

Lauren

-----Original Message-----

From: Parkinson, David
Sent: Monday, May 07, 2007 11:15 AM
To: Carter, Lauren; Murray, Kelli; Liepold, Christina; Gething, Christopher; Nestor, Genevieve; Maglio, Robert
Subject: RE: WFALT 05-2 credit watch discussion

Although there may be no specific Whole Loan reps from a purchase, aren't there reps that are made to the trust when it is securitized? How do we get copies of those agreements?

David Parkinson
Goldman, Sachs & Co.
100 2nd Ave. South, Suite 200S
St. Petersburg, FL 33701
Phone: (727) 825-3807
Fax: (212) 428-3600
Email: David.Parkinson@GS.com

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-----Original Message-----

From: Carter, Lauren
Sent: Monday, May 07, 2007 11:09 AM
To: Murray, Kelli; Liepold, Christina; Gething, Christopher; Parkinson, David; Nestor, Genevieve; Maglio, Robert
Subject: RE: WFALT 05-2 credit watch discussion

Based on the documents that I have been given. We do not have a fraud rep, or any type of credit/underwriting reps. Please provide any additional information you have.

Thanks

Lauren

-----Original Message-----

From: Murray, Kelli
Sent: Friday, May 04, 2007 2:13 PM
To: Liepold, Christina; Gething, Christopher; Parkinson, David; Morris, Loren; Gething, Christopher; Shuey, William; Winslow, Thomas; Carter, Lauren; Gallagher, Brian
Subject: FW: WFALT 05-2 credit watch discussion

Christina - yesterday in our meeting we questioned the fact as to whether or not we have the right to putback loans in the above deal since we did not buy the loans and were not the Issuer. Per the below msg, Genevieve states as resid holder we do have the right to putback these loans (Lauren still needs to review the loan level detail from Bohan). If Lauren identifies a population to putback, do you have the applicable agreement to reference? I thought Lauren had said she couldn't find the reps, so thought you may not have the Purch Agmt.

Pls let me know.

Thanks.

-----Original Message-----

From: Maglio, Robert
Sent: Friday, May 04, 2007 1:00 PM
To: Carter, Lauren; Murray, Kelli
Subject: RE: WFALT 05-2 credit watch discussion

Lauren,

Genevieve stated we are the Resid holder for these loans and have the right to put loans back for breaches. If possible Genevieve would like to touch base on Monday to discuss which loans we feel are put back opportunities.

Kelli,

I have reached out to Wells to discuss Special call campaigns around this deal. They are coordinating a call for later today or Monday to discuss. Thanks

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-----Original Message-----

From: Carter, Lauren
Sent: Friday, May 04, 2007 9:38 AM
To: Murray, Kelli; Maglio, Robert
Subject: Re: WFALT 05-2 credit watch discussion

I have not had a chance to review could we post pone til monday? Can we get confirmation on what our rights are?

Thanks

Lauren

----- Original Message -----

From: Murray, Kelli
To: Maglio, Robert; Carter, Lauren
Sent: Fri May 04 09:16:26 2007
Subject: Re: WFALT 05-2 credit watch discussion

Be careful here when giving this info to tje RA. There were conversations yesterday on this deal and seems were still unclear if GS has the right to putback since we did not purchase the loans.

What is the OC left on this deal vs. The dlq pipeline?

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Maglio, Robert
To: Carter, Lauren
Cc: Murray, Kelli
Sent: Fri May 04 09:07:03 2007
Subject: RE: WFALT 05-2 credit watch discussion

Lauren Good Morning,

Can you give me any color on these 60 loans that are in the scrub pipeline? All are either in FC or REO. I have a call with finance at 11 today? Are you available to join

in on the call?

Wondering if any of them are good possibilities for put backs? Thanks

<<Book16.xls>>

From: Carter, Lauren
Sent: Wednesday, May 02, 2007 6:07 PM
To: Maglio, Robert
Cc: Murray, Kelli
Subject: RE: WFALT 05-2 credit watch discussion

Bohan has completed the review, however we do not have a repurchase manager assigned to it. I can have someone review the deal, and I can look at the reports. Remember we have some issues here. 1) no fraud reps, 2) we bought the bonds not the loans

Lauren

From: Maglio, Robert
Sent: Wednesday, May 02, 2007 5:04 PM
To: Carter, Lauren
Cc: Murray, Kelli
Subject: FW: WFALT 05-2 credit watch discussion

Lauren,

Just spoke with Aduke regarding this deal. Where is Bohan in regards to the scrub?

Kelli,

Aduke wants to do a call Friday to discuss this deal. I will gather info.

Thanks

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From: Thelwell, Aduke H.
Sent: Wednesday, May 02, 2007 4:51 PM
To: Maglio, Robert
Subject: WFALT 05-2 credit watch discussion

Rob, the WFALT 05-2 that we underwrote has been placed on credit watch. Are you available for a quick internal call on this deal and what cooperation/focus we need from Wells?

Please let me know if you're available tomorrow at 11am.

From: Nestor, Genevieve
Sent: Thursday, April 26, 2007 11:03 AM
To: Moliski, William; Wicker, Devin; Meinders, Kelly
Subject: RE: Daily rating change report (Apr 25, 2007)

[T-Mail]

We need to start working on this deal with Wells - Rob has been doing work on it but we need to elevate to Wells' attention. Bill can you coordinate an internal call with Rob Maglio, Morgan and us?

Thanks

From: Moliski, William
Sent: Thursday, April 26, 2007 11:59 AM
To: Nestor, Genevieve; Wicker, Devin; Meinders, Kelly
Subject: FW: Daily rating change report (Apr 25, 2007) [T-

Mail]

WFALT 05-2 is on negative watch

From: Choi, Woo J.
Sent: Thursday, April 26, 2007 8:47 AM
To: 'T-Mail Subscribers'
Subject: Daily rating change report (Apr 25, 2007) [T-

Mail]

** INTERNAL USE ONLY **

April 25, 2007 rating changes:

**Redacted by the
Permanent Subcommittee on Investigations**

MEMORANDUM



To: Members of the Mortgage Capital Committee

From: Martha Rocha / Kenneth Lakra

Date: 2/2/2007 8:13:56 pm

Re: Agenda for Monday, February 5, 2007

Date: Monday, February 5, 2007
 Time: 01:00pm NY time
 Location: 85 Broad / 27A in New York
 Bridge Number: 212-902-0990

The following is a list of transactions scheduled for review on Monday, February 5, 2007:

1.

2.

**Redacted by the
Permanent Subcommittee on Investigations**

3.

4. GSAMP 2007-FM2

Goldman Sachs to securitize approximately \$1,008 million of subprime mortgage loans purchased by Goldman Sachs Mortgage Company from Fremont Investment and Loan. The securitization is scheduled to be completed by February 21, 2007, and will utilize a senior/subordinated OC structure.

Memo Delivery Status: To Follow

Contacts: Kelvin Teo x2-9063, Leland Ivy x7-8049

5. GSAA Home Equity Trust 2007-3

Goldman Sachs to securitize approximately \$1.3 billion of Alt-A type, hybrid, first lien mortgage loans. Goldman Sachs Mortgage Company purchased the Mortgage Loans from GS Mortgage Conduit (30.88%), GreenPoint (28.54%), Countrywide (20.02%), FNBN (10.84%) and Indymac (9.72%) between April 2006 and January of this year. The securitization is scheduled to close on February 23 with a first distribution in March and will likely utilize an OC structure.

Memo Delivery Status: To Follow

Contacts: Bill Moliski: 2-4668, Aaron Marks: 2-7884

6. Residual Portfolio Update Presentation

Memo Delivery Status: Enclosed

Contacts: Jared Erbst x7-1701, Asseneta Deliiska x7-8179

**Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2056**

Mortgage Capital Committee Memorandum

[\$1,007,881,000] (approximate)

GSAMP Trust 2007-FM2

Mortgage Pass Through Certificates, Series 2007-FM2

Features of the Transaction

- On December 28, 2006 we purchased approximately \$1,030 million of subprime, first lien, second lien, fixed and adjustable rate residential mortgages originated and serviced by Fremont Investment and Loan ("Fremont").
- This offering consists of approximately \$[1,008] million of bonds expected to be rated by S&P and Moody's. The offering is expected to consist of approximately \$[799] million of AAA/Aaa rated securities, \$[209] million of AA+/Aa1 down to BB/Ba2 rated securities, a Net Interest Margin ("NIM") Security (issued separately) and a Residual Security.
- It is expected that there will be 22.40% credit support for the AAA rated securities in this transaction.
- The deal is expected to contain a swap agreement which will be available to pay Basis Risk Carry Forward Amounts for the entire offering.
- Expected profit will be approximately \$1.25 million for this transaction.

Preliminary Collateral Characteristics

Total Outstanding Principal Balance:	\$1,030,027,300
Number of Mortgage Loans:	4,463
Average Principal Balance of the Mortgage Loans:	\$230,793
Weighted Average Annual Mortgage Interest Rate:	8.42%
Weighted Average Stated Maturity (months):	357
Weighted Average Seasoning (months):	2
Weighted Average Original Loan-To-Value Ratio:	77.13%
Weighted Average Combined Original Loan-To-Value Ratio:	86.84%
Weighted Average FICO:	628
Owner Occupied:	93.43%
Purchase:	33.54%
1 st Lien:	94.39%
Silent Seconds:	5.22%
Condos:	4.45%
Single-Family and PUD:	86.12%
Full Documentation:	62.30%
Interest Only:	5.10%
	CA: 27.48%
	FL: 13.18%
Geographic Distribution:	NY: 10.04%
	10.21%
40 Year Loans:	

Residual

- Goldman plans on monetizing the residual through a NIM transaction. The expected market value of the NIM security will be approximately \$33.5 million.
- The market value of the post NIM residual will be approx. \$12.9 million for this transaction which Goldman will retain at an expected after loss yield of 18%. It is expected that at the end of February, the total residual position held for investment will be:

Product	\$mm
Prime/Hybrid	\$153.0
Alt-A	\$190.0
Subprime	\$216.0
Seconds	\$70.0
Scratch & Dent	\$54.0
Total	\$683.0

Key Terms and Counterparts

Issuer:	GSAMP Trust 2007-FM2
Underwriter:	Goldman, Sachs & Co.
Depositor:	GS Mortgage Securities Corp.
Trustee:	Deutsche Bank
Custodian:	Deutsche Bank
Issuance Type:	Public
Tax Treatment:	REMIC
Structure:	Senior/Subordinate OC Structure
Rating Agencies:	S&P and Moody's
Counsel:	Cadwalader Wickersham & Taft
Accountants:	Ernst & Young
Originator:	Fremont Investment and Loan
Master Servicer:	[Wells Fargo Bank]
Servicer:	Fremont Investment and Loan
Issuer:	GSAMP Trust 2007-FM2

Time Table

Expected Settlement:	February 22, 2007
Cut-off Date:	February 1, 2007
First Distribution Date:	March 26, 2007
Distribution Date:	25 th or next business day

Expected Structure

	Exp. Rating (S&P/Moody's)	Exp. Credit Support	Expected Size	Expected Bond Balance (\$)
	AAA/Aaa	[22.40]%	[77.60]%	\$799,301,185
	AA+/Aa1	[18.65]%	[3.75]%	\$38,626,024
	AA/Aa2	[15.15]%	[3.50]%	\$36,050,956
	AA-/Aa3	[13.10]%	[2.05]%	\$21,115,560
	A+/A1	[11.35]%	[1.75]%	\$18,025,478
	A/A2	[9.60]%	[1.75]%	\$18,025,478
	A-/A3	[7.95]%	[1.65]%	\$16,995,450
	BBB+/Baa1	[6.40]%	[1.55]%	\$15,965,423
	BBB/Baa2	[5.00]%	[1.40]%	\$14,420,382
	BBB-/Baa3	[3.95]%	[1.05]%	\$10,815,287
	BB+/Ba1	[3.15]%	[0.80]%	\$8,240,218
	BB/Ba2	[2.15]%	[1.00]%	\$10,300,273
	OC (fully funded)	n/a	[2.15]%	\$22,145,587
	NIM Security	n/a	n/a	\$33,475,000
	Total Post NIM Residual	n/a	n/a	\$12,875,000

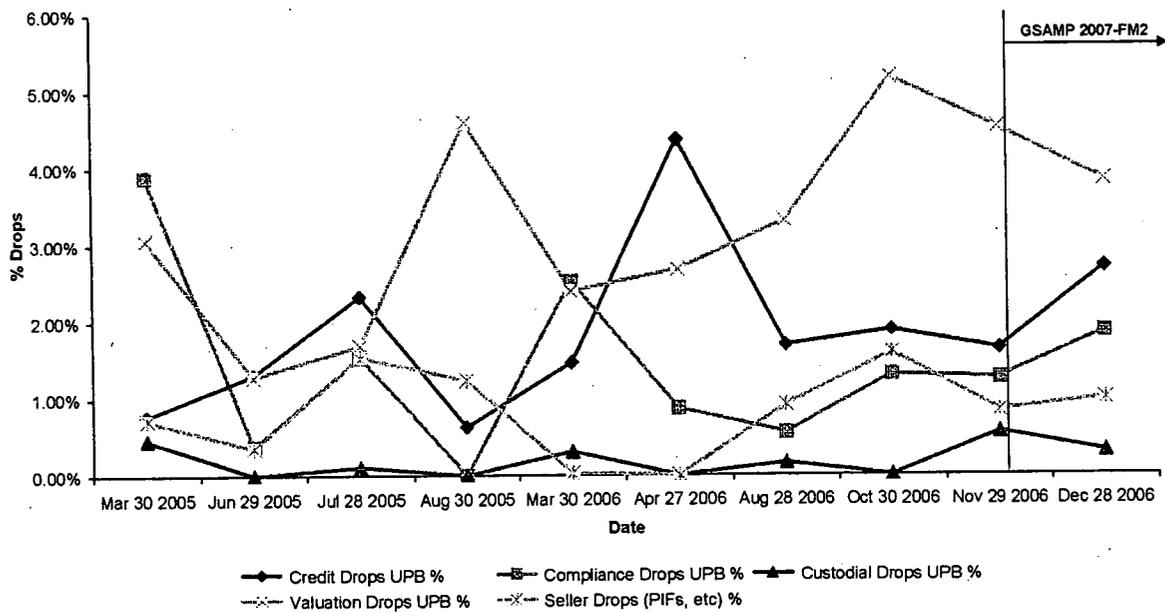
Due Diligence Results

The table below summarizes the due diligence scope and results for the Fremont positions purchased on December 28, 2006.

Settlement	Deal %	Drops as % of the Pool						Credit / Compliance Sampling			BPO Sampling	
		Total	Credit	Compl.	Custodial	Value	Seller	Sample%	Credit Drops	Compl. Drops	Sample%	Drops
FM Dec 28 2006	100.0%	10.2%	2.7%	1.9%	0.3%	3.8%	1.0%	40.3%	6.7%	4.7%	33.6%	11.4%

Fremont Historical DD Results

Fremont Historical Data



NOTES

Value: Sampled 100% of pool; no systematic issues were found in relation to prior Fremont pools

Credit: No systematic issues found

Compliance: High-cost loans are Cook County and MA Safe Harbor declines; 100% of these loans were sampled, and no systemic issues were found. Fremont indicated that they will stop issuing loans in Cook County, or will exclude them from further GS packages

49 = 3

MEMORANDUM

To: Capital Committee

From: Matt Nichols
Michelle Gill
Michael Dente

CC: Dan Sparks
Kevin Gasvoda
David Stiepleman
Sang Kim
Joan Torn
Jay Friedman
Justin Mahoney
Nickolas Delikaris
Sarah Kong
Guy Solan
Insoo Lee
Brooke Stoddard
Christina House
Kelvin Teo
Leland Ivy

Re: Residential Mortgage Public Shelf Transaction Involving the Securitization of approximately \$1,030 million of Subprime, First and Second Lien Mortgage Loans by GS Mortgage Securities Corp. in January 2007.

Date: February 5, 2007

Goldman Sachs' GSAMP FM Series Transactions

Closing Date	Deal	Collateral Type	Approximate Size (\$ MM)	Fremont Percentage (%)
January 2004	GSAMP 2004-FM1	Subprime	\$766	100%
March 2004	GSAMP 2004-FM2	Subprime	\$1,006	100%
January 2005	GSAMP 2005-HE1	Subprime	\$774	52%
June 2005	GSAMP 2005-HE3	Subprime	\$1,256	21%
August 2005	GSAMP 2005-HE4	Subprime	\$1,500	48%
April 2006	GSAMP 2006-FM1	Subprime	\$949	100%
September 2006	GSAMP 2006-FM2	Subprime	\$1,002	100%
December 2006	GSAMP 2006-FM3	Subprime	\$691	100%
January 2007	GSAMP 2007-FM1	Subprime	\$674	100%

498 3

Closing Date	Deal	Collateral Type	Approximate Size (\$ MM)	GS Role
February 2005	FHLT 2005-A	Subprime	\$1,176	Co-Manager
May 2005	FHLT 2005-B	Subprime	\$964	Sole Lead
June 2005	FHLT 2005-B NIM	Subprime-NIM	\$45	Sole Lead
July 2005	FHLT 2005-C	Subprime	\$1,001	Co-Manager
November 2005	FHLT 2005-D	Subprime	\$1,008	Co-Manager
May 2006	FHLT 2006-A	Subprime	\$1,007	Co-Manager
July 2006	FHLT 2006-B II	Subprime	\$250	Co-Manager
September 2006	FHLT 2006-C	Subprime	\$1,799	Co-Manager
November 2006	FHLT 2006-D	Subprime	\$1500	Co-Manager
December 2006	FHLT 2006-E	Subprime	\$793	Lead-Manager

Originator & Servicer

Fremont Investment and Loan ("Fremont") is a subsidiary of Fremont General Corporation (NYSE:FMT), a financial services holding company. As of January 31, 2007, Fremont General has an equity market capitalization of \$1.06 billion and senior unsecured ratings of B2/B+/B+ (M/S/F). Fremont maintains a "well capitalized" standard and is well in excess of the minimums required for that designation. Fremont originated \$18 billion of loans in the first half of 2006 and obtained 5.4% of the market share. In the 2005 financial year, Fremont's sub-prime residential originations totaled \$34.9 billion. Goldman Sachs has acted as both lead and co-manager on Fremont's securitization of its originations off its own shelf. All of the mortgage loans will be serviced by Fremont. As of 3Q 2006, Fremont serviced a portfolio of mortgage loans totaling approx. \$25 billion. Its residential primary servicer ratings for subprime products is "Average" by S&P, "SQ3+" by Moody's and "RPS3" by Fitch.

Fremont, along with other subprime originators, had struggled in 2006. Most notable difficulties arose from EPDs along with valuation and premium recapture resulting in reserves totaling \$250.7MM in November 2006 YTD vs. \$67.0MM in all '05. Related to early loan performance issues, bonds issued off of two 2006 transactions with Fremont collateral (one off Fremont's shelf) and two 2005 transactions with Fremont collateral have been placed on negative watch due to higher than expected delinquencies and losses. In response to loan performance issues, Fremont undertook a major overhaul of its underwriting guidelines in 2Q and 3Q 2006, resulting in a 20%+ drop in production. Most notable targets for revisions included raising minimum FICOs on 80/20s (full to 600 and stated to 640), increase in the number (and quality) of trade lines for certain products, first time home buyers, stated-doc W2 wage earners and high LTV Michigan loans. Due to their exposure to the subprime residential mortgage market, Fremont was recently placed on a "negative" rating outlook from "stable" by Fitch Ratings.

[Master Servicer]

Wells Fargo Bank, N.A.,

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Permanent Subcommittee on Investigations**

499 3

From: Davilman, Andrew
Sent: Wednesday, April 11, 2007 12:31 PM
To: Egol, Jonathan
Subject: Fw: GSAMP 2006-S3 -- Computational Materials for Wachovia (external)

Attachments: GSAMP 2006-S3 -- 2007.03.26 Remit Report.pdf; FINALGSAMP2006S3FWP.pdf

----- Original Message -----

From: Burke, James <james.burkel@wachovia.com>
To: Davilman, Andrew
Cc: Fiordaliso, Matthew <matthew.fiordaliso@wachovia.com>; Burke, James <james.burkel@wachovia.com>; McCarter, Susan <susan.mccarter1@wachovia.com>; Park, Woojung <woojung.park@wachovia.com>; Gilman, Yulia <yulia.gilman@wachovia.com>; Thorpe, Brendan <brendan.thorpe@wachovia.com>; Nash, Tom <tom.nash@wachovia.com>
Sent: Wed Apr 11 12:21:50 2007
Subject: FW: GSAMP 2006-S3 -- Computational Materials for Wachovia (external)

Andy,



FINALGSAMP2006S
3FWP.pdf

As you know, we own \$10mm of the GSAMP 06-S3 M2 bond inside one of SAI's HG ABS CDOs. We are shocked by how poorly this bond has performed right "out of the gate" and had asked Liran to send us the attached ProSupp. After having read the ProSupp and compared it to the termsheet we have several concerns:

- * According to the Prosupp, approximately \$2.2mm (by my calculation using %'s from pp 58 and 60) of loans were delinquent when they were transferred to the trust. However, there is no mention of delinquent loans anywhere in the termsheet that was sent to investors when the deal was priced.
- * According to the Prosupp, approximately \$3.3mm (by my calculation using %'s from pp 31 and 32) are re-performing loans. However, there is no mention of reperforming loans anywhere in the termsheet.
- * Approx. 53.14% of the loans in the deal allow for a Prepayment Premium and that all Prepayment Premiums collected from borrowers are paid to the Class P certificateholders. None of this was disclosed in the termsheet and my concerns are two-fold: (1) The presence of Prepayment Premiums effects prepayment speeds which affects the excess spread in the deal (and ultimate build-up of OC); (2) Prepayment Premiums are not staying inside the deal for the benefit of all investors but are being earmarked for the Class P holder (which is not mentioned in the termsheet). Note that according to the most recent remittance report, \$1.2mm in Prepayment Premiums has already been paid out to the Class P holder.
- * According to page 83 of the Prosupp, the servicer must charge off any loan that becomes 180 days delinquent, giving rise to a Realized Loss inside the deal. Currently losses are at 9.71% of the original deal balance, or approximately \$48mm despite the fact that the deal is only 11 months old (note that this figure already exceeds Moody's expection for cumulative losses for the deal over the ENTIRE LIFE of the deal). I will also note that there are an additional \$57.5mm of loans in the delinquency pipeline. This seems to indicate significant fraud at either the borrower or lender level and I'm wondering what steps Goldman has taken to hire forensic accountants to investigate the deal.
- * According to page 83 of the Prosupp, any subsequent recoveries on the charged-off loans do not inure to the benefit of all investors in the deal but ONLY to the Class X1 certificateholder. This is not mentioned anywhere in the termsheet. Who owns the Class X1 notes? Is that Goldman or an affiliate? How much has been recovered so far? This is

1

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Report Footnote #2064

a material fact to me especially considering that loss severities are coming in at around 105% on the charged-off loans.

At your earliest possible convenience I would like to speak with the senior people at Goldman involved in this transaction. Your help is greatly appreciated.

James Burke
Head of ABS Investment Management
Structured Funds Management
375 Park Ave., New York NY
work: 212-214-8601
cell: 917-
fax: 212-214-8971
james.burke1@wachovia.com

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From: Nehushtan, Liran [mailto:Liran.Nehushtan@gs.com]
Sent: Monday, April 09, 2007 8:41 AM
To: Burke, James
Cc: Fiordaliso, Matthew
Subject: FW: GSAMP 2006-S3 -- Computational Materials for Wachovia (external)

Hi Jim,

Attached are the remit report and FWP for GSAMP 06-S3. Please let me if there are any other docs that you would like to see.

Thanks,

Liran

Goldman, Sachs & Co.
One New York Plaza, 50th floor | New York, NY 10004
Phone: (212) 902-0416 Fax: (212) 256-2257
E-mail: liran.nehushtan@gs.com <mailto:liran.nehushtan@gs.com>

Liran Nehushtan
Structured Sales Goldman
Sachs

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From: Brocato, Russell
 Sent: Monday, April 09, 2007 8:36 AM
 To: Nehushtan, Liran
 Subject: GSAMP 2006-S3 -- Computational Materials for Wachovia (external)

<<GSAMP 2006-S3 -- 2007.03.26 Remit Report.pdf>> <<FINALGSAMP2006S3FWP.pdf>>

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From: Sparks, Daniel L
Sent: Friday, February 23, 2007 9:59 PM
To: Sparks, Daniel L; Montag, Tom; Ruzika, Richard; McMahon, Bill; Smith, Sarah; Lee, Brian-J (FI Controllers)
Cc: Cohn, Gary (EO 85B30); Winkelried, Jon (EO 85B30); Viniar, David; Gmelich, Justin; Gasvoda, Kevin
Subject: Mortgages today

Estimate was +23mm, but likely will be changed to down 7mm.
 Market sold off (BBB 60 wider and BBB- indices 100 bps wider)
 We sold \$500mm of index and covered around \$500mm single names.
 We liquidated 3 CDO warehouses today and started the liquidation of another. We may liquidate one more next week.

Estimate today (but will need to be revised):

Single names	+26mm
Trading of single names	+10mm
Index	(16)mm
CDO CDS	+41mm
Correlation	+35mm
CDO positions	(33)mm
CDO warehouse	(52)mm
Prime	+4mm
Other	+8mm
Total	+23mm

Post-estimate adjustments (subject to controllers):

Increase in bid/offer reserve	(13mm)
CDO warehouse	(20mm)
Puts position	+3mm
Net	(30mm)

So with adjustments day would be (7mm).

Need to work with controllers on adjustments over weekend.
 Will also be working through all books with controllers so could be further adjustments.
 Controllers is being very helpful in this challenging and dislocated market.

As CDOs are getting hurt, the CDO warehouse is the position that is the one of potential concern. The key is to find super-senior protection providers for the remaining deals. The largest remaining deals are 2 CDOs of single A rated CDOs and 2 high grade CDOs (no subprime BBB exposure). We have CDO CDS shorts for protection, but deal execution is key.

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 Subcommittee on Investigations

Daniel L. Sparks
 Goldman, Sachs & Co.
 (212) 902-2914 (o)
 (917) [REDACTED]

Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #2069

From: Lehman, David A.
Sent: Friday, June 01, 2007 4:31 PM
To: Sparks, Daniel L
Cc: Birnbaum, Josh; Swenson, Michael; Egol, Jonathan
Subject: CDO update

1) We collapsed ~100mm of "A2/A" SP CDO risk b/w liquidated warehouses and the trading books on Tuesday. These trades were natural offsets and did not generate significant P&L.

2) GS sold \$20mm TWOLF 07-1 A2 (AAA/Aaa) to Tokyo Star @ 83.90 on Wednesday

vs. our current mark of \$80.00 this trade generated +780k of P&L

Remaining risk of TWOLF deal

Aaa/AAA 225mm
Aa2/AA 107mm
S Notes 17mm

3) GS will be selling \$47mm of Altius 4 High Grade CDO to Aozora Bank in Japan Sunday night

\$36mm of Aa2/AA risk @ 150 dm / px of ~98.5 / leaves us with 10mm
\$11mm of A2/A risk @ 400 dm / px of ~92.5 / takes us out of the position

vs. our current marks these trades will have minimal P&L (~+10k)

Remaining risk off Altius deal -

Aa2/AA \$10mm, likely will be traded to the First Commercial Bank of Taiwan next week
Baa2/BBB, \$4mm
Equity \$2.8mm

4) We did not trade any Point Pleasant CDO² positions on the week

Current Position in Point Pleasant

Aaa/AAA (A1) 128mm
Aaa/AAA (A2) 35mm
Aa2/AA 50mm
A2/A 10mm
Baa2/BBB 3mm
Equity 10mm
S Notes 6mm

Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-
e-mail: david.lehman@gs.com

Goldman
Sachs

David Lehman
Fixed Income, Currency & Commodities

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Wall Street & The Financial Crisis
Report Footnote #2072

From: Lehman, David A.
Sent: Friday, June 22, 2007 2:30 PM
To: Lehman, David A.; Mullen, Donald; Sparks, Daniel L; Brafman, Lester R
Cc: Swenson, Michael; Birnbaum, Josh
Subject: RE: Few trade posts

Also - P+L from the sale of the ~50mm RMBS was ~ +1mm vs the marks

From: Lehman, David A.
Sent: Friday, June 22, 2007 2:28 PM
To: Mullen, Donald; Sparks, Daniel L; Brafman, Lester R
Cc: Swenson, Michael; Birnbaum, Josh
Subject: Few trade posts

Traded \$20mm of the OCTAN 06-2 A3A mezz CDO bonds to [REDACTED] @ \$82....we bot these bonds @ \$80 from [REDACTED] ...trying to upsize the ticket to 40mm @ \$82 which will clean us out...Egol did a great job w/ [REDACTED] on this one.

Also, we have sold \$40mm RMBS A3/A- out of the WH account to MS prop and another \$10mm to [REDACTED]

Only 40mm RMBS A3/A- remain in the WH accounts, 1/2 of which is Long Beach paper - Edwin/Deeb continue to work.

Goldman, Sachs & Co.
 85 Broad Street | New York, NY 10004
 Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-[REDACTED]
 e-mail: david.lehman@gs.com

Goldman
 Sachs

David Lehman
 Fixed Income, Currency & Commodities

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Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #2073

From: Lehman, David A.
Sent: Tuesday, March 13, 2007 5:56 AM
To: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Kamilla, Rajiv; Salem, Deeb
Subject: FW: London - this is for you....INTERNAL** Three focus axes for SP CDOs/SPG Trading

x-gs-classification: Internal-GS

See below from Yusuf - Do we want to update and shoot over Deeb and Rajiv's trade ideas or just leave it w/ the below for now?

From: Aliredha, Yusuf
Sent: Tuesday, March 13, 2007 4:09 AM
To: Madoff, Paula; Faker, Carl; Zaimi, Sanaz; Wright, Neil
Cc: Lehman, David A.
Subject: RE: London - this is for you....INTERNAL** Three focus axes for SP CDOs/SPG Trading

This is helpful for traditional SP buyers.

I was hoping for more a list of trading opportunities for more trading accounts. In given the dislocation in the market what are the best risk/reward trades (obv those that we are axed to do).

From: Madoff, Paula
Sent: Monday, March 12, 2007 8:54 PM
To: Aliredha, Yusuf; Faker, Carl; Zaimi, Sanaz; Wright, Neil
Cc: Lehman, David A.
Subject: London - this is for you....INTERNAL** Three focus axes for SP CDOs/SPG Trading

Good morning, just wanted to make sure that you see David's message for you. Follow up from last week's call. thanks

From: Lehman, David A.
Sent: Monday, March 12, 2007 4:39 PM
To: Madoff, Paula; Gmelich, Justin; Cornacchia, Thomas; Street, Patrick; Ricciardi, Steven; Swenson, Michael; Birnbaum, Josh; Lehman, David A.; Rosenblum, David J.; Ostrem, Peter L; Bohra, Bunty; Gasvoda, Kevin; Wright, Neil; Faker, Carl; Zaimi, Sanaz; Aliredha, Yusuf; Sparks, Daniel L; Raz, Shlomi; Bash-Polley, Stacy; Wiesel, Elisha; McDonald, Ian (New York); Schwartz, Harvey
Cc: Bieber, Matthew G.; Wisenbaker, Scott; Case, Benjamin
Subject: **INTERNAL** Three focus axes for SP CDOs/SPG Trading

Internal only - As per Yusuf's suggestion last Friday, below are the three main focus areas for SP CDOs/SPG Trading.

Pls call the desk with any questions.

- 1) Anderson Mezz Funding
 - We are axed across the capital structure save for the BBBs which have been preplaced to GSC
 - Pls direct all questions/inquiry to Matt Bieber and/or Scott Wisenbaker

Anderson Mezz Funding 2007-1, Ltd. -- Launch (144a/RegS) (external)
 Lead Manager & Sole Bookrunner: Goldman, Sachs & Co.
 Liquidation Agent: Goldman, Sachs & Co.
 \$305mm Static Mezzanine Structured Product CDO

Class	Size (\$mm)	%Deal	Mdy/S&P	WAL(y)	Init OC	Launch
S	[]	N/A	Aaa/AAA	[]	N/A	1mL+20
A-1a	130.0	42.6%	Aaa/AAA	[3.0]	166.7%	1mL+32
A-1b	53.0	17.4%	Aaa/AAA	[5.0]	166.7%	1mL+65
A-2	30.5	10.0%	Aaa/AAA	[3.6]	142.9%	1mL+90
B	42.7	14.0%	Aa2/AA	[4.3]	119.0%	1mL+175

C	16.8	5.5%	A2/A	[4.1]	111.7%	1mL+550
D	11.1	3.6%	Baa2/BBB	[5.3]	107.4%	Not Offered
Inc. Nts.	20.9	6.9%	NR	N/A	N/A	Call Desk

2) Timberwolf CDO^2

- We are axed from jr. AAA through BBB
- Pls direct all questions/inquiry to Matt Bieber and/or Scott Wisenbaker

Timberwolf I, Ltd. -- Price Guidance (144a/RegS) (external)
 Lead Manager & Sole Bookrunner: Goldman, Sachs & Co.
 Collateral Manager: Greywolf Capital Management LP
 \$1Bn Single-A focused Structured Product CDO

Class	Size(\$mm)	%Deal	Mdy/S&P	WAL(y)	Init OC	Guidance
S-1	\$[]	N/A	Aaa/AAA	[]	N/A	CALL DESK
S-2	\$[]	N/A	Aaa/AAA	[]	N/A	CALL DESK
A-1-a	\$[100]	10.00%	Aaa/AAA	[3.1]	1000.0%	CALL DESK
A-1-b	\$[400]	40.00%	Aaa/AAA	[6.7]	200.0%	CALL DESK
A-2	\$[305]	30.50%	Aaa/AAA	[6.2]	124.2%	3mL+90a
B	\$[107]	10.70%	Aa2/AA	[6.7]	109.6%	3mL+140a
C	\$[36]	3.60%	A2/A	[6.8]	105.5%	3mL+450a
D	\$[30]	3.00%	Baa2/BBB	[6.5]	102.2%	3mL+1000
Inc. Nts.	\$[22]	2.20%	Not Rated	N/A	N/A	CALL DESK

3) Secondary CDO positions

- Pls direct all questions/inquiry to Ben Case

Deal name	Bloomberg ticker	Class	Mdys	S&P	Size (orig.)	Offer
<u>Hudson Mezz 1</u>						
Hudson Mz 06-1	HUDMZ 2006-1A	B	Aa2	AA	\$35,000,000	300
Hudson Mz 06-1	HUDMZ 2006-1A	C	A2	A	\$30,000,000	600
Hudson Mz 06-1	HUDMZ 2006-1A	D	Baa2	BBB	\$27,000,000	1100
Hudson Mz 06-1	HUDMZ 2006-1A	E	Ba1	BB+	\$10,000,000	1500
<u>High grade BBBs</u>						
Davis Square VII	DVSQ 2006-7A	D	Baa2	BBB	\$13,000,000	400
GSC 2006-3g	GSCSF 2006-3GA	D	Baa2	BBB	\$16,000,000	400
Lochsong	LOCH 2006-1A	D	Baa2	BBB	\$14,000,000	500

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Goldman
 Sachs

David Lehman
 Fixed Income, Currency & Commodities

Disclaimer:

This material has been prepared specifically for you by the Goldman Sachs Fixed Income Commercial Mortgage Backed Securities (CMBS) Trading Desk and is not the product of Fixed Income Research. We are not soliciting any action based upon this material. Opinions expressed are our present opinions only. The material is based upon public information which we consider reliable, but we do not represent that it is accurate or complete, and it should not be

From: Sparks, Daniel L
Sent: Thursday, September 27, 2007 11:37 AM
To: Montag, Tom
Subject: Re:

Really long story. Very unclear as to solution that is in best interest of getting axes and business done

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Thu Sep 27 08:59:44 2007
Subject: RE:

so you overpay? what should it have been--makes management information rather flimsy doesn't it

-----Original Message-----
From: Sparks, Daniel L
Sent: Thursday, September 27, 2007 8:38 AM
To: Montag, Tom
Subject: Re:

It was a very big ax, but sales credits have become such a contentious point that trading team doesn't debate it anymore. The politics around sales credits had become unbelievable and were a hinderance to business.

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Thu Sep 27 08:29:43 2007
Subject:

Did we really pay sixty million in gcs on the aaa short covering? Why so high?

From: Montag, Tom
Sent: Friday, May 11, 2007 10:29 AM
To: Sparks, Daniel L
Subject: Re:

But where would they buy the rest

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Cc: Mullen, Donald
Sent: Fri May 11 09:41:23 2007
Subject: RE:

They bought half the equity, all the BBBs and 20 of the single As. BSAM bought all the super seniors (50-90 attachment). We have also sold the super super senior (90-100 attachment) to 2 separate accounts.

Dillon Read took down half of everything with us (other than super senior from which natexis took) - plan has been joint sell downs. Remember that UBS shut down DR last week

-----Original Message-----
From: Montag, Tom
Sent: Friday, May 11, 2007 9:37 AM
To: Sparks, Daniel L
Subject: Re:

Does greywolf own any of this. Where would they buy it?

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Cc: Mullen, Donald
Sent: Fri May 11 09:35:12 2007
Subject: RE:

Small number of sales (16 single A on Timberwolf, 20 junior AAA on each point pleasant and timberwolf). Gradual mark downs (bleeding) from marketing information and inability to move paper.

-----Original Message-----
From: Montag, Tom
Sent: Friday, May 11, 2007 9:25 AM
To: Sparks, Daniel L
Cc: Mullen, Donald
Subject: Re:

What have we done since march? Any price changes any sales?

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Cc: Mullen, Donald
Sent: Fri May 11 09:22:44 2007
Subject: RE:

Timberwolf (Greywolf)
7/21/06 - engagement letter signed

9/5/06 - warehouse begins ramping
12/13/06 - warehouse 50% ramped
3/2/07 - revision to engt letter - Greywolf commitment to purchase BBB and single A tranches
3/13/07 - pricing
3/27/07 - closing

Point Pleasant (Dillon Read)
6/2/06 - engagement letter signed
9/14/06 - warehouse begins ramping
12/14/07 - warehouse gets to 50% ramped
3/5/07 - commitment letter signed with Natixis for Super senior
4/10/07 - pricing
4/18/07 - closing

-----Original Message-----

From: Montag, Tom
Sent: Thursday, May 10, 2007 9:19 PM
To: Sparks, Daniel L
Cc: Mullen, Donald
Subject:

Sorry a bit more

Average purchase date of this stuff and why on greywold or dillon read after we sold a chunk and it just sat there didn't we move it to the traders-those were residuals and stuck at that time weren't they?

From: Wiesel, Elisha
Sent: Tuesday, March 06, 2007 1:42 PM
To: Sparks, Daniel L
Cc: Birnbaum, Josh; Turok, Michael
Subject: Property derivs

Dan -

Met with Josh, Rajiv, Mike, Jeremy, Barrett on this topic.

Only big short for us here is that we'll re-broadcast to the rest of the Firm our lack of having fully delivered models relating HPA to subprime. That message may already (and appropriately) be fully delivered, but our moving out into the new product can and likely will generate questions from Monty on down.

If you're fine w that, and the fact that we won't be able to reflect this in VaR in a meaningful way for quite some time, then I'm ok with us finishing up the work and moving forward.

Mortgages Department

May 2007

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2090

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GS MBS-E-001863651

S13-3



Mortgages Department

Executive Summary

- The Mortgage Department is concerned about the following risks:
 - Retained Positions in the CDO Origination Business
 - Market Value of CDO Debt and Equity is \$4.262bn
 - \$2.6bn represents High Grade Super Senior
 - Desk is specifically concerned regarding CDO² positions which represent \$637mm of Debt. The complex structure of these positions make them difficult to value and distribute.
 - Warehouse Collateral in the CDO Origination Business
 - Market Value of \$1.458bn
 - Desk is specifically concerned regarding \$742mm of Structured Product CDOs. Currently, there is limited liquidity and price transparency in this space.
 - Secondary SPG Trading Book
 - Short position of \$2.8bn of which \$2.4bn is in single A or Lower Mezz tranches of CDOs
 - Desk is specifically concerned about the basis risk between the short in this book and the warehouse collateral. Although they are the same product, there is limited overlap between the two books.
 - Other Open Items



Mortgages Department Retained Positions

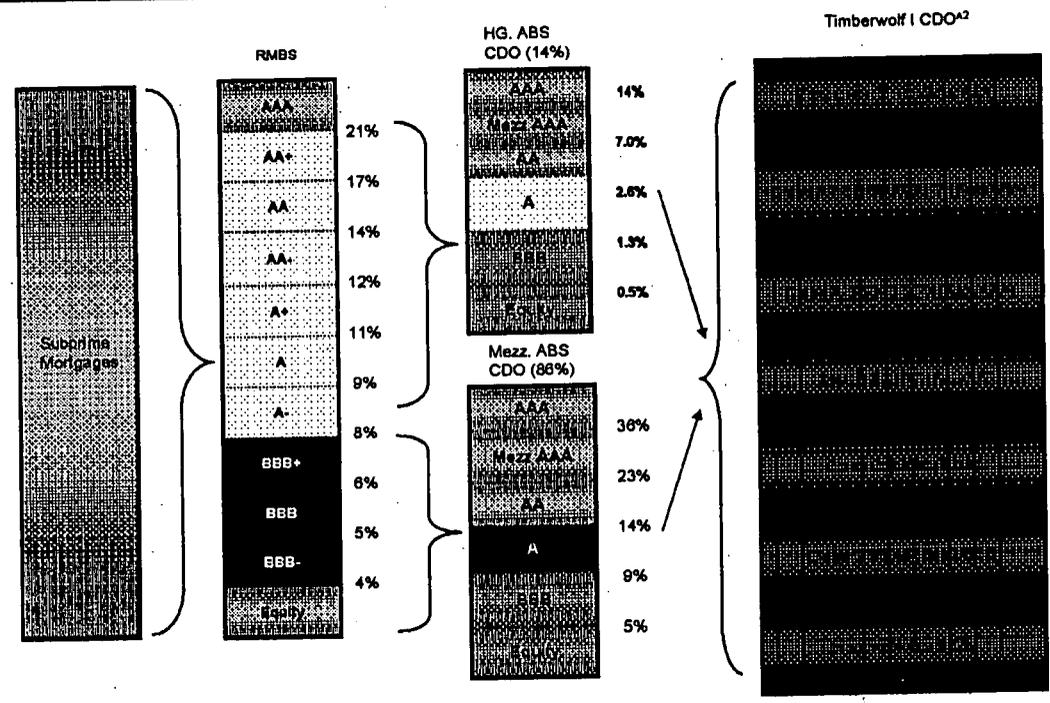
- The desk holds \$4.262bn in Retained positions related to CDO Debt and Equity
- The desk is most concerned about the CDO² positions, which is comprised of the recent Timberwolf and Point Pleasant transactions. Details listed below:

Tranche	Deal	Mdys	Notional*	Mark	Mkt. Value*
"S" tranche	Timberwolf	Aaa	9.0	100.00%	9.0
"S" tranche	Timberwolf	Aaa	8.3	100.00%	8.3
Mezz AAA	Timberwolf	Aaa	285.0	91.34%	260.3
AA	Timberwolf	Aa2	107.0	88.72%	94.9
Equity	Timberwolf		10.8	85.00%	9.1
		Total	420.1		381.7
Mezz AAA	Point Pleasant	Aaa	127.5	94.78%	120.8
Mezz AAA	Point Pleasant	Aaa	75.0	92.24%	69.2
AA	Point Pleasant	Aa2	50.0	89.41%	44.7
A	Point Pleasant	A2	10.1	71.88%	7.3
BBB	Point Pleasant	Baa2	10.5	76.72%	8.1
Equity	Point Pleasant		10.1	58.00%	5.8
		Total	283.2		255.9
		TOTAL	703.2		637.6

* Notional and Market Value in MMs

Mortgages Department

Timberwolf I CDO^{A2}: Overview of Capital Structure

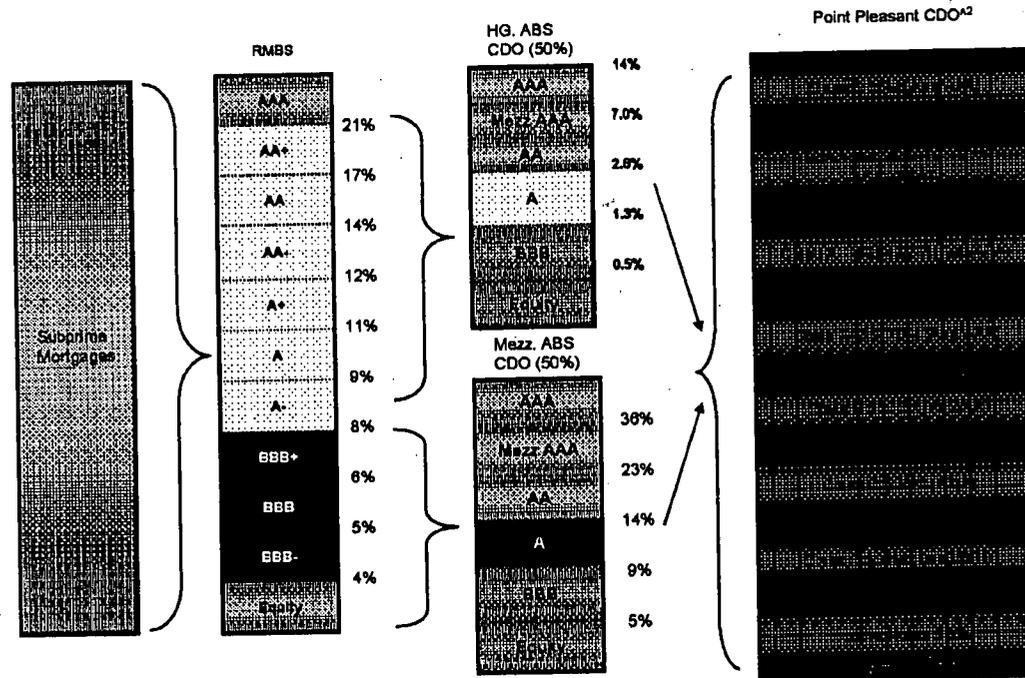


Note: Current RMBS enhancement levels are approximately 4 to 6% higher as a result of excess spread building up within the structure

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Mortgages Department

Point Pleasant CDO²: Overview of Capital Structure



Note: Current RMBS enhancement levels are approximately 4 to 6% higher as a result of excess spread building up within the structure

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Mortgages Department Warehouse Positions

- The desk holds \$1.458bn in Warehouse Collateral related to 4 CDO transactions
- Current valuation policy is lower of mark to model or cost. As securitization is no longer a viable exit, the warehoused collateral will be marked to market on an individual basis.
- Biggest driver of the marked to market is the \$742mm Structured Product CDO collateral which has limited price visibility
- Details of the Warehouse Collateral are represented below:

Sector	Market Value	SPG Trading		Controllers	
		Proposed Mark	Price Change	Proposed Mark	Price Change
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
RMBS - Other	183.7	(15.8)	-9%		
RMBS - Subprime	341.3	(27.2)	-8%		
SP CDO	741.8	(169.6)	-23%		
Less: Warehouse mark-to-model reserves		82.0			
Less: SMBC Funding facility		12.0			
Total	1,458.1	(125.9)			

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Secondary SPG Trading

- Over the past year the Secondary trading desk has built a short position of \$2.4bn in Single A or below Structured Product CDOs
- During this time period, Single A CDO prices are ~20-25pts lower (from \$100 to \$75-80)
- As the market for securities in this space has declined, the desk has realized the following PnL:

	CDO PnL		SPG Trading
	CDO Origination/Retained	Warehouse	ABS / Correlation
MTD	(25.7)	(21.2)	14.7
QTD	(172.3)	(155.8)	196.8
YTD	(226.5)	(231.5)	262.8

* in MMs

S.M.S



Mortgages Department

SPG Trading Valuation Methodology

- CDO²
 - Use of rough modeling tools/frameworks such as risk neutral pricing and our approximate HPA/empirical analysis
 - Trader views of where risk should trade in the context of the market, incorporating the current fundamental and technical backdrop
 - Customer feedback/potential indications of interest

- Non - CDO²
 - Market observables on debt securities (CDOs, CMBS, RMBS, CLOs)
 - Blended scenario analysis on retained SP CDO equity positions, incorporating downgrade triggers and cashflow waterfall structure

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Mortgages Department

Mortgage Strats Modeling Procedure

- The asset model is a 2-layer correlation model designed for pricing synthetic CDOs of structured product securities. Correlations at each level are calibrated from the variation of market spreads across the capital structure. Underlying asset values driving the valuation are calibrated from market spreads at the second level; a basis in asset values may be inferred from market spreads at the top level.
- Advantages:
 - Simultaneously models 2 layers of structure, capturing interaction between 2 levels of correlation
 - A large number of correlated loss scenarios are simulated
 - Credit curves for underlying assets 2 layers down are based on a Merton-style asset value model, suitable for asset-backed loans typically at this level
 - Handles synthetic CDO waterfall features such as individual callability of blocks of tranches and modified sequential paydown
 - Handles key waterfall features of structured product underliers such as RMBS stepdown
- Disadvantages:
 - Designed for synthetic CDOs, does not currently capture some features of cash flow CDO waterfall such as oc/ic triggers and ratings downgrade triggers
 - Does not capture rate convexity for rate sensitive mortgage products

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Mortgages Department SCT Modeling Procedure

- Step 1: Value RMBS Underliers
 - Pricing feeds taken from 3rd party pricing service (IDC) first and the from GS ABS trading to backfill.
 - IDC pricing vs. ABS Trading were very close in most cases
- Step 2: Run Net Asset Value ("NAV") Analysis and Simulation Analysis on CDO residual position and CDO² underlying CDOs
 - NAV analysis prices a CDO's asset pool (using prices mentioned in Step #1) and then layers that aggregate asset value over the CDO's capital structure in a sequential fashion
 - Simulation analysis runs multiple possible outcomes with the goal of determining how a portfolio's aggregate value should be allocated across the tranches of a given CDO structure. Often value in a CDO is not allocated in a purely sequential fashion and simulation analysis can expose the relationship better in many cases than NAV analysis alone
- Step 3: Create a rule based system to choose simulation based valuation output vs. NAV based output & implement approximations for line items where simulations and / or NAVs could not be executed
 - For line items where simulation analysis and NAV analysis could both be run, a simulation based valuation was used
 - For line items where only NAV analysis could be run, NAV level was used subject to a valuation floor and cap
 - For line items where neither NAV nor simulation analysis could be run, the weighted average price of successfully priced line items with similar asset characteristics was used. If no comparable line items were available (approx 15% of the 250 line item portfolio), the desk used a degree of subjectivity in determining price
- Step 4: Based upon implied ATM spreads calculated in Step #3, run an additional simulation analysis and NAV analysis on both CDO² transactions (Point Pleasant and Timberwolf)



Mortgages Department Alternative Valuations (in MMs)

- Still to fill out narrative – will talk about flaws in model approach

	Current Mark	SPG Trading			Model Approach		Controllers
		A	B	C	A	B	
Retained Positions	4,281.8	(128.3)	(216.3)	(303.4)			
- CDO Debt	4,150.3	(117.0)	(187.3)	(257.8)			
- CDO Equity	111.6	(12.3)	(29.0)	(45.7)			
Benchmark							
Timberland/Mack AAA	280.3	(44.8)	(80.8)	(75.7)			
Warehouse Collateral	1,458.1	(107.2)	(125.9)	(144.8)			
TOTAL (Retained and Warehouse)	6,720.0	(288.5)	(342.2)	(448.0)			

0.073



Mortgages Department

Next Steps

- Unwind the warehouses
- Independent teams to continue to value retained positions
 - David Lehman & Michael Swenson (SPG Trading)
 - Will Roberts, Jerry Ouderkirk, Doug Weaver (SCT Trading)
 - Dedicated Mortgage Strat support, led by Elisha Wiesel
- Distribution team to continue to work with targeted investors, led by Stacy Bash-Polley (Elisha Wiesel further working with legal on disseminating information to investors)
 - Basis Capital
 - Fortress
 - Polygon
 - Winchester Capital
- SPG Trading to gather observable prices on underliers to improve accuracy of valuation models
- Justin Gmelich will continue to work with Controllers to resolve discrepancies for non-CDO PnL items

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Other Risks

	SPG Trading Estimate	Controllers Estimate	Credit Estimate *
Subprime Residuals	(40) to (50)	(5)	(5)
Alt A Residuals	(25) to (30)	8	8
Second Lien Residuals	(21)	TBD	TBD
HELOC Residual	(5)	(5)	(5)
Scratch and Dent Residuals	(5)	(5)	(5)
Scratch and Dent Loans	TBD	TBD	TBD
CDS Duration	100 to 125	100 to 125	100 to 125

* Led by Justin Gmelich

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Appendix

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Mortgages CDO Origination CDO Debt - Retained Positions

Tranche	Pool	Class	Maturity	Deal Type	Current Face		Mio Value			WG Mark			CDO Mark		Basis Risk		SPR	
					(Million)	Mark	Orig A	Orig B	Orig C	Mark	Orig A	Orig B	Orig C	Orig A	Orig B			
"S" tranche	Altus II	S		Ass High grade	18.7													
"S" tranche	Tribenwolf	S1		Ass CDO squared	9.0	100.00%	9.0											
"S" tranche	Tribenwolf	S2		Ass CDO squared	8.3	100.00%	8.3											
"S" tranche	Devis Square VII	S		Ass High grade	20.0	100.00%	20.0											
"S" tranche	Fort Denison	S		Ass Mezz	5.3	100.00%	5.3											
"S" tranche	Point Pleasant	S		Ass CDO squared	6.0	100.00%	6.0											
Super Senior	Devis Square VII	A1-a		Ass High grade	1,570.0													
Super Senior	GSC 2006-3g	A1-a		Ass High grade	1,085.0													
Super Senior	Hudson Mt 06-2	A1		Ass Mezz	115.0													
Super Senior	Summer Street 04-1	A1		Ass Mezz	40.0													
Super Senior	Anderson	A1-a		Ass Mezz	130.0													
Super Senior	Anderson	A1-b		Ass Mezz	51.0													
Mezz AAA	Adirondack 2005-1	A2		Ass High grade	1.8													
Mezz AAA	Fortus II	A2		Ass Mezz	25.0													
Mezz AAA	Malmsall	A2		Ass High grade	30.5													
Mezz AAA	Bernoulli	A2		Ass High grade	3.2													
Mezz AAA	Tribenwolf	A2		Ass CDO squared	285.0	81.34%	260.3	75.0%	70.0%	65.0%			20.0	87.79%	4/23/2007	MONEYGRAM		
Mezz AAA	Point Pleasant	A1		Ass CDO squared	127.5	94.78%	120.8	89.0%	87.0%	85.0%			20.0	91.30%	4/24/2007	MONEYGRAM		
Mezz AAA	Point Pleasant	A2		Ass CDO squared	75.0	92.14%	69.2	75.0%	70.0%	65.0%								
AA	Fortus II	B		Aa2 Mezz	40.0													
AA	Altus 4	B		Aa2 High grade	46.0													
AA	Fort Denison	B		Aa2 Mezz	7.0													
AA	Summer Street 04-1	A3		Aa2 Mezz	5.5													
AA	Arbury	B		Aa1 High grade	10.0													
AA	Anderson	B		Aa2 Mezz	37.7													
AA	Tribenwolf	B		Aa2 CDO squared	107.0	89.72%	94.9	60.0%	30.0%	40.0%								
AA	Hudson Mt 06-1	B		Aa2 Mezz	51.0	77.50%	39.6	82.0%	80.0%	78.0%								
AA	Hudson Mt 06-2	B		Aa2 Mezz	24.5													
AA	Point Pleasant	B		Aa2 CDO squared	50.0	82.11%	41.7	80.0%	50.0%	40.0%								

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Mortgages CDO Origination CDO Debt - Retained Positions (cont)

Tranche	Deal	Class	Subj Deal Type	Original Val (Million)	MVA Value (Million)					Class MVA %	Subj MVA %	Pct of Deal	Deal Ref
					High	Mezz	Baa1	Baa2	Baa3				
A	Altus I	C	A2 High grade	10.0									
A	Altus 4	C	A2 High grade	11.6									
A	Coolidge	C	A3 Mezz	0.9									
A	Davis Square VII	C	A2 High grade	6.0									
A	GSC 2006-3g	C	A2 High grade	21.8									
A	START 2006CA D	COHEN	A2 Mezz	6.2									
A	LENN 20073A E	COHEN	A3 Mezz	10.0									
A	Anderson	C	A2 Mezz	6.8									
A	Hudson Mz 06-1	C	A2 Mezz	108.5									
A	Hudson Mz 06-2	C	A2 Mezz	6.0									
A	Point Pleasant	C	A2 CDO-squared	10.3	100%							7.8	87.57%
BBB	Davis Square VII	D	Baa2 High grade	13.0									
BBB	Altus 4	D	Baa2 High grade	4.0									
BBB	GSC 2006-3g	D	Baa2 High grade	10.4									
BBB	Astrondeck 2005-1	D	Baa2 High grade	4.7									
BBB	Altus III	D	Baa2 High grade	5.0									
BBB	Haus Bay	D	Baa2 High grade	1.9									
BBB	G-Street	D	Baa2 High grade	1.4									
BBB	Lochong	D	Baa2 CDO-squared	14.0									
BBB	Pulman 2001-1	D	Baa2 CDO-squared	1.7									
BBB	TABS 2008BA B2	COHEN	Baa2 Mezz	4.9									
BBB	OSFIV 2005IA D	COHEN	Baa2 High Grade	5.0									
BBB	STAK 20062A B	COHEN	Baa2 Mezz	10.0									
BBB	COOL 2005IA D	COHEN	Baa2 Mezz	8.8									
BBB	ACABS 2008IA B1L	COHEN	Baa2 Mezz	10.0									
BBB	PADE 77A E	COHEN	Baa2 Mezz	10.0									
BBB	OVSO 2005BA D	COHEN	Baa2 High Grade	3.7									
BBB	Hudson High Grade	D	Baa2 High grade	2.7									
BBB	Hudson Mz 06-1	D	Baa2 Mezz	58.8	80.00%		35.3	52.0%	47.0%	42.0%			
BBB	Hudson Mz 06-2	D	Baa1 Mezz	13.2									
BBB	Hudson Mz 06-2	E	Baa3 Mezz	2.0									
BBB	Point Pleasant	D	Baa2 CDO-squared	10.5	76.77%		8.1	50.0%	45.0%	40.0%			
BBB	TAA Structured Finance	B	Baa1 Mezz	5.0									
BB	Cambar 7	E	Ba1 Mezz	7.7									
BB	Glacier 2005-3	D	Ba1 Mezz	2.8									
BB	Hudson Mz 06-1	E	Ba1 Mezz	11.0	52.50%		5.8	47.0%	42.0%	37.0%			
BB	Phoenix 2	B	Ba2 Mezz	8.0									
Total				4,421.8			4,190.3						



Mortgages CDO Origination CDO Equity - Retained Positions

Class	Description	Current Face		MBS		CDO Mark			CDO Mark			Percent Ret.			
		(\$ Mil)	(%)	(\$ Mil)	(%)	(\$ Mil)	(%)	(\$ Mil)	(%)	(\$ Mil)	(%)	(\$ Mil)	(%)	(\$ Mil)	(%)
2002-2004 High Grade	Purom Structured Product 2002-1	4.0													
2002-2004 High Grade	Davis Square Funding I, Ltd.	2.0													
2002-2004 High Grade	Sierra Madre Funding, Ltd.	1.2													
2002-2004 High Grade	Davis Square Funding III, Ltd.	1.5													
2005-2006 High Grade	Atlas I Funding, Ltd.	2.0													
2005-2006 High Grade	Davis Square Funding V, Ltd.	4.0													
2005-2006 High Grade	Davis Square Funding VI, Ltd.	2.8													
2005-2006 High Grade	Haut Bay, Ltd.	2.7													
2005-2006 High Grade	Hudson High Grade	3.5													
2005-2006 High Grade	Davis Square VII	4.5													
2005-2006 High Grade	OSC ABS Funding 2005-3q, Ltd.	5.0													
2005-2006 High Grade	West Coast Funding, Ltd.	4.5													
2005-2006 High Grade	Adirondack 2005-1 Funding, Ltd.	4.0													
2005-2006 High Grade	Davis Square Funding IV, Ltd.	3.0													
2005-2006 High Grade	G-Street Finance	4.0													
2005-2006 High Grade	Adirondack 2005-2 Funding, Ltd.	4.6													
2005-2006 High Grade	Atlas 4 Funding, Ltd.	2.8													
2005-2006 High Grade	Atlas II Funding, Ltd.	2.0													
2001-2005 Mezz	NYJM Stratford CDO 2001-1, Ltd.	3.3													
2001-2005 Mezz	Camber II plc	4.9													
2001-2005 Mezz	Castleguard Funding, Ltd.	5.4													
2001-2005 Mezz	Fortius I Funding, Ltd.	2.0													
2006 Mezz	Fortius II Funding, Ltd.	9.0													
2006 Mezz	Hudson Mezzanine 2006-2, Ltd.	5.0													
2006 Mezz	Hudson Mezzanine 2006-1, Ltd.	2.5		57%		30.0%		40.0%		30.0%					
2006 Mezz	Camber 7	12.7													
2006 Mezz	Anderson	20.9													
CDO-squared	Lochong, Ltd.	12.0													
CDO-squared	Fort Denton	13.5													
CDO-squared	Timberwolf	10.8		82%		55.0%		55.0%		45.0%					
CDO-squared	Port Pleasant	10.1		80%		5.8		71.0%		61.0%					
Total		\$ 170.2				\$ 111.8									
% of current face															
Class X	Broadwick														
	Davis Square V														
	Davis Square VI														
	Davis Square VII														
	G-Street														
	West Coast														

35 61.00 4/16/2007 DILLON READ

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GS MBS-E-001863667

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Mortgages CDO Origination

Timeline – Timberwolf & Point Pleasant

- Timberwolf (Greywolf)

- 7/21/06 - Engagement letter signed
- 9/5/06 - Warehouse begins ramping
- 12/13/06 - Warehouse 50% ramped
- 3/2/07 - Revision to engagement letter - Greywolf commitment to purchase BBB and single A tranches
- 3/13/07 - Pricing
- 3/27/07 - Closing

- Point Pleasant (Dillon Read)

- 6/2/06 - Engagement letter signed
 - 9/14/06 - Warehouse begins ramping
 - 12/14/07 - Warehouse 50% ramped
 - 3/5/07 - Commitment letter signed with Natixis for Super senior
 - 4/10/07 - Pricing
 - 4/18/07 - Closing
-

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Mortgages CDO Origination Distribution

Account	Sales	Deal	Tranche	Defcon	Comments
					Locking at package of A2 and B classes. Initially indicated low \$80s on A2, 70's on B modeling deal is
Fortress	Davilman	Timberwdf I	Mezz AAA		1 difficult / Davilman still pushing
Fortress	Davilman	Timberwdf I	AA-Rated		Locking at package of A2 and B classes. Initially indicated low \$80s on A2, 70's on B modeling deal is
					1 difficult / Davilman still pushing
					Locking on a financed basis - Indicative terms (5- [redacted]) - concerned about
Stark	Gadd	Timberwdf I	Mezz AAA		1 correlation, our level, mgmt view / Back ended return profile
					Engaged and locking - has been offered bonds at 450 on A2, 700 on B / Deal elevated to Sr.
Winchester	Radtke	Point Pleasant 2007-1	Mezz AAA		1 Management / [redacted]
Basis	Maltezos	Timberwdf I	Mezz AAA		2 Potential \$50mm A-2, \$50mm B, subject to financing - account is out of the office / feedback w/o 5/21
Basis	Maltezos	Timberwdf I	AA-Rated		2 Potential \$50mm A-2, \$50mm B, subject to financing - account is out of the office / feedback w/o 5/21
					re-engaged - trying to get answer by GS qtr end. Asked/received additional information today / they are still
AIG	Perick	Timberwdf I	Mezz AAA		3 working / Perick to follow up early next week
Fidelity	Martin	Point Pleasant 2007-1	A-rated		3 Locking
					Locking at up to [redacted] remaining - Acct. asked for 7 bus days to do work, then left office and [redacted]
IS Renum	Anstan	Point Pleasant 2007-1	A-Rated		3 will hear from them when they return
Miller Anderson	Brazil	Timberwdf I	Mezz AAA		3 Locking
Moneygram	Gilligan	Timberwdf I	AA-Rated		3 Potential interest on AAs (already own AAAs) / trying to see if they go down in cap. Structure (low Delta)
Old Lane	Grinstein	Timberwdf I			3 Need lockthru analysis / Strats are working on it
Pequot	brazil	Timberwdf I	Mezz AAA		3 Locking
					Checking - Twdf higher delta than Point Pleasant given headline risk wrt Dillon Read - want lockthru
Sandelman	Kelly				3 analysis on Timberwdf / Strats are working on it / potential size [redacted]
					Inherited Dillon Reads Point Pleasant Positions / locking at Twdf A-2, B Classes and R. Pleasant B
UBS Prop	Kelly	Timberwdf or Pt. Pleasant			3 Class
DeShaw	cchen	Point Pleasant 2007-1	Mezz AAA		3 Locking - asked for materials and raw data ([redacted]) / had call / low delta
					Would look to trade against CLO Super Senior AAAs - will receive bid list for CLOs early next week (Pot.
Elliot	Grinstein	Timberwdf I	Mezz AAA		3 Size [redacted]
					potential interest - working to model existing exposure (own portion of single A class) - if they care expect
Polygon	Raaz	Timberwdf I	AA-Rated		3 size - [redacted]

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Mortgages CDO Origination Distribution (cont)

Account	Sales	Deal	Tranche	Defcon	Comments
Caryle	Rubert				4 Will go through look through analysis - go from there / Strats are working on it
DA Capital	Kreitman				4 Start work @ +800 - 1000cm for mezz AAA
Elliot	Ginstein				4 Focused on anderson Equity evaluating Pt Pleasant A-1 vs. [REDACTED] evaluating
Harvard	Radtke	Point Pleasant 2007-1	Mezz AAA		4 counter / Radtke to follow up next week
Highland	Rubert				4 Low Delta - Need lookthru analysis / Strats are working on it Checking - need feedback on interest from account before showing wider offering levels - would only look 4 vs. protection
JPM Prop	Verrochi				4
Marathon	Kreitman				4 will do work in the L+800-1000 context (\$71-65) - passed on GS offer at 80-00
MS Prop	Martin	Timberwdf I	Mezz AAA		4 Further analysis needed
Nachu/SSG					4 Low Delta - have never Bought CDO'2
Princeton	Fertel/Phillips				4 Start work @ +800 - 1000cm for mezz AAA
Smith Breedan	martin				4 potential - will likely be slower with feedback
Zais	Ginstein	Point Pleasant 2007-1	Mezz AAA		4 Need a look-through of the underlying vintages / strats are working on it
Lehman/AM	Gadd	Timberwdf I	Mezz AAA		4 Locking - sent final CO/Portfolio
Providence	Reinstein	Point Pleasant 2007-1			4 Locking - [REDACTED]
Vanderbilt	Gadd	Timberwdf I			[REDACTED] - small size if they care
Hyperion	Willing	Timberwdf I			4 Locking - Credit enhancement is thin / Concerned about rating Agency correlation report / likes discount
Paramax	Matthias	Point Pleasant 2007-1	Mezz AAA		4 Very Low Delta
Paramax	Matthias	Timberwdf I	Mezz AAA		4 Very Low Delta
Blackrock	Fertel/Phillips	Point Pleasant 2007-1			4.5 Unlikely, relocking at analysis from new issue, maybe - [REDACTED] (look for feedback Friday)
Clinton	Verrochi	Point Pleasant 2007-1	Mezz AAA		4.5 Low Delta - Can't model CDO'2
Harding	Hornback	Point Pleasant 2007-1	A-rated		4.5 looked at single A's new issue - still need final feedback - low delta Checking - initial response was unlikely unless they can short the class below / they are checking for room
ML Bank	Willing				4.5 in vehicles, Timberwdf more likely than Point Pleasant given headline risk wrt Dillon Read
CBASS	Prkos				5 Out - do not buy CDO'2
Ellington	Sue/Elaine	Timberwdf I	Mezz AAA		5 removed from list - have not been shown levels
Martner	Matteos	Timberwdf I	Mezz AAA		5 Out - too much overlap with Point Pleasant
TPG-Axon	Fertel/Phillips	Point Pleasant 2007-1	Mezz AAA		5 Out - do not care at any level - concerned with downgrade risk [REDACTED]

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Subject: Mortgage Presentation to David Viniar - Follow up Meeting
Location: Dial-In Information: 888-446-9291 code:756062

Start: Sun 5/20/2007 9:00 PM
End: Sun 5/20/2007 10:00 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Required Attendees: Alexander, Lee; Mullen, Donald; Sparks, Daniel L; Brafman, Lester R; Kaprelian, Michael; Alexander, Lee

Resources: Mullen, Donald; Sparks, Daniel L; Brafman, Lester R; Kaprelian, Michael; Alexander, Lee

Dial-In Information: 888-446-9291 code:756062

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2090

533-13

From: Sparks, Daniel L
Sent: Sunday, May 20, 2007 8:36 PM
To: Dan and Helen Sparks
Subject: FW: Viniar Presentation - Updated

Attachments: Mortgages V4.ppt

From: Alexander, Lee
Sent: Sunday, May 20, 2007 8:31 PM
To: Mullen, Donald; Sparks, Daniel L
Cc: Brafman, Lester R; Kaprelian, Michael
Subject: Viniar Presentation - Updated

Please see attached for the Viniar Presentation. Don - We sent this to you via car ~15mins ago. Waiting to get a confirm from the driver that it has been dropped off.

Lester and I will dial into the call at 9pm.

Dial in information is:
Dial-In Information: 888-446-9291 code:756062



Mortgages V4.ppt

Thx

536 15

From: Swenson, Michael
Sent: Thursday, March 01, 2007 10:52 AM
To: Cornacchia, Thomas
Subject: RE: names

Bill buckingham - Cardinali

From: Cornacchia, Thomas
Sent: Thursday, March 01, 2007 10:48 AM
To: Swenson, Michael
Subject: RE: names

Who covers passport

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

From: Swenson, Michael
Sent: Thursday, March 01, 2007 10:44 AM
To: Gmelich, Justin; Cornacchia, Thomas
Cc: Birnbaum, Josh
Subject: RE: names

Our tiering on a 3 tier system

Most likely in the near term for size:

HBK [REDACTED] to [REDACTED] - waiting for nicole
Passport - [REDACTED] - account likes Deeb - we just printed [REDACTED] with him

From: Gmelich, Justin
Sent: Thursday, March 01, 2007 10:12 AM
To: Swenson, Michael
Subject: names

Harbinger tier 1 you tell us

Passport tier 1 (already have stuff in front of him - he wants [REDACTED] names that are tight) - we just printed [REDACTED] wants to do [REDACTED] in near term (today) he will only print with us

Hayman tier 1 wants to [REDACTED] right now - working with perry - kyle bass is having a meetign to sign up the management agreement with Perry - BE PATIENT

Elliot tier 2.5 - uber comp - not active lately

Pennant tier 2 - whiner when trades don't work, would probably be open to adding [REDACTED]

Gweiss tier 3 - small, nothing to do

Baupost tier 2 - uber comp and smart, not active lately but [REDACTED] Has been in comp for the most part

Perry tier 1 potentially via HAYMAN - BE PATIENT

Canyon tier 2 - laborious bond pickers, [REDACTED] at time. Still looking to buy [REDACTED]

Fir tree tier 1 - [REDACTED] to [REDACTED] at a time, would probably be open to seeing a

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Report Footnote #2095

SB-3
[Handwritten signature]

list, but prefer bad deals

Eton park tier 2.5 - backbidders not great bond pickers, nothing to do

Basswood tier 2 - smart, loose lips, nothing to do

Zais tier 2 - extremely smart and [REDACTED] [REDACTED] in notionasl), have been [REDACTED] in comp lately

Harvard tier 2.5 - got creamed on [REDACTED] trade with us (they [REDACTED] [REDACTED]) more likely to double down

Ellington tier 5 - no comment

Qvt tier 3 - uber comp very sophisticated name picking in early, nothing to do

Hbk tier 1 - we have engaged responding with their list of names to us this morning

Citadel tier 2 - uber comp much more likely to do [REDACTED] trades, nothing to do [REDACTED]

Oaktree tier 2 - [REDACTED] of index at [REDACTED]

Durham (cactus and crissy) - were looking to buy [REDACTED] before [REDACTED]. We showed them similar offering to what we showed Harbinger. They passed and indicated they would have been better [REDACTED] at those levels. [REDACTED] type

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From: Black, Robert N
Sent: Wednesday, February 14, 2007 7:00 PM
To: Bieber, Matthew G.
Cc: Kang, Connie; Chaudhary, Omar; Brocato, Russell
Subject: Timberwolf I, Ltd. - Target Account List

Matt,

Below is a broader list of US accounts that I think we should be directly targeting for the deal. We got some traction with most of these guys on ABACUS-HGSI (CDO²). We will push the tri-state area guys for roadshow slots again tomorrow. And push the other accounts for conference calls.

If you have any additions let me know.

BSAM - Davilman
NIBC - Davilman
Koch - Romo
Vero - Romo
Security Benefit - Romo
Highland - romo
CSAM - Willing
DBAM - Willing
Declaration - Willing
Delaware - Willing
NIR - Herald
Vanderbilt - Gaddi
Moneygram - Ricciardi
Seneca - Taniguchi
Cambridge Place - Cag
Chotin - Cag
PAG - Matthias
Aladdin - Pinkos
Loews - Pinkos
Clinton - Verocchi
Ivy AM - Reich
E*Trade - Kreitman

From: Lehman, David A.
Sent: Friday, March 02, 2007 2:56 PM
To: McDonald, Ian (New York)
Subject: RE: ABX/Mtg Credit Accts

THX

From: McDonald, Ian (New York)
Sent: Friday, March 02, 2007 2:36 PM
To: Lehman, David A.
Subject: RE: ABX/Mtg Credit Accts

Yes.

From: Lehman, David A.
Sent: Friday, March 02, 2007 2:36 PM
To: McDonald, Ian (New York)
Subject: RE: ABX/Mtg Credit Accts

I would add Josh/Swenny

From: McDonald, Ian (New York)
Sent: Friday, March 02, 2007 2:34 PM
To: Ficc-mtg-client-dialog
Subject: RE: ABX/Mtg Credit Accts

--Maybe a better term than macro is "multi-strategy" rather than "mortgage focused". But understood, III isn't a macro acct.
 --Desk thought that we should treat Paulson as tier 1 acct.

We created the list ficc-mtg-client-dialog. I'll add people over time....

Was going to touch base with Shlomi and get his view on the credit side as well....

From: Bash-Polley, Stacy
Sent: Thursday, March 01, 2007 4:28 PM
To: McDonald, Ian (New York); Holen, Margaret; Radtke, Lorin; Primer, Jeremy; Lehman, David A.; Wiesel, Elisha
Subject: RE: ABX/Mtg Credit Accts

See my edits/ questions

From: McDonald, Ian (New York)
Sent: Thursday, March 01, 2007 2:30 PM
To: Bash-Polley, Stacy; Holen, Margaret; Bash-Polley, Stacy; Radtke, Lorin; Primer, Jeremy; Lehman, David A.
Subject: ABX/Mtg Credit Accts

Based on conversations with sales and trading, Lorin and I came up with a fairly lengthy list of accts that are considered to be "key".

We roughly tiered the accts out based on perception of business just to give some structure, but it shouldn't be taken as fixed.

1) First Tier Impact (already printing frequent high margin business, first call-type accts)

Macro
 Convexity Capital (Houghton)

Moore Capital (Houghton) & London (Faker)
III (Madoff) (they are not macro)
Paulson Capital (Raazi) (not sure desk would agree-also they are credit)

Mtg

Bank of America (Borst)-more likely
ACA (Kretiman)
Harvard (Radtke)
Winchester (Radtke)
Morgan Stanley Prop (Martin)
HBK (Martin)
DB Prop (Cagnassola)
UBS (Pinkos)
DEShaw (Cohen)
BSAM (Davilman)
Rabo Bank (Frasier/Lee)

Credit

Harbinger
Hayman

2) Second Tier Impact (printing less frequently, still important, or strong potential for increased profitability)

Macro

LDF (Houghton)
JWM Partners (Madoff)

Mtg

King Street (Radtke)
Alladin (Pinkos)
Clinton (Verocchi)
DA Capital (Verocchi)
JP Arb (Verocchi and Kretiman)
JPIM (Pinkos)
Citadel (Martin)

Credit

Grey wolf (Martin-and is a mortgage acct)
Bluemountain (lobou)
Passport
Balpost
Elliott
Pennant
Perry

From: Brazil, Alan
Sent: Thursday, May 31, 2007 9:47 AM
To: Ruberti, Timothy; Lehman, David A.; Bash-Polley, Stacy; Egol, Jonathan
Subject: RE: CDO Boom Masks Subprime Losses

yep. The basic tenor of the article was that the rating agencies did not do a very good job on cdos because they were greedy for underwriting business. Their example of was that the rating agencies screwed up on a cdo issued by first boston in 2000 that lost a lot of money. It lost a lot of money because it included subprime and junk bonds. And of course they pulled in the American express debacle.

The timberwolf inclusion was pretty bad, bad for selling it, of course, but also a poor piece of analysis.

" That's more than double the return on corporate bonds with the" same rating. Timberwolf's offering statement warns that the CDO may include subprime mortgage debt.

"When you see something that's priced at a 1,000 basis point spread, you know it's pretty risky," Partnoy says. "The rating agencies might not figure that out for a while."

1. the understate the return difference, bbbs corp are more like 100 bp than 500 bp. So timber bbbs are 5 times the return.
2. The ratings agencies rate deals knowing full well what the underlying collateral is of all cdos, including timberwolf.

Pretty cheap shot I thought. But it is what it is....

-----Original Message-----

From: Ruberti, Timothy
Sent: Thursday, May 31, 2007 9:08 AM
To: Lehman, David A.; Bash-Polley, Stacy; Brazil, Alan
Subject: Fw: CDO Boom Masks Subprime Losses

Sure you saw this already..

----- Original Message -----

From: Joshua Powell <Joshua.Powell@cbwpartners.com>
To: Ruberti, Timothy
Sent: Thu May 31 08:59:32 2007
Subject: FW: CDO Boom Masks Subprime Losses

Timberwolf got a shout out in the article below.

From: Brad Welnick
Sent: Thursday, May 31, 2007 7:49 AM
To: Structured Products
Subject: CDO Boom Masks Subprime Losses

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2095

CDO Boom Masks Subprime Losses, Abetted by S&P, Moody's, Fitch
2007-05-31 00:08 (New York)

By Richard Tomlinson and David Evans

May 31 (Bloomberg) -- The numbers looked compelling. Buy this investment-grade collateralized debt obligation and you'll get a return of up to 10 percent, Credit Suisse Group said. That was almost 25 percent more than the average yield on a similarly rated corporate bond.

Investors snapped up the \$340.7 million CDO, a collection of securities backed by bonds, mortgages and other loans, within days of the Dec. 12, 2000, offering. The CDO buyers had assurances of its quality from the three leading credit rating companies -- Standard & Poor's, Moody's Investors Service and Fitch Group Inc. Each had blessed most of the CDO with the highest rating, AAA or Aaa.

Investment-grade ratings on 95 percent of the securities in the CDO gave no hint of what was in the debt package -- or that it might collapse. It was loaded with risky debt, from junk bonds to subprime home loans. During the next six years, the CDO plummeted as defaults mounted in its underlying securities. By the end of 2006, losses totaled about \$125 million.

The failed Credit Suisse CDO may be an omen of far worse to come in the booming market for these investments.

Sales of CDOs worldwide have soared since 2004, reaching \$503 billion last year, a fivefold increase in three years, according to data compiled by Morgan Stanley.

CDO holdings have already declined in value between \$18 billion and \$25 billion because of falling repayment rates by subprime U.S. mortgage holders, Lehman Brothers Holdings Inc. estimated on April 13. In many cases, investors don't even know that values have

dropped.

'We Can't Get There'

In this secretive market, there is no easy way for them to find out what their CDOs are worth.

The uncharted slide of the Credit Suisse CDO points to the critical and little-understood-role played by rating companies in assessing risk and acting as de facto regulators in a market that has no official watchdogs.

Many of the world's CDOs are owned by banks and insurance companies, and the people who regulate those firms rely on the raters to police the CDOs.

"As regulators, we just have to trust that rating agencies are going to monitor CDOs and find the subprime," says Kevin Fry, chairman of the Invested Asset Working Group of the U.S. National Association of Insurance Commissioners. "We can't get there. We don't have the resources to get our arms around it."

The three leading rating companies, all based in New York, say that policing CDOs isn't their job. They just offer their educated opinions, says Noel Kirnon, senior managing director at Moody's.

'Little New Information'

"What we're saying is that many people have the tendency to rely on it, and we want to make sure that they don't," says Kirnon, whose firm commands 39 percent of the global credit rating market by revenue.

S&P, which controls 40 percent, asks investors in its published CDO ratings not to base any investment decision on its analyses. Fitch, which has 16 percent of the worldwide credit rating field, says its analyses are just opinions and investors shouldn't rely on them.

The rating companies apply their usual disclaimer about the reliability of their analyses to CDOs. S&P says in small print: ``Any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision.''

Joseph Mason, a finance professor at Philadelphia's Drexel University and a former economist at the U.S. Treasury Department, says the ratings are undermined by the disclaimers. ``I laugh about Moody's and S&P disclaimers,' he says. ``The ratings giveth and the disclaimer takes it away. Once you're through with the disclaimers, you're left with very little new information.''

Credit Raters Participate

When it comes to CDOs, rating companies actually do much more than evaluate them and give them letter grades. The raters play an integral role in putting the CDOs together in the first place.

Banks and other financial firms typically create CDOs by wrapping together 100 or more bonds and other securities, including debt investments backed by home loans.

Credit rating companies help the financial firms divide the CDOs into sections known as tranches, each of which gets a separate grade, says Charles Calomiris, the Henry Kaufman professor of financial institutions at Columbia University in New York.

Credit raters participate in every level of packaging a CDO, says Calomiris, who has worked as a consultant for Bank of America Corp., Citigroup Inc., UBS AG and other major banks. The rating companies tell CDO assemblers how to squeeze the most profit out of the CDO by maximizing the size of the tranches with the highest ratings, he says.

'Not a Passive Process'

''It's important to understand that unlike in the corporate bond market, in the securitization market, the rating agencies run the show,'' he says. ''This is not a passive process of rating corporate debt. This is a financial engineering business.''

Credit raters consult with bankers in determining the makeup of a CDO, and banks make the final decisions, says Gloria Aviotti, Fitch's global head of structured finance.

As home buyers and investors grapple with the subprime mortgage crisis, many haven't yet realized the extent to which that turbulence is spilling into CDOs. Foreclosure filings in the U.S. surged to 147,708 in April, up 62 percent from April 2006, as subprime borrowers stopped making mortgage payments, research company RealtyTrac Inc. said on May 15.

As foreclosures increase, the subprime-backed securities in CDOs begin to crumble. Subprime mortgage securities make up about \$100 billion of the \$375 billion of CDOs sold in the U.S. in 2006, according to data from Moody's and Morgan Stanley.

Subprime Debt Holdings

Seventy-five percent of global CDO sales are in the U.S. Moody's reported in March that about half of the CDOs sold in the U.S. last year contained subprime debt. On average, 45 percent of the contents of those CDOs consisted of subprime home loans, Moody's said.

In a certain class of CDOs, the concentration of subprime is even higher. S&P and Fitch estimate that subprime mortgage securities make up more than 70 percent of the debt in so-called mezzanine asset-backed CDOs, a type of CDO that repackages bonds, mostly mortgage debt, with low credit ratings.

Investors bought \$59.5 billion of these CDOs in 2006, according to Morgan Stanley. On average, as with all CDOs, more than 90

percent of the value in them is rated investment grade.

Bankers call the bottom sections of a CDO -- the ones that are the most vulnerable to subprime and other junk -- the equity tranches. They also have another, more-emotive phrase for them: toxic waste.

'The First Loss'

As more home buyers default on their subprime loans, the waste in CDOs becomes more poisonous. "If anything goes badly, the investors in toxic waste take the first loss," says Satyajit Das, a former Citigroup Inc. banker who has written 10 books on debt analysis.

"Let's put it this way," he says. "There's a revolution. If you don't win, you're going to be the first one in line for the firing squad."

Investors have little idea how toxic some of these CDOs are, Drexel's Mason says.

"We compose CDOs with a bunch of this stuff," he says. "Now we just jack up the risk, jack up the misunderstanding. We're throwing our money to the wind. We now know the defaults are in the mortgage pools and it's only a matter of time before they accumulate to levels that will threaten the CDO market."

In times of uncertainty, CDO ratings take on even less meaning, says Brian McManus, head of CDO research at Charlotte, North Carolina-based Wachovia Corp. Investors may not know what hit them because there won't be a sudden CDO crash, he predicts.

"They don't blow up," McManus says of CDOs. "They just kind of melt."

No Regulation

This is not what investors envisioned in 2004 when they started the CDO bull run. In an era of low interest rates, CDOs offered juicy yields.

With defaults at historic lows, the risk of something going drastically wrong seemed remote. Why buy a corporate bond yielding 5 percent when you can invest in a CDO with the same credit rating and the promise of a return twice as high?

There are two caveats: It's nearly impossible to find out exactly what's in a CDO, and CDOs aren't regulated.

Almost all CDOs are sold in private placements, and their current values aren't posted anywhere. "There is absolutely no transparency," Das says. "It's difficult to get current values or information about the underlying assets in the CDO."

Financial regulators have effectively outsourced the monitoring of CDOs to the rating companies. No less an authority than the U.S. Office of the Comptroller of the Currency, which regulates banks, depends on the rating firms to assess the quality of CDOs.

Bonanza for Raters

U.S. banks have invested as much as 10 percent of their assets in CDOs, and the OCC requires that all of those CDOs be investment grade, says Kathryn Dick, deputy comptroller for credit and market risk. "We rely on the rating agencies to provide a rating," she says.

CDOs have been a bonanza for the rating companies. In the past three years, S&P, Moody's and Fitch have made more money from evaluating structured finance -- which includes CDOs and asset-backed securities -- than from rating anything else, including corporate or municipal bonds, according to their financial reports.

The companies charge as much as three times more to rate CDOs than to analyze bonds, published cost listings show. The companies say these fees are higher because CDOs are so complex compared with

a single bond.

Structured finance is the largest and fastest-growing source of credit rating revenue. Moody's reported revenue of \$1.52 billion in 2006 for credit rating. Structured finance accounted for 44 percent, or \$667 million. Company credit ratings were the second-largest source of revenue, drawing \$485 million.

'A Gold Mine'

In the first quarter of 2007, structured finance rose to 46 percent of Moody's rating revenue.

"CDOs are the cash cow for rating agencies," says Frank Partnoy, a former bond trader, now a University of San Diego law professor and author of 'Infectious Greed: How Deceit and Risk Corrupted the Financial Markets' (Henry Holt & Co., 464 pages, \$27.50). "They're clearly a gold mine. Structured finance is making a lot of Moody's shareholders and managers wealthy."

Shares of Moody's, which is the only stand-alone publicly traded rating company, have more than tripled to \$68.60 on May 9 from \$20.65 at the beginning of 2003.

S&P charges as much as 12 basis points of the total value of a CDO issue compared with up to 4.25 basis points for rating a corporate bond, company spokesman Chris Atkins says. (A basis point is 0.01 percentage point.)

Shares Almost Tripled

That means S&P charges as much as \$600,000 to rate a \$500 million CDO. Fitch charges 7-8 basis points to rate a CDO, more than its 3-7 basis point fee to rate a bond, based on the company's fee schedule. Moody's doesn't publish its pricing for any ratings.

Fitch, which is 80 percent owned by Paris-based Fimalac SA, a

publicly listed investment company, says that rating structured finance accounted for 51 percent of total revenue of \$480.5 million in the fiscal year ended on Sept. 30, 2006.

Fimalac's share price has almost tripled in value since the start of 2003, trading at 80 euros (\$108.40) on May 9.

New York-based McGraw-Hill Cos., which owns S&P, reports that in 2006, the credit rating company's revenue rose by 20 percent to \$2.7 billion. Almost half of that growth was from increased sales of structured finance ratings, it says.

McGraw-Hill's shares have more than doubled in value since 2003, trading at \$68.97 on May 9.

The First CDOs

Michael Milken, the junk bond king, created the first CDO in 1987 at now-defunct Drexel Burnham Lambert Inc., says Das, author of 'Credit Derivatives: CDOs & Structured Credit Products' (John Wiley & Sons Inc., 850 pages, \$120). Until the mid-1990s, CDOs were little known in the global debt market, with issues valued at less than \$25 billion a year, according to Morgan Stanley.

Drexel and other investment banks realized that by bundling high-yield bonds and loans and slicing them into different layers of credit risk, they could make more money than they could from holding or selling the individual assets.

Investment-grade CDOs that include subprime assets offer debt returns that exceed yields on junk bonds. In May, BBB-rated portions of CDOs -- the lowest investment grade -- paid 7-9 percentage points above the London interbank offered rate, according to Morgan Stanley.

That amounted to an annual return of about 13 percent, based on May bank lending rates.

Most CDO tranches promise returns at a fixed spread over Libor. That means their value isn't affected by changes in interest rates the way the value of a fixed-rate bond would be, says Arturo

Cifuentes, a managing director at R.W. Pressprich & Co., a New York-based fixed income brokerage that buys and sells CDOs.

'A Happy One'

"CDOs offer you a possibility to invest in risk which you cannot do in any other way," he says. Cifuentes says CDOs have been good for investors and financial markets. "For the most part, the CDO experience has been a happy one," he says.

That euphoria has blinded investors -- and the rating companies -- to the true risk of CDOs, Partnoy says.

A \$1 billion CDO named Timberwolf, sold in March by New York-based Goldman Sachs Group Inc., included a \$30 million tranche. It's rated investment grade, BBB, by S&P and Moody's and pays 1,000 basis points, or 10 percentage points, more than the three-month forward Libor.

That's more than double the return on corporate bonds with the same rating. Timberwolf's offering statement warns that the CDO may include subprime mortgage debt.

"When you see something that's priced at a 1,000 basis point spread, you know it's pretty risky," Partnoy says. "The rating agencies might not figure that out for a while."

CDO ratings may mislead investors because they can obscure the risk of default, especially compared with similar ratings for bonds, says Darrell Duffie, a professor of finance at Stanford Graduate School of Business in California, who's paid by Moody's to advise the company on credit risk.

'Can't Compare'

"You can't compare these CDO ratings with corporate bond ratings," Duffie says. "These ratings mean something else --

entirely.''

Corporate bonds rated Baa, the lowest Moody's investment rating, had an average 2.2 percent default rate over five-year periods from 1983 to 2005, according to Moody's. From 1993 to 2005, CDOs with the same Baa grade suffered five-year default rates of 24 percent, Moody's found.

Non-investment-grade CDOs, rated Ba, had an almost identical default rate of 25.3 percent in the same period. ``In CDO-land, there's almost no difference between Baa and Ba,''' says Cifuentes, a former Moody's vice president who helped develop the company's original method of rating CDOs in the late 1990s.

American Express Loss

Cifuentes highlighted this point when he ran a daylong seminar for 45 U.S. bank regulators in Washington on April 10.

American Express Co. learned about risky CDOs the hard way. The New York-based company invested in high-yield CDO transactions starting in 1998. By 2001, American Express reported losses of more than \$1 billion from those investments.

Chief Executive Officer Kenneth Chenault told shareholders in a July 2001 conference call that the company didn't understand CDO risk. He said when his traders first bought CDOs, defaults were at historically low levels.

``Many of the structured investments were investment grade, so they thought they had a reasonable level of protection against loss,''' he told investors. ``It is now apparent that our analysis of the portfolio did not fully comprehend the risk underlying these structures during a period of persistently high default rates.''

As a result, he said, American Express would stop buying CDOs. Chenault declined to comment for this story.

Some investors have always been wary of CDOs. Joe Biernat, head of research at London-based European Credit Management Ltd., says he

avoids CDOs. The investment firm, owned by Wachovia, specializes in mortgage- and asset-backed securities and manages about 21 billion euros for institutional clients.

'We Like Clarity'

"We have never invested in CDOs because we like clarity," Biernat says. "You may be buying more of the worst stuff to get the kind of yield that you want."

Because there are so many moving parts to a CDO, rating companies have to assess not only the chance that something may go wrong with one piece but also the possibility that multiple combinations of things could falter. To do that, S&P, Moody's and Fitch use a mathematical technique called Monte Carlo simulation, named after the Mediterranean gambling city.

The rating companies take all the data they have on a CDO, such as information about specific bonds and securitizations and the remaining types of loans to be purchased for the package.

The firm enters data into a software program, which calculates the probability that a CDO's assets will default in hypothetical situations of financial and commercial stress. The program effectively rolls the dice more than 100,000 times by running the information randomly.

'False Sense of Security'

The rating companies base their simulations and ratings of each tranche on assumptions about default and recovery rates that may be incorrect, Cifuentes says.

"The danger with Monte Carlo is that it gives you a false sense of security," he says. "If the input data that you use is a little bit uncertain, your numbers are going to be trash, but they

will look convincing."

Credit rating companies may have miscalculated the potential toxicity of securities backed by subprime loans, McManus says.

"With CDOs, they underestimated the volatility of the subprime asset class in determining how much leverage was OK," he says.

The rating firms use irrelevant or incomplete data to calculate the probability, or so-called correlation risk, that various assets in a CDO will default at the same time, Das says.

"The models are fine," he says. "But they have an input problem. It becomes a number we pluck out of the air. They could be wrong, and the ratings could be misleading. I'm not even sure we understand the networks of links between the subprime tranches."

'Not an Exact Science'

Stephen McCabe, a London-based managing director at S&P in charge of rating structured finance, defends his firm's evaluations, which are based in part on Monte Carlo simulation. "It's always an opinion, but it's based on some very deep mathematical analysis and some quite-complicated modeling."

Kimberly Slawek, group managing director at Derivative Fitch, the subsidiary of Fitch that rates CDOs, says her firm does the best it can. "It's not an exact science," she says. "This is very much our opinion as to the creditworthiness."

Kevin Kendra, London-based managing director at Derivative Fitch, says he runs a two-year training course on the rating firm's model for analyzing CDOs. In the first year, he teaches recruits about Monte Carlo simulation, including the use of correlation variables in determining risk.

Correlations mean, for example, that when a German auto company defaults, other German car manufacturers suffer a higher chance of failing.

'Understand the Strengths.'

"I spend the second year teaching them how to not believe the outputs of these models," Kendra says. "I want them to understand the strengths of the model, but also why the model may or may not apply to the assets that they're trying to analyze."

Kendra says he's not telling them to ignore the computer model; rather, he's suggesting that they should understand it and also use their own judgment.

S&P's McCabe says his company's model is valuable, even if it isn't perfect. "There can be times when the model will spit out something and the people on our credit rating committee will just say, 'We're not comfortable with that,'" he says.

Complicating the rating companies' challenges in evaluating CDOs is the unusual role they play in putting them together. Potential conflicts of interest in the ratings game aren't new. The three largest raters are always paid by the issuers of the debt they're rating.

Rating Conflicts

Conflicts in rating CDOs are more acute because the raters work with financial firms in creating these debt packages, says Karl Bergqwist, a senior manager at Gartmore Investment Management Plc in London.

"When you assign a traditional rating on a company or a bank, it is as it is, and you just make an assessment," says Bergqwist, who worked at Moody's until 1994. "When you move into structured finance, the agencies are effectively involved in structuring these transactions."

Fitch rates the top tranches AAA. The riskier mezzanine tranches usually get investment grades down to BBB-. The lowest

portions, the toxic waste, which offer the highest potential return and biggest risk for investors, go unrated.

These sections are also known as equity because their holders are the first to suffer losses and the last in line to collect in the case of a collapse triggered by defaults of the underlying debt, just as shareholders stand behind bondholders when a public company goes bust.

'An Active Role'

Fitch's role in helping to put together a CDO came to light in a civil court case. American Savings Bank of Hawaii Inc. sued UBS PaineWebber Inc. in 2001, claiming that in 1999 UBS had incorrectly said a CDO it had sold was investment grade when it wasn't.

In the lawsuit, American Savings challenged Fitch's ratings of Zurich-based UBS's CDO. The 2nd U.S. Circuit Court of Appeals required Fitch to turn over internal documents. The court found in 2003 that Fitch had advised UBS on how to structure the CDO to get the ratings the bank wanted. Fitch itself was not a party to the lawsuit.

"Fitch played an active role in helping PaineWebber decide how to structure the transaction," the court found. "Correspondence indicates a fairly active role on the part of the Fitch employee in commenting on proposed transactions and offering suggestions about how to model the transactions to reach the desired ratings."

The case was settled out of court, says UBS spokesman Doug Morris. Fitch's Aviotti says that although her company talks with financial firms as they create CDOs, Fitch doesn't structure CDOs. "We do as we do, which is not advise," she says.

'The Nirvana'

Yuri Yoshizawa, group managing director for structured finance

at Moody's, says a credit rating company's close relationship with CDO issuers doesn't compromise objectivity.

"I think if we have the ratings wrong, we don't have a business," she says. "If we put something out there just because the issuer wants it and it's wrong, then there's absolutely no reason for anybody to rely on or give voice to our opinions."

The banks and rating companies have stretched the frontiers of CDOs with products known as CDO squareds and CDO cubeds.

As the names suggest, a CDO squared is formed by bundling together a bunch of CDOs, and a CDO cubed, which can contain thousands of different securities, is formed by lashing together a bunch of CDO squareds.

Some investors love these fat packages of CDOs because they offer even higher returns than plain CDOs. "The nirvana is higher risk-adjusted returns," says Andrew Donaldson, CEO of CPM Advisers Ltd., a London-based credit investment firm that manages about \$2 billion.

'Smoke and Mirrors'

CPM buys and sells CDOs, including CDO squareds. "CDO squareds give another dimension to achieve portfolio diversification," Donaldson says.

Investors shouldn't put much credence in the risk that rating companies assign to CDO squareds and cubeds, says Stanford's Duffie. "The complexity of analyzing that is beyond current methodology," he says.

The grades that rating companies give CDO squareds and cubeds are worthless, says Janet Tavakoli, founder of Chicago-based consulting firm Tavakoli Structured Finance Inc., which advises investors on CDO purchases.

"Ratings on these products are based on smoke and mirrors,"

Tavakoli says.

The inner workings of CDOs are normally invisible to the public. The demise of the \$340.7 million CDO Credit Suisse sold in December 2000 was documented in a 38-page report dated March 26 that Moody's stamped as confidential.

CDO Collapse

The Enhanced Monitoring Report, which is written for clients who pay an extra \$10,000 to \$130,000 for such studies, provided further background about the CDO called SPA.

This ill-fated CDO included a collection of subprime mortgage-backed securities and junk bonds. S&P, Moody's and Fitch stamped 85 percent of the CDO with an AAA or Aaa rating because that portion was guaranteed by bond insurer MBIA Inc.

On April 24, Moody's withdrew its rating on the major part of SPA, saying in a two-sentence note that investors in this tranche had been paid in full.

What Moody's didn't say was that Armonk, New York-based MBIA paid the investors after the CDO had collapsed because many of its underlying securities had defaulted. MBIA spokesman Michael Ballinger says the insurer paid investors in the AAA or Aaa tranche \$177 million.

The tranche had suffered about \$73 million in losses, which MBIA covered. Moody's spokesman Anthony Miranda and Credit Suisse spokesman Pen Pendleton declined to comment on SPA.

Total Loss

Moody's also didn't say what became of SPA's uninsured mezzanine tranches, which the credit rating company had rated as investment grade. Investors in these tranches lost all of their money, Ballinger says.

The losses totaled \$38.5 million including unpaid accrued interest, based on the numbers in the Moody's report. The unrated equity, or toxic tranches, also lost everything -- \$17.2 million. Moody's estimated that SPA's remaining assets, which MBIA took over, were worth \$104 million.

"Because of the difficulty in obtaining accurate and timely market prices, some of the prices may be inaccurate or stale," Moody's wrote in a footnote in the confidential report. Miranda declined to comment on the report.

With no regulation and little transparency, the CDO market thrives, and credit raters are helping lead the way, the University of San Diego's Partnoy says.

Investors haven't been deterred by American Express's \$1 billion loss. Nor have the March and April studies by Moody's and Lehman showing the concentration of subprime debt in CDOs slowed down CDO sales.

Former banker Das wonders why few people are probing the potential dangers for CDO investors. "I think the regulators seem to be fairly sanguine about all of this," he says. "The thing that I find quite bewildering is the lack of urgency and focus."

He says subprime mortgage defaults have just started to soar. "The fuse has been lit," Das says. "Somebody should be trying to find where this wire is running to."

--With reporting by Christine Richard in New York. Editor: Neumann.

Story illustration: To view a chart of worldwide CDO sales (in billions of dollars) for the past ten years, using data compiled by Morgan Stanley: {MCDOSALE Index GP <GO>}. Click on the word chart to see the shares of the three largest credit rating companies increase as CDO sales soar.

For data on delinquencies on subprime loans in residential mortgage-backed securities, type DQRP <Go>. Click on the arrow to the right of Sector and select Residential.

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From: Sparks, Daniel L
Sent: Saturday, May 19, 2007 5:57 PM
To: Alexander, Lee; Kaprelian, Michael; Brafman, Lester R
Subject: FW: Mortgages CDO Origination Presentation

Attachments: Mortgages V3.ppt

Good job overall - comments on pages below:
p.2 second bullet pt. instead of mark to model, should say "securitization valuation to a individual position mark to market valuation."
P.3 break out 2 large high grade super senior positions
don't think numbers are correct (assumptions about timberwolf AAA looks wrong for 5/11), and it seems like too much detail for 5/11
P.4 again change to "marked to securitization execution"
not correct that all warehouse collateral at par - probably should just remove sentence or say at cost with securitization execution reserve
P.5 again "marked to securitization exit"
some A and BBB were sold on the deals
P.6 should note value of oc buildup typically makes current credit support for BBB 8-9% on RMBS deals
P10-12 can discuss live, but want to make sure you have all relevant sales

Thanks

From: Alexander, Lee
Sent: Saturday, May 19, 2007 12:32 AM
To: Sparks, Daniel L
Cc: Kaprelian, Michael
Subject: Mortgages CDO Origination Presentation

Dan - Please find an updated version of the presentation. Please let us know if you have any comments prior to the call on Sunday - and we will make the necessary changes.



Mortgages V3.ppt

Thx, Lee

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2097

559-3



Mortgages CDO Origination

Retained Positions & Warehouse Collateral

May 2007

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-010973175

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2098

502



Mortgages CDO Origination Executive Summary

- Based upon the inability to place the liabilities of the Timberwolf and Point Pleasant CDO² transactions, the Mortgage trading desk assessed the current valuation of retained positions and the ability to securitize current CDO² warehouse collateral.
- The inability to securitize CDO² warehouse collateral will result in the unwind of the warehouse facilities, which will move the collateral from a mark to model valuation to a mark to market valuation.
- The initial estimate on May 11th of the mark-to-market P&L impact of this revaluation of retained positions and change in valuation methodology is shown as follows:

	Market Value (\$mm)	A	B	C
Retained Positions:				
Debt - CDO	4,053	(121)	(196)	(273)
Equity - CDO	113	(12)	(24)	(36)
Warehouse Collateral	1,493	(116)	(160)	(202)
Total	5,659	(248)	(380)	(511)



Mortgages CDO Origination Retained Positions

- As of May 11th, the desk held \$4.166bn in Retained positions related to CDO Debt and Equity. Breakout of this balance by type and the anticipated writedowns are shown below:

	Market Value(\$mm)	A	B	C
Debt - CDO				
CDO-squared	637	(111)	(166)	(221)
Mezz	622	(11)	(26)	(42)
High grade	2,793	1	(3)	(9)
Total	4,053	(121)	(196)	(273)
Timberwolf	244	(27)	(9)	(7)
Point Pleasant	244	(27)	(9)	(7)
Average Price	92%	97%	97%	97%
Equity - CDO				
2001-2005 Mezz	11	(3)	(4)	(5)
2002-2004 High Grade	5	-	-	-
2005-2006 High Grade	33	(5)	(7)	(8)
2006 Mezz	32	(4)	(9)	(14)
CDO-squared	32	0	(4)	(9)
Total	113	(12)	(24)	(36)
TOTAL	4,166	(132)	(220)	(309)

- The anticipated writedowns are driven by Mezz AAA and AA tranches of Timberwolf and Point Pleasant CDO² structures (\$159.3mm – Scenario B). These deals were priced the wk of 03/16 and the week of 04/13, respectively.
- Due to the lack of liquidity in the marketplace for these structures (i.e. Timberwolf and Point Pleasant last traded on 04/23 and 04/24, respectively), the desk has proposed writedowns to reflect current market conditions.

— = Redacted by the Permanent Subcommittee on Investigations



Mortgages CDO Origination Warehouse Positions

- As of May 11th, the desk was in the midst of ramping up 4 CDO warehouses. At this time, the warehouse collateral was valued with the assumption that a CDO was a viable exit. Thus, inventory warehoused was marked to model by comparing asset and liability spreads, including the desired equity yield. To the extent that the current CDO liability spreads were wider than the cost on an aggregate basis, the estimated loss was reserved.
- As securitization is no longer a viable exit, the warehoused assets will be marked to market on an individual basis. Current market value of all warehouse collateral is par. Anticipated writedowns are as follows:

Sector	Market Value(\$mm)	A		B		C	
		Write down	Average Price	Write down	Average Price	Write down	Average Price
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
RMBS - Other	184	(15)	92%	(16)	91%	(17)	91%
RMBS - Subprime	341	(26)	93%	(27)	92%	(29)	92%
SP CDO	777	(145)	81%	(185)	76%	(222)	71%
Less: Warehouse mark-to-model reserves		75		75		75	
Total	1,493	(116)		(160)		(202)	

4



Mortgages CDO Origination

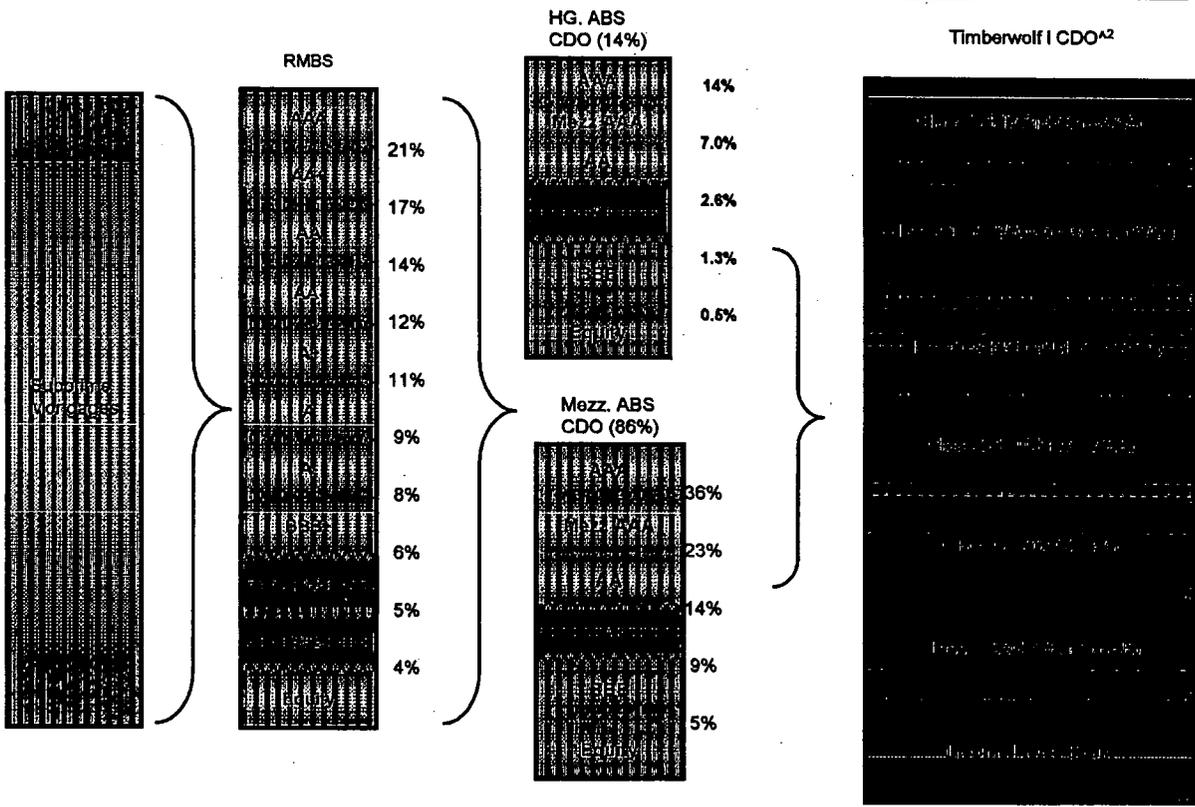
CDO Origination Risk vs. SPG Trading Risk

- Origination – Long 2.6bn of CDO Risk
 - Our CDO² collateral was ramped prior to the market widening and marked to model – average ramp period is 6-9 months
 - Our CDO² deals, Timberwolf and Point Pleasant, priced in March with demand only for the super senior tranche
 - The complexity of the CDO² product and the poor demand for CDOs in general has made this risk difficult to sell and the desk expects it to underperform
- SPG Trading – Short \$2.8bn of CDO Risk
 - Over the past 6 months, Single A CDO prices are ~20-25pts lower (from \$100 to \$75-80)
 - SPG Trading Shorts were marked to market as prices declined

Step 1



Mortgages CDO Origination Timberwolf I CDO^{A2}: Overview of Capital Structure

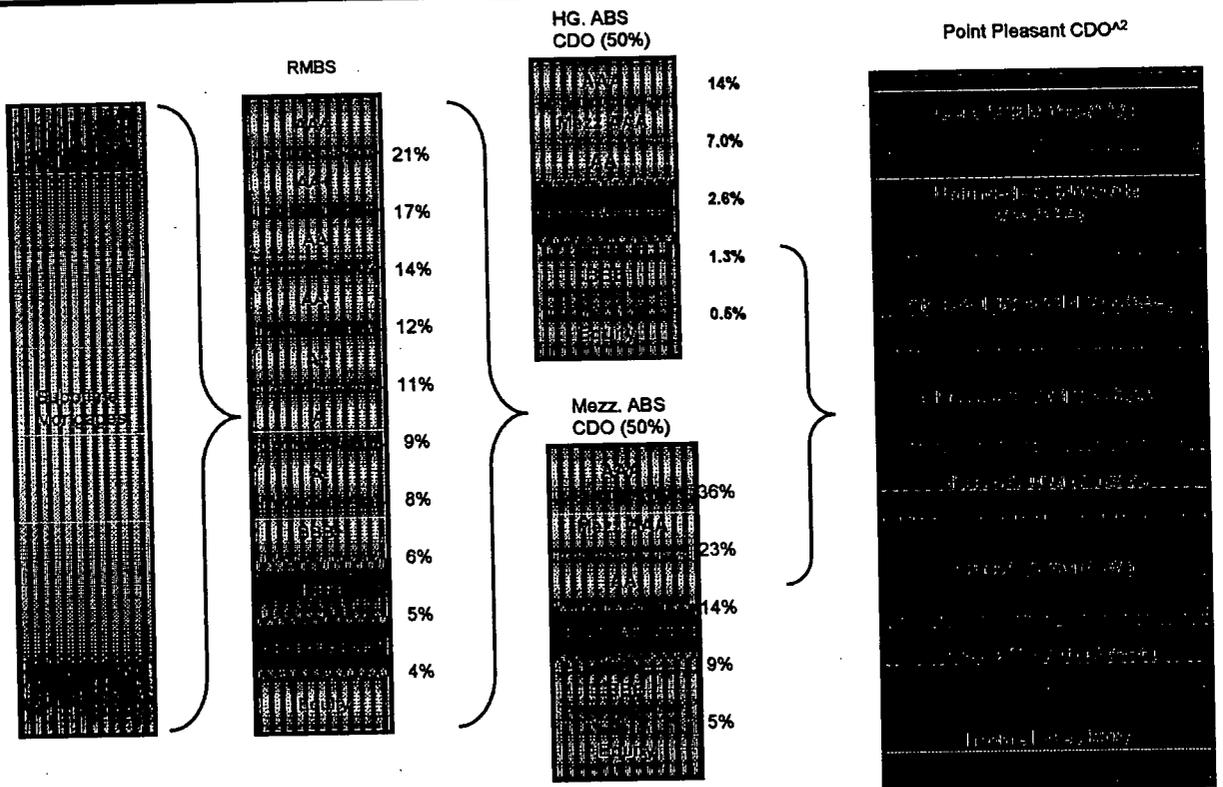


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Mortgages CDO Origination

Point Pleasant CDO^{A2}: Overview of Capital Structure



5/20/03



Mortgages CDO Origination

Action Steps – May 11th

- Unwind the warehouses

- Form three independent teams to value retained positions independently
 - David Lehman & Michael Swenson (SPG Trading)
 - Will Roberts, Gerald Ouderkirk, Doug Weaver (SCT Trading)
 - Dedicated strat support, led by Elisha Wiesel

- Distribution team headed by Stacy Bash-Polley and Scott Wisenbaker



Mortgages CDO Origination Anticipated Writedowns (in MMs)

	A	B	C	Pass Run	Start
Retained Positions	(117)	(187)	(258)		
Special Purpose Vehicle	(47)	(6)	(75)		
Warehouse*	(126)	(126)	(126)	(126)	(126)
Total	(243)	(313)	(384)	(126)	(126)

* Warehouse p&l shown using scenario B level of \$126mm

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— = Redacted by the Permanent Subcommittee on Investigations



Mortgages CDO Origination

CDO Debt - Retained Positions

Tranche	Deal	Structure	Rating	Grade	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield
"S" tranche	Altus III	S	Aaa	High grade										
"S" tranche	Timberwolf	S1	Aaa	CDO-squared	9.0	100.00%			9.0					
"S" tranche	Timberwolf	S2	Aaa	CDO-squared	8.3	100.00%			8.3					
"S" tranche	Davis Square VII	S	Aaa	High grade										
"S" tranche	Fort Denison	S	Aaa	Mezz										
"S" tranche	Point Pleasant	S	Aaa	CDO-squared	6.0	100.00%			6.0					
Super Senior	Davis Square VII	A1-a	Aaa	High grade										
Super Senior	GSC 2006-3g	A1-e	Aaa	High grade										
Super Senior	Hudson Mz 06-2	A1	Aaa	Mezz										
Super Senior	Summer Street 04-1	A1	Aaa	Mezz										
Super Senior	Anderson	A1-a	Aaa	Mezz										
Super Senior	Anderson	A1-b	Aaa	Mezz										
Mezz AAA	Adirondack 2005-1	A2	Aaa	High grade										
Mezz AAA	Fortius II	A2	Aaa	Mezz										
Mezz AAA	Mainsail	A2	Aaa	High grade										
Mezz AAA	Bernoulli	A2	Aaa	High grade										
Mezz AAA	Timberwolf	A2	Aaa	CDO-squared	285.0	91.34%	260.3	75.0%	70.0%	65.0%	20.0	87.79	4/23/2007 MONEYGRAM	
Mezz AAA	Point Pleasant	A1	Aaa	CDO-squared	127.5	84.78%	120.8	89.0%	87.0%	85.0%	20.0	91.30	4/24/2007 MONEYGRAM	
Mezz AAA	Point Pleasant	A2	Aaa	CDO-squared	75.0	92.24%	69.2	75.0%	70.0%	65.0%	20.0	91.30	4/24/2007 MONEYGRAM	
AA	Fortius II	B	Aa2	Mezz										
AA	Altus 4	B	Aa2	High grade										
AA	Fort Denison	B	Aa2	Mezz										
AA	Summer Street 04-1	A3	Aa2	Mezz										
AA	Avebury	B	Aa1	High grade										
AA	Anderson	B	Aa2	Mezz										
AA	Timberwolf	B	Aa2	CDO-squared	107.0	88.72%	94.9	80.0%	50.0%	40.0%				
AA	Hudson Mz 06-1	B	Aa2	Mezz	51.0	77.50%	39.5	82.0%	80.0%	78.0%				
AA	Hudson Mz 06-2	B	Aa2	Mezz										
AA	Point Pleasant	B	Aa2	CDO-squared	50.0	89.41%	44.7	80.0%	50.0%	40.0%				

— = Redacted by the Permanent Subcommittee on Investigations



Mortgages CDO Origination

CDO Debt - Retained Positions (cont)

Rating	Entity	Structure	Grade	10.1	71.88%	7.3	55.0%	50.0%	45.0%	7.8	87.57	4/10/2007 PLENUM ASSE
A	Altus 1	C	A2 High grade									
A	Altus 4	C	A2 High grade									
A	Coolidge	C	A3 Mezz									
A	Davis Square VII	C	A2 High grade									
A	GSC 2006-3g	C	A2 High grade									
A	START 2005CA D	COHEN	A2 Mezz									
A	LEXN 20073A E	COHEN	A3 Mezz									
A	Anderson	C	A2 Mezz									
A	Hudson Mz 06-1	C	A2 Mezz									
A	Hudson Mz 06-2	C	A2 Mezz									
A	Point Pleasant	C	A2 CDO-squared	10.1	71.88%	7.3	55.0%	50.0%	45.0%	7.8	87.57	4/10/2007 PLENUM ASSE
BBB	Davis Square VII	D	Baa2 High grade									
BBB	Altus 4	D	Baa2 High grade									
BBB	GSC 2006-3g	D	Baa2 High grade									
BBB	Adirondack 2005-2	D	Baa2 High grade									
BBB	Altus III	D	Baa2 High grade									
BBB	Hout Bay	D	Baa2 High grade									
BBB	G-Street	D	Baa2 High grade									
BBB	Lochong	D	Baa2 CDO-squared									
BBB	Putnam 2001-1	C1	Baa2 Mezz									
BBB	TABS 2006A B2	COHEN	Baa2 Mezz									
BBB	GSPIN 20051A D	COHEN	Baa2 High Grade									
BBB	STAK 20062A 6	COHEN	Baa2 Mezz									
BBB	COOL 20051A D	COHEN	Baa2 Mezz									
BBB	ACABS 20061A B1L	COHEN	Baa2 Mezz									
BBB	INDE7 7A E	COHEN	Baa2 Mezz									
BBB	DVSQ 20066A D	COHEN	Baa2 High Grade									
BBB	Hudson High Grade	D	Baa2 High grade									
BBB	Hudson Mz 06-1	D	Baa2 Mezz									
BBB	Hudson Mz 06-2	D	Baa1 Mezz									
BBB	Hudson Mz 06-2	E	Baa3 Mezz									
BBB	Point Pleasant	D	Baa2 CDO-squared	10.5	78.72%	6.1	50.0%	45.0%	40.0%			
BBB	TIAA Structured Finance	B	Baa1 Mezz									
BB	Camber 7	E	Ba1 Mezz									
BB	Glacier 2005-3	D	Ba1 Mezz									
BB	Hudson Mz 06-1	E	Ba1 Mezz									
BB	Phoenix 2	B	Ba2 Mezz									
Total				\$ 4,421.8		\$ 4,160.3						

570-8

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Mortgages CDO Origination CDO Equity - Retained Positions

		[Redacted]					
2002-2004 High Grade	Putnam Structured Product 2002-1	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2002-2004 High Grade	Davis Square Funding I, Ltd	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2002-2004 High Grade	Sierra Madre Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2002-2004 High Grade	Davis Square Funding III, Ltd	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Altius I Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Davis Square Funding V, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Davis Square Funding VI, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Hout Bay, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Hudson High Grade	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Davis Square VII	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	GSC ABS Funding 2006-3g, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	West Coast Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Adirondack 2005-1 Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Davis Square Funding IV, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	G-Street Finance	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Adirondack 2005-2 Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Altius 4 Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2005-2006 High Grade	Altius III Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2001-2005 Mezz	NYLIM Stratford CDO 2001-1, Ltd	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2001-2005 Mezz	Camber III plc	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2001-2005 Mezz	Coolidge Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2001-2005 Mezz	Fortius I Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2006 Mezz	Fortius II Funding, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2006 Mezz	Hudson Mezzanine 2006-2, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2006 Mezz	Hudson Mezzanine 2006-1, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2006 Mezz	Camber 7	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2006 Mezz	Anderson	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
CDO-equared	Lochong, Ltd.	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
CDO-equared	Fort Denton	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
CDO-equared	Timberwolf	10.8	85%	9.1	85.0%	55.0%	45.0%
CDO-equared	Point Pleasant	10.1	58%	5.8	71.0%	61.0%	51.0%
Total		\$ 170.0		\$ 111.8			
% of current face							
Class X	Broadwick	[Redacted]	[Redacted]	[Redacted]			
	Davis Square V	[Redacted]	[Redacted]	[Redacted]			
	Davis Square VI	[Redacted]	[Redacted]	[Redacted]			
	Davis Square VII	[Redacted]	[Redacted]	[Redacted]			
	G-Street	[Redacted]	[Redacted]	[Redacted]			
	West Coast	[Redacted]	[Redacted]	[Redacted]			

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Mortgages CDO Origination Next Steps

- Continue working with targeted investors
 - Basis Capital
 - Fortress
 - Polygon
 - Winchester Capital

- Elisha Wiesel and SCT Trading will continue to refine models

- SPG Trading to gather observable prices on underliers to improve accuracy of valuation models



Mortgages CDO Origination

Additional PnL Items

	<u>Desk Estimate</u>	<u>Controller Estimate</u>
Subprime Residuals	(40) to (50)	(5)
Alt A Residuals	(25) to (30)	8
Second Lien Residuals	(21)	TBD
HELOC Residual	(5)	(5)
Scratch and Dent Residuals	(5)	(5)
Scratch and Dent Loans	TBD	TBD
CDS Duration	100 to 125	100 to 125



Appendix

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Mortgages CDO Origination Market Value & Retained Positions as at May 18th

Warehouse Positions

Sector	Market Value(\$mm)	Anticipated Writedowns		
		A	B	C
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
RMBS - Other	184	(15)	(16)	(17)
RMBS - Subprime	341	(26)	(27)	(29)
SP CDO	742	(155)	(170)	(184)
Less: Warehouse mark-to-model reserves		82	82	82
Less: SMBC Funding facility		12	12	12
Total	1,458	(107)	(126)	(145)

Retained Positions

	Market Value(\$mm)	Anticipated Writedowns		
		A	B	C
Debt - CDO				
CDO-squared	637	(116)	(154)	(192)
Mezz	658	(4)	(25)	(45)
High grade	2,855	4	(9)	(21)
Total	4,150	(117)	(187)	(258)

Subprime	260	(27)	(28)	(30)
Mezz	2,855	4	(9)	(21)

Equity - CDO				
2001-2005 Mezz	11	(4)	(5)	(6)
2002-2004 High Grade	5	(1)	(2)	(3)
2005-2006 High Grade	35	(7)	(12)	(17)
2006 Mezz	29	(1)	(6)	(11)
CDO-squared	32	0	(4)	(9)
Total	112	(12)	(29)	(46)

TOTAL Warehouse and Retained	5,720	(129)	(155)	(201)
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[REDACTED] = Redacted by the Permanent
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Mortgages CDO Origination Distribution

Account	Sales	Deal	Tranche	Defcon	Comments
artress	Devilman	Timberwolf I	Mezz AAA		Looking at package of A2 and B classes. Initially indicated low \$80s on A2, 70s on B: modeling deal is 1 difficult / Devilman still pushing
artress	Devilman	Timberwolf I	AA-Rated		Looking at package of A2 and B classes. Initially indicated low \$80s on A2, 70s on B: modeling deal is 1 difficult / Devilman still pushing
ark	Gaddi	Timberwolf I	Mezz AAA		Looking on a financed basis - Indicative terms [REDACTED] - concerned about 1 correlation, our level, mgmt view / Back ended return profile
Inchester	Radtke	Point Pleasant 2007-1	Mezz AAA		Engaged and looking - has been offered bonds at 450 on A2, 700 on B / [REDACTED]
asis	Maltezos	Timberwolf I	Mezz AAA		2 Potential \$50mm A-2, \$50mm B, subject to financing - account is out of the office / feedback w/o 5/21
asis	Maltezos	Timberwolf I	AA-Rated		2 Potential \$50mm A-2, \$50mm B, subject to financing - account is out of the office / feedback w/o 5/21 re-engaged - trying to get answer by GS qtr end. Asked/received additional information today / they are still 3 working / Perick to follow up early next week
IG identity	Perick Martin	Timberwolf I Point Pleasant 2007-1	Mezz AAA A-rated		3 Looking Looking at up to [REDACTED] remaining - Acct. asked for 7 bus days to do work, then left office and is in [REDACTED]
3 Plenum filter Anderson	Arslan Brazi	Point Pleasant 2007-1 Timberwolf I	A-Rated Mezz AAA		3 will hear from them when they return 3 Looking
oneygram ld Lane equot	Gilligan Grinstein brazil	Timberwolf I Timberwolf I Timberwolf I	AA-Rated Mezz AAA		3 Potential interest on AAs (already own AAAs) / trying to see if they go down in cap. Structure (low Delta) 3 Need lookthru analysis / Strats are working on it 3 Looking Checking - Twolf higher delta than Point Pleasant given headline risk wrt Dillon Read - want lookthru
andelman	Kelly				3 analysis on Timberwolf / Strats are working on it / potential size [REDACTED] Inherited Dillon Read's Point Pleasant Positions / looking at Twolf A-2, B Classes and Pt. Pleasant B Class
JBS Prop eShaw	Kelly cohen	Timberwolf or Pt. Pleasant Point Pleasant 2007-1	Mezz AAA		3 Looking - asked for materials and raw data [REDACTED] / had call / low delta Would look to trade against CLO Super Senior AAAs - will receive bid list for CLOs early next week (Pot.
lliot	Grinstein	Timberwolf I	Mezz AAA		3 Size [REDACTED] potential interest - working to model existing exposure (own portion of single A class) - if they care expect
olygon	Raazi	Timberwolf I	AA-Rated		3 size ~ [REDACTED]

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[REDACTED] = Redacted by the Permanent Subcommittee on Investigations



Mortgages CDO Origination Distribution (cont)

Account	Sales	Deal	Tranche	Defcon	Comments
Carlyle	Ruberti				4 Will go through look through analysis - go from there / Strats are working on it
DA Capital	Kreitman				4 Start work @ +800 - 1000dm for mezz AAA
Elliot	Ginstein				4 Focused on anderson Equity evaluating Pt Pleasant A-1 vs. [REDACTED]
Harvard	Radtke	Point Pleasant 2007-1	Mezz AAA		4 counter / Radtke to follow up next week
Highland	Ruberti				4 Low Delta - Need lookthru analysis / Strats are working on it Checking - need feedback on interest from account before showing wider offering levels - [REDACTED]
JPM Prop	Verochi				4 [REDACTED]
Marathon	Kreitman				4
MS Prop	Martin	Timberwolf I	Mezz AAA		4 will do work in the L+800-1000 context (\$71-65) - passed on GS offer at 80-00
Nochu/SSG					4 Further analysis needed
Princeton	Fertel/Phillips				4 Low Delta - have never Bought CDO'2
Smith Breedan	martin				4 Start work @ +800 - 1000dm for mezz AAA
Zais	Ginstein	Point Pleasant 2007-1	Mezz AAA		4 potential - will likely be slower with feedback
Lahman AM	Gadd	Timberwolf I	Mezz AAA		4 Need a look-through of the underlying vintages / strats are working on it
Providence	Reinstein	Point Pleasant 2007-1			4 Looking - sent final CC/Portfolio Looking - may care for a small amount [REDACTED]
Vanderbilt	Gadd	Timberwolf I			4 [REDACTED] - small size if they care
Hyperion	Willing	Timberwolf I			4 Looking - Credit enhancement is thin / Concerned about rating Agency correlation report / likes discount
Paramax	Matthias	Point Pleasant 2007-1	Mezz AAA		4 Very Low Delta
Paramax	Matthias	Timberwolf I	Mezz AAA		4 Very Low Delta
Blackrock	Fertel/Phillips	Point Pleasant 2007-1			4.5 Unlikely, relooking at analysis from new issue, [REDACTED] (look for feedback Friday)
Clinton	Verochi	Point Pleasant 2007-1	Mezz AAA		4.5 Low Delta - Can't model CDO'2
Handing	Hombak	Point Pleasant 2007-1	A-rated		4.5 looked at single A's new issue - still need final feedback - low delta Checking - initial response was unlikely u [REDACTED]
ML Bank	Willing				4.5 [REDACTED], Timberwolf more likely than Point Pleasant given headline risk wrt Dillon Read
CBASS	Finkos				5 Out - do not buy CDO'2
Ellington	Sue/Elaine	Timberwolf I	Mezz AAA		5 removed from list - have not been shown levels
Mariner	Mattezos	Timberwolf I	Mezz AAA		5 Out - too much overlap with Point Pleasant
TPG-Axon	Fertel/Phillips	Point Pleasant 2007-1	Mezz AAA		5 Out - do not care at any level - [REDACTED]



Mortgages CDO Origination

Retained Positions & Warehouse Collateral

May 2007

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-010952331

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2098

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Mortgages CDO Origination

Executive Summary

- The Mortgage Department is concerned about the following risks:
 - Retained Positions in the CDO Origination Business
 - Market Value in CDO Debt is \$4.150bn
 - Specifically concerned about \$637mm of CDO² positions and \$112mm in CDO Equity. The complex structure of these positions make them very difficult to value and distribute.
 - Warehouse Collateral in the CDO Origination Business
 - Market Value of \$1.458bn
 - Specifically concerned about \$742mm of Structured Product CDOs. There is currently limited liquidity and price transparency in this space.
 - Secondary SPG Trading Book
 - Short position of \$2.45bn of which \$XX is in single A or Lower Mezz tranches of CDOs
 - We are specifically concerned about the basis risk between the short in this book and the warehouse collateral. Although they are the same product, there is limited overlap between the two books.
 - Various other risks



Mortgages CDO Origination Retained Positions

- The desk holds \$4.262bn in Retained positions related to CDO Debt and Equity
- The desk is most concerned about the CDO² positions, which is comprised of the recent Timberwolf and Point Pleasant transactions. Details listed below:

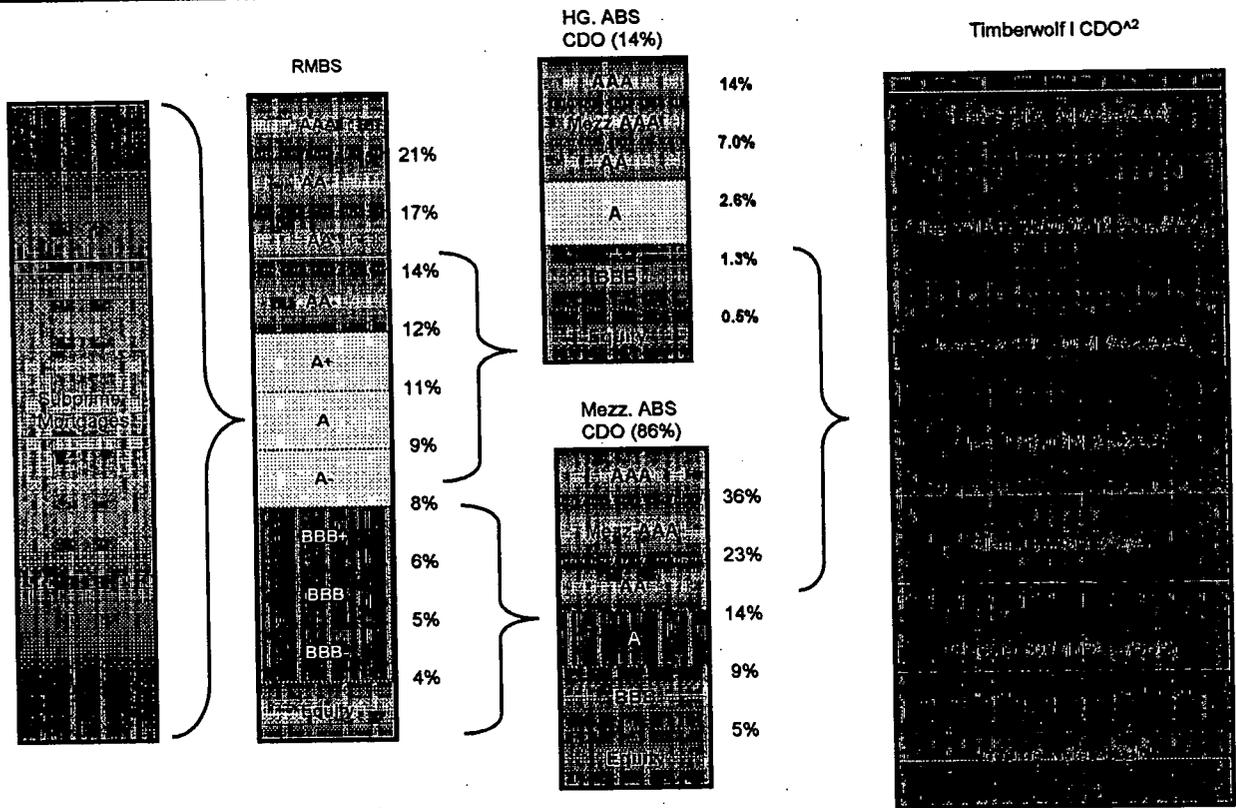
Tranche	Deal	Days	Notional	Market %	Market Value	Proposed Market Value	Impact
"S" tranche	Timberwolf	Aaa	9.0	100.00%	9.0		
"S" tranche	Timberwolf	Aaa	8.3	100.00%	8.3		
Mezz AAA	Timberwolf	Aaa	285.0	91.34%	260.3		
AA	Timberwolf	Aa2	107.0	88.72%	94.9		
Equity	Timberwolf		10.8	85.00%	9.1		
		Total	420.1		381.7		
Mezz AAA	Point Pleasant	Aaa	127.5	94.78%	120.8		
Mezz AAA	Point Pleasant	Aaa	75.0	92.24%	69.2		
AA	Point Pleasant	Aa2	50.0	89.41%	44.7		
A	Point Pleasant	A2	10.1	71.88%	7.3		
BBB	Point Pleasant	Baa2	10.5	76.72%	8.1		
Equity	Point Pleasant		10.1	58.00%	5.8		
		Total	283.2		255.9		
		TOTAL	703.2		637.6		

* Notional and Market Value in MMs



Mortgages CDO Origination

Timberwolf I CDO^{A2}: Overview of Capital Structure

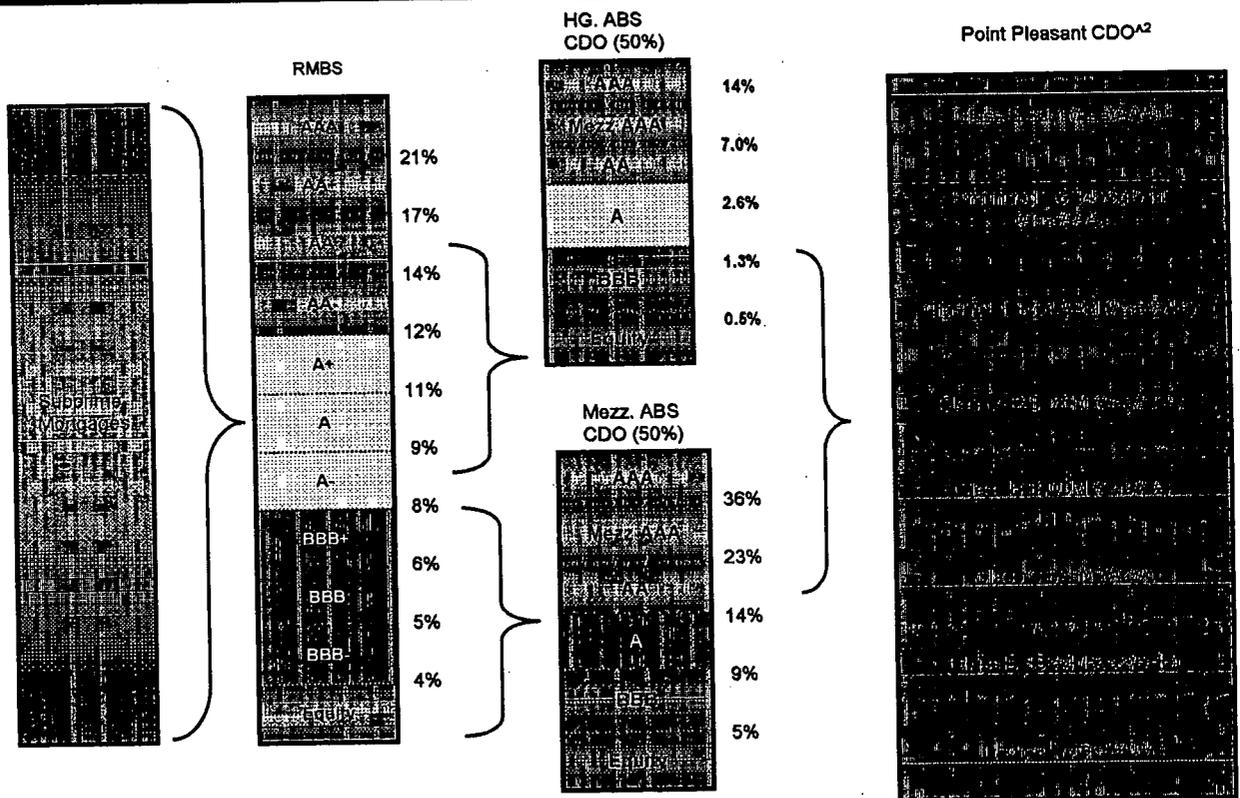


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Mortgages CDO Origination

Point Pleasant CDO^{A2}: Overview of Capital Structure



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Mortgages CDO Origination Warehouse Positions

- The desk holds \$1.458bn in Warehouse Collateral related to 4 CDO transactions
- Current valuation policy is lower of mark to model or cost. As securitization is no longer a viable exit, the warehoused collateral will be marked to market on an individual basis.
- Biggest driver of the marked to market is the \$742mm Special Product CDO collateral which has limited price visibility
- Details of the Warehouse Collateral are represented below:

Sector	Market Value	Proposed Mark	PnL Impact
[REDACTED]	[REDACTED]		
RMBS - Other	183.7		
RMBS - Subprime	341.3		
SP CDO	741.8		
Total	1,458.1		



Mortgages CDO Origination Secondary SPG Trading

- Over the past year the Secondary trading desk has built a short position of 2.4bn in Single A or below Structured Product CDOs
- During this time period, Single A CDO prices are ~20-25pts lower (from \$100 to \$75-80)
- As the market for securities in this space has declined, the desk has realized a profit of \$XX
 - Ytd - \$XX
 - Mtd - \$XX
 - Wtd - \$XX



Mortgages CDO Origination

Other Risks

	<u>Desk Estimate</u>	<u>Controller Estimate</u>
Subprime Residuals	(40) to (50)	(5)
Alt A Residuals	(25) to (30)	8
Second Lien Residuals	(21)	TBD
HELOC Residual	(5)	(5)
Scratch and Dent Residuals	(5)	(5)
Scratch and Dent Loans	TBD	TBD
CDS Duration	100 to 125	100 to 125



Mortgages CDO Origination

CDO Origination Risk vs. SPG Trading Risk

- Origination – Long 2.6bn of CDO Risk
 - Our CDO² collateral was ramped prior to the market widening and marked to model – average ramp period is 6-9 months
 - Our CDO² deals, Timberwolf and Point Pleasant, priced in March with demand only for the super senior tranche
 - The complexity of the CDO² product and the poor demand for CDOs in general has made this risk difficult to sell and the desk expects it to underperform



Mortgages CDO Origination Action Steps

- Unwound the warehouses

- Formed three independent teams to value retained positions independently
 - David Lehman & Michael Swenson (SPG Trading)
 - Will Roberts, Gerald Ouderkirk, Doug Weaver (SCT Trading)
 - Dedicated strat support, led by Elisha Wiesel

- Distribution team headed by Stacy Bash-Polley and Scott Wisenbaker



Mortgages CDO Origination Overall Recommendations (in MMs)

	AAA	SPG A/B	C	Cross Run	Strats
Retained Positions	(129)	(216)	(303)		
- CDO Debt	(117)	(187)	(258)		
- CDO Equity	(12)	(29)	(46)		
Benchmark Timberline Mezz AAA	(47)	(61)	(75)		
Warehouse	(107)	(126)	(145)	(126)	(126)
Total	(237)	(342)	(448)	(126)	(126)



Appendix



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Mortgages CDO Origination CDO Debt - Retained Positions

Tranche	Asset	Structure	Rating	Grade	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield	
S tranche	Altus III	S	Aaa	High grade	9.0	100.00%	9.0												
S tranche	Timberwolf	S1	Aaa	CDO-squared	8.3	100.00%	8.3												
S tranche	Timberwolf	S2	Aaa	CDO-squared	8.3	100.00%	8.3												
S tranche	Davis Square VII	S	Aaa	High grade															
S tranche	Fort Denison	S	Aaa	Mezz															
S tranche	Point Pleasant	S	Aaa	CDO-squared	6.0	100.00%	6.0												
Super Senior	Davis Square VII	A1-a	Aaa	High grade															
Super Senior	GSC 2006-3g	A1-e	Aaa	High grade															
Super Senior	Hudson Mz 06-2	A1	Aaa	Mezz															
Super Senior	Summer Street 04-1	A1	Aaa	Mezz															
Super Senior	Anderson	A1-a	Aaa	Mezz															
Super Senior	Anderson	A1-b	Aaa	Mezz															
Mezz AAA	Adirondack 2005-1	A2	Aaa	High grade															
Mezz AAA	Fortius II	A2	Aaa	Mezz															
Mezz AAA	Mainsail	A2	Aaa	High grade															
Mezz AAA	Bernoulli	A2	Aaa	High grade															
Mezz AAA	Timberwolf	A2	Aaa	CDO-squared	283.0	91.34%	260.3	75.0%	70.0%	65.0%	20.0	87.79	4/23/2007	MONEYGRAM					
Mezz AAA	Point Pleasant	A1	Aaa	CDO-squared	127.5	94.78%	120.8	89.0%	87.0%	85.0%	20.0	91.30	4/24/2007	MONEYGRAM					
Mezz AAA	Point Pleasant	A2	Aaa	CDO-squared	75.0	92.24%	69.2	75.0%	70.0%	65.0%									
AA	Fortius II	B	Aa2	Mezz															
AA	Altus 4	B	Aa2	High grade															
AA	Fort Denison	B	Aa2	Mezz															
AA	Summer Street 04-1	A3	Aa2	Mezz															
AA	Avebury	B	Aa1	High grade															
AA	Anderson	B	Aa2	Mezz															
AA	Timberwolf	B	Aa2	CDO-squared	107.0	88.72%	94.9	60.0%	50.0%	40.0%									
AA	Hudson Mz 06-1	B	Aa2	Mezz	51.0	77.50%	39.5	82.0%	80.0%	78.0%									
AA	Hudson Mz 06-2	B	Aa2	Mezz															
AA	Point Pleasant	B	Aa2	CDO-squared	50.0	89.41%	44.7	60.0%	50.0%	40.0%									



Mortgages CDO Origination CDO Debt - Retained Positions (cont)

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Rating	Entity	Grade	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
A	Altius I	C A2 High grade										
A	Altius 4	C A2 High grade										
A	Coollidge	C A3 Mezz										
A	Davis Square VII	C A2 High grade										
A	GSC 2006-3g	C A2 High grade										
A	START 2005CA D	COHEN A2 Mezz										
A	LEXN 20073A E	COHEN A3 Mezz										
A	Anderson	C A2 Mezz										
A	Hudson Mz 06-1	C A2 Mezz	109.5	67.00%	73.4	60.0%	55.0%	50.0%				
A	Hudson Mz 06-2	C A2 Mezz										
A	Point Pleasant	C A2 CDO-squared	10.1	71.88%	7.1	55.0%	50.0%	45.0%	7.8	87.57%	4/10/2007 PLENUM ASSE	
BBB	Davis Square VII	D Baa2 High grade										
BBB	Altius 4	D Baa2 High grade										
BBB	GSC 2006-3g	D Baa2 High grade										
BBB	Adirondack 2005-2	D Baa2 High grade										
BBB	Altius III	D Baa2 High grade										
BBB	Hout Bay	D Baa2 High grade										
BBB	G-Street	D Baa2 High grade										
BBB	Lochsong	D Baa2 CDO-squared										
BBB	Putnam 2001-1	C1 Baa2 Mezz										
BBB	TABS 20066A B2	COHEN Baa2 Mezz										
BBB	GSPIN 20051A D	COHEN Baa2 High Grade										
BBB	STAK 20062A 6	COHEN Baa2 Mezz										
BBB	COOL 20051A D	COHEN Baa2 Mezz										
BBB	ACABS 20061A B1L	COHEN Baa2 Mezz										
BBB	INDE7 7A E	COHEN Baa2 Mezz										
BBB	DVSO 20066A D	COHEN Baa2 High Grade										
BBB	Hudson High Grade	D Baa2 High grade										
BBB	Hudson Mz 06-1	D Baa2 Mezz										
BBB	Hudson Mz 06-2	D Baa1 Mezz										
BBB	Hudson Mz 06-2	E Baa3 Mezz										
BBB	Point Pleasant	D Baa2 CDO-squared	10.8	78.72%	6.1	50.0%	45.0%	40.0%				
BBB	TIAA Structured Finance	B Baa1 Mezz										
BB	Camber 7	E Baa1 Mezz										
BB	Glacier 2005-3	D Baa1 Mezz										
BB	Hudson Mz 06-1	E Baa1 Mezz										
BB	Phoenix 2	B Baa2 Mezz										
Total			\$ 4,421.8		\$ 4,160.3							

5910

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations



Mortgages CDO Origination CDO Equity - Retained Positions

Year	Product	10.6	85%	9.1	66.0%	55.0%	45.0%
2002-2004 High Grade	Putnam Structured Product 2002-1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2002-2004 High Grade	Davis Square Funding I, Ltd	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2002-2004 High Grade	Sierra Madre Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2002-2004 High Grade	Davis Square Funding III, Ltd	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Altius I Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Davis Square Funding V, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Davis Square Funding VI, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Hout Bay, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Hudson High Grade	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Davis Square VII	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	GSC ABS Funding 2006-3g, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	West Coast Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Adirondack 2005-1 Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Davis Square Funding IV, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	G-Street Finance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Adirondack 2005-2 Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Altius 4 Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2005-2006 High Grade	Altius III Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2001-2005 Mezz	NYLIM Stratford CDO 2001-1, Ltd	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2001-2005 Mezz	Camber III plc	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2001-2005 Mezz	Coolidge Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2001-2005 Mezz	Fortius I Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2006 Mezz	Fortius II Funding, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2006 Mezz	Hudson Mezzanine 2006-2, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2006 Mezz	Hudson Mezzanine 2006-1, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2006 Mezz	Camber 7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2006 Mezz	Anderson	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CDO-squared	Lochsong, Ltd.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CDO-squared	Fort Denton	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CDO-squared	Timberhill	10.6	85%	9.1	66.0%	55.0%	45.0%
CDO-squared	Point Pleasant	10.1	58%	5.8	71.0%	61.0%	51.0%
Total		\$ 170.0		\$ 111.6			
% of current face							
Class X	Broadwick	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Davis Square V	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Davis Square VI	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Davis Square VII	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	G-Street	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	West Coast	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

SAC



Mortgages CDO Origination Timeline – Timberwolf & Point Pleasant

- **Timberwolf (Greywolf)**
 - 7/21/06 - Engagement letter signed
 - 9/5/06 - Warehouse begins ramping
 - 12/13/06 - Warehouse 50% ramped
 - 3/2/07 - Revision to engagement letter - Greywolf commitment to purchase BBB and single A tranches
 - 3/13/07 - Pricing
 - 3/27/07 - Closing
 - **Point Pleasant (Dillon Read)**
 - 6/2/06 - Engagement letter signed
 - 9/14/06 - Warehouse begins ramping
 - 12/14/07 - Warehouse 50% ramped
 - 3/5/07 - Commitment letter signed with Natixis for Super senior
 - 4/10/07 - Pricing
 - 4/18/07 - Closing
-

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Mortgages CDO Origination Distribution

Account	Sales	Deal	Tranche	Defcon	Comments
Fortress	Davilman	Timberwolf I	Mezz AAA		Looking at package of A2 and B classes. Initially indicated low \$80s on A2, 70's on B: modeling deal is 1 difficult / Davilman still pushing
Fortress	Davilman	Timberwolf I	AA-Rated		Looking at package of A2 and B classes. Initially indicated low \$80s on A2, 70's on B: modeling deal is 1 difficult / Davilman still pushing
Stark	Gaddi	Timberwolf I	Mezz AAA		Looking on a financed basis - Indicative terms () - concerned about 1 correlation, our level, mgmt view / Back ended return profile
Winchester	Radtke	Point Pleasant 2007-1	Mezz AAA		Engaged and looking - has been offered bonds at 450 on A2, 700 on B / 1
Basis	Maltezos	Timberwolf I	Mezz AAA		2 Potential \$50mm A-2, \$50mm B, subject to financing - account is out of the office / feedback w/o 5/21
Basis	Maltezos	Timberwolf I	AA-Rated		2 Potential \$50mm A-2, \$50mm B, subject to financing - account is out of the office / feedback w/o 5/21 re-engaged - trying to get answer by GS qtr end. Asked/received additional information today / they are still 3 working / Penick to follow up early next week
AIG	Penick	Timberwolf I	Mezz AAA		3 Looking
Fidelity	Martin	Point Pleasant 2007-1	A-rated		3 Looking
IS Plenum	Arslan	Point Pleasant 2007-1	A-Rated		Looking at up to remaining - Acct, asked for 7 bus days to do work, then left office and is in 3 will hear from them when they return
Miller Anderson	Brazil	Timberwolf I	Mezz AAA		3 Looking
Moneygram	Gilligan	Timberwolf I	AA-Rated		3 Potential interest on AAs (already own AAAs) / trying to see if they go down in cap. Structure (low Delta)
Old Lane	Grinstein	Timberwolf I			3 Need lookthru analysis / Strats are working on it
Pequot	brazil	Timberwolf I	Mezz AAA		3 Looking
Sandelman	Kelly				Checking - Twolf higher delta than Point Pleasant given headline risk wrt Dillon Read - want lookthru 3 analysis on Timberwolf / Strats are working on it / potential size
UBS Prop	Kelly	Timberwolf or Pt. Pleasant			Inherited Dillon Read's Point Pleasant Positions / looking at Twolf A-2, B Classes and Pt. Pleasant B 3 Class
DeShaw	cohen	Point Pleasant 2007-1	Mezz AAA		3 Looking - asked for materials and raw data (potential size is) / had call / low delta
Elliot	Grinstein	Timberwolf I	Mezz AAA		Would look to trade against CLO Super Senior AAAs - will receive bid list for CLOs early next week (Pot. 3 Size
Polygon	Raazi	Timberwolf I	AA-Rated		potential interest - working to model existing exposure (own portion of single A class) - if they care expect 3 size ~

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Mortgages CDO Origination Distribution (cont)

Account	Sales	Deal	Tranche	Defcon	Comments
Carlyle	Ruberti				4 Will go through look through analysis - go from there / Strats are working on it
DA Capital	Kreitman				4 Start work @ +800 - 1000dm for mezz AAA
Eliot	Grinstein				4 Focused on [REDACTED] evaluating PFI Pleasant A-1 vs. [REDACTED] need more spread - evaluating counter / Radtke to follow up next week
Harvard	Radtke	Point Pleasant 2007-1	Mezz AAA		4 Low Delta - Need lookthru analysis / Strats are working on it
Highland	Ruberti				4 Checking - need feedback on interest from account before showing wider offering levels - [REDACTED]
JPM Prop	Verrochi				4 [REDACTED]
Marathon	Kreitman				4
MS Prop	Martin	Timberwolf I	Mezz AAA		4 will do work in the L+800-1000 context (\$71-65) - passed on GS offer at 80-00
Nochu/SSG					4 Further analysis needed
Princeton	Fertel/Phillips				4 Low Delta - have never Bought CDO'2
Smith Breeden	martin				4 Start work @ +800 - 1000dm for mezz AAA
Zais	Grinstein	Point Pleasant 2007-1	Mezz AAA		4 potential - will likely be slower with feedback
Lahman AM	Gaddi	Timberwolf I	Mezz AAA		4 Need a look-through of the underlying vintages / strats are working on it
Providence	Reinstein	Point Pleasant 2007-1			4 Looking - sent final CO/Portfolio Looking - may care for a small amount [REDACTED]
Vanderbilt	Gaddi	Timberwolf I			4 [REDACTED] - small size if they care
Hyperion	Willing	Timberwolf I			4 Looking - Credit enhancement is thin / Concerned about rating Agency correlation report / likes discount
Paramax	Matthias	Point Pleasant 2007-1	Mezz AAA		4 Very Low Delta
Paramax	Matthias	Timberwolf I	Mezz AAA		4 Very Low Delta
Blackrock	Fertel/Phillips	Point Pleasant 2007-1			4.5 Unlikely, relooking at analysis from new issue, maybe [REDACTED] (look for feedback Friday)
Clinton	Verrochi	Point Pleasant 2007-1	Mezz AAA		4.5 Low Delta - Can't model CDO'2
Harding	Hornback	Point Pleasant 2007-1	A-rated		4.5 looked at single A's new issue - still need final feedback - low delta Checking - initial response was unlikely unless they [REDACTED]
ML Bank	Willing				4.5 [REDACTED] Timberwolf more likely than Point Pleasant given headline risk wrt Dillon Read
CBASS	Pinkos				5 Out - do not buy CDO'2
Ellington	Sue/Elaine	Timberwolf I	Mezz AAA		5 removed from list - have not been shown levels
Mariner	Maltezos	Timberwolf I	Mezz AAA		5 Out - too much overlap with Point Pleasant
TPG-Axon	Fertel/Phillips	Point Pleasant 2007-1	Mezz AAA		5 Out - do not care at any level - concerned with downgrade risk [REDACTED]

5.15

From: Montag, Tom
Sent: Thursday, May 17, 2007 11:01 AM
To: Sparks, Daniel L
Subject: Re: Ostrem is resigning

I meant behind the times. No hedging incredibly long buildup times etc

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Sent: Thu May 17 10:19:31 2007
Subject: RE: Ostrem is resigning

We weren't elephants, but we were big participants

-----Original Message-----
From: Montag, Tom
Sent: Thursday, May 17, 2007 10:11 AM
To: Sparks, Daniel L
Subject: Re: Ostrem is resigning

Is that how others do it now? Were we an elephant?

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Sent: Thu May 17 09:20:06 2007
Subject: RE: Ostrem is resigning

David runs secondary trading with josh and swenson - david's focus is cmbs and correlation.
I brought him I to run this.
This business will be much more opportunistic and bespoke than helping managers grow assets under mgmt and taking out arb profits

-----Original Message-----
From: Montag, Tom
Sent: Thursday, May 17, 2007 9:15 AM
To: Sparks, Daniel L
Subject: Re: Ostrem is resigning

I don't know lehman. Where was he is this. Also how r u changing how u run it

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Sent: Thu May 17 08:58:26 2007
Subject: RE: Ostrem is resigning

I told him this week he and his group now report to David Lehman. He feels his opportunity set is done here and wants to go to explore the buy side.
Rosie was involved overseeing structured product cdo business until first couple months of 2007, but I think the market and business have changed dramatically. I think having David Lehman run it in conjunction with correlation is the right thing to do at this time.
Swenson will help. Coordination with rosie on deals contemplated will continue, but we will run the business very differently. At some point it could make sense to aggregate it.

-----Original Message-----
From: Montag, Tom

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2099

Sent: Thursday, May 17, 2007 8:43 AM
To: Sparks, Daniel L
Subject: Re: Ostrem is resigning

Why shame or difference of opinion or..... Bring rosie back?

----- Original Message -----

From: Sparks, Daniel L
To: Mullen, Donald; Montag, Tom; Salame, Pablo
Sent: Thu May 17 08:06:18 2007
Subject: Ostrem is resigning

From: Egol, Jonathan
Sent: Saturday, May 19, 2007 5:02 PM
To: Lehman, David A.
Subject: Re: congratulations, but seems like you have a lot ofwork ahead of you.

I should add altius 3 is a doozy as well. I'll spare you the detailed list.

----- Original Message -----

From: Egol, Jonathan
To: Lehman, David A.
Sent: Sat May 19 16:50:49 2007
Subject: Re: congratulations, but seems like you have a lot ofwork ahead of you.

I know what he means. If you talk to people knowledgeable about cdos, you will find that external perception of GS franchise in this space is much lower than Sparks and Sobel believed. Over last 2 years, GS is perceived to be a bottom quartile abs cdo underwriter and to have done several poor deals. There is a reason Pete didn't sell much paper. The fact that pete was basically giving money away in these no-fee principal deals and could still only get TCW, GSC (both street wh--e managers) and some start up managers to work with GS is a stain that will take time to remove. The HG deals in particular are very poor. I thought the aladdin deals had some potential but fortius 2 is going to be a real mess.

These are not just my views -- they are from customers whose views resonate in the market. Sales people have just been too timid internally or not engaged enough with their accounts to provide accurate feedback. It pains me to say it but citi, ubs, db, lehman and ms have much stronger franchises -- among large dealers only ML is more reviled than ostrem's business. Ironically citi corr (karman) tainted citi on the lacerta (magnetar) deal and ms/ubs tainted themselves with the ms prop non-amortizing cr-p. It's ironic that leh lost a lot of their senior guys given that they largely kept their noses clean. So there is an opportunity for us but it will not be business as usual for a LONG time. The problem is that the best perceived managers (ie ellington) are working with other houses.

----- Original Message -----

From: Lehman, David A.
To: Egol, Jonathan
Sent: Sat May 19 14:26:06 2007
Subject: Re: congratulations, but seems like you have a lot ofwork ahead of you.

What do u thk he means by "lot of work to do"?

Redacted by the Permanent Subcommittee on Investigations

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- Original Message -----

From: Egol, Jonathan
To: Lehman, David A.
Sent: Sat May 19 13:32:58 2007
Subject: Re: congratulations, but seems like you have a lot ofwork ahead of you.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2101

Why fwding? His was one of the emails I exchanged after pete left.

----- Original Message -----

From: Lehman, David A.

To: Egol, Jonathan

Sent: Sat May 19 09:29:50 2007

Subject: Fw: congratulations, but seems like you have a lot of work ahead of you.

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Subcommittee on Investigations

David A. Lehman

Goldman, Sachs & Co.

85 Broad Street | New York, NY 10004

Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917- [REDACTED]

e-mail: david.lehman@gs.com

----- Original Message -----

From: Henriques, Michael <Michael.Henriques@magnetar.com>

To: Lehman, David A.

Sent: Fri May 18 13:33:54 2007

Subject: congratulations, but seems like you have a lot of work ahead of you.

From: Lehman, David A.
Sent: Thursday, May 24, 2007 8:32 AM
To: Aliredha, Yusuf; Sparks, Daniel L
Cc: Wisenbaker, Scott; Wiesel, Elisha; Salame, Pablo
Subject: RE: Priority Axes

Attachments: Final Offering Circular (disclaimed).pdf; Timberwolf I, Ltd. -- Marketing Points / Termsheet attached (INTERNAL ONLY) [T-Mail]; FINAL OC (Distribution).PDF

I'll call with levels...still have...

245mm Timberwolf junior AAA
107mm Timberwolf AA
127mm Point Pleasant AAA
35mm Point Pleasant junior AAA
50mm Point Pleasant AA

Final OC and internal mkting points below if needed

Scott Wisenbaker and myself are available to get on the phone with clients.

We are still working on some analysis/data cuts that we can provide externally.

TIMBERWOLF



.Final Offering
Circular (discl...



Timberwolf I, Ltd. --
Marketin...

POINT PLEASANT



FINAL OC
(Distribution).PDF

From: Aliredha, Yusuf
Sent: Thursday, May 24, 2007 2:59 AM
To: Lehman, David A.; Sparks, Daniel L
Cc: Wisenbaker, Scott; Wiesel, Elisha; Salame, Pablo
Subject: RE: Priority Axes

Had two conversations yesterday.

Peleton. They have just raised another \$1bln for their ABS fund and they are very short the ABX so are natural buyers of our axe.

LDF. Not experts in this space at all but made them a lot of money in correlation dislocation and will do as I suggest.

Would like to show stuff in today if possible.

Tks.

From: Lehman, David A.
Sent: Wednesday, May 23, 2007 10:45 PM
To: Aliredha, Yusuf; Sparks, Daniel L
Cc: Wisenbaker, Scott; Wiesel, Elisha
Subject: RE: Priority Axes

See responses below in RED

From: Aliredha, Yusuf
Sent: Wednesday, May 23, 2007 10:23 AM
To: Sparks, Daniel L
Cc: Lehman, David A.; Wisenbaker, Scott
Subject: RE: Priority Axes
Importance: High

Can I please get some analysis.

I would need breakeven analysis at whatever price you want to show these out.

I assume you will give me certain loss and recovery scenerios on the underlying RMBs bonds. Also what assumption are we using to base these scenerios based on underlying vintages, rating agencies, type of collateral.

Elisha's team is working on this, hope to have something by early next week that we can distribute...will revert ASAP

Also do we have equity we want to sell packaged with these debt tranches.

We have several very small pieces of equity but nothing substantial that we could want to package with the AAAs.

If customers have a specific axe we can address on a case by case basis.

What kind of leverage we can provide for a big macro hedge fund.

~10-15% HC on the AAA and AA positions, client dependent

Tks.

From: Sparks, Daniel L
Sent: Friday, May 18, 2007 4:37 PM
To: Aliredha, Yusuf
Cc: Lehman, David A.; Wisenbaker, Scott
Subject: Priority Axes

285mm Timberwolf junior AAA (40mm circled away)
107mm Timberwolf AA
127mm Point Pleasant AAA
75mm Point Pleasant junior AAA (40mm circled away)
50mm Point Pleasant AA

Call me to discuss levels

From: Egol, Jonathan
Sent: Thursday, April 26, 2007 11:43 AM
To: Maltezos, George (GSJBW)
Cc: Chaudhary, Omar
Subject: RE: utopia

OK on LCM -- but can you please be more specific on their potential size in AUD?

From: Maltezos, George (GSJBW)
Sent: Thursday, April 26, 2007 11:42 AM
To: Egol, Jonathan
Cc: Chaudhary, Omar
Subject: RE: utopia

Size would be enough.
They don't like lion capital as manager

George Maltezos, CFA
Executive Director
Head of Structured Asset Solutions

Telephone 612 9320 1431
Facsimile 612 9320 1222
Mobile 61 [REDACTED]
george.maltezos@gsjbw.com
www.gsjbw.com

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

From: Egol, Jonathan [mailto:jonathan.egol@gs.com]
Sent: Friday, 27 April 2007 1:40 AM
To: Maltezos, George
Cc: Chaudhary, Omar J - GS
Subject: RE: utopia

Very interesting -- what kind of size could they be in AUD? Have they given us any feedback on the LCM deal? Just curious...

From: Maltezos, George (GSJBW)
Sent: Thursday, April 26, 2007 10:15 AM
To: Egol, Jonathan
Cc: Chaudhary, Omar; Carrett, Paul (GSJBW); Harris, Kate (GSJBW); Rolleston, Jeremy (GSJBW)
Subject: utopia

Jon,

I think I found white elephant, flying pig and unicorn all at once.

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2108

The material AAA-A buyer in Australia could be OAKVALE....but it must be in Aussie Dollars, so abacus is the answer. They also like Basis as a manager. They could underpin the deal.

They liked the two ideas:

- 1 – US ABS strategy, either CDO-sqd or Mezz ABS...I would say Basis can do CDO-sqd better
- 2 – US CLO and CRE strategy...again CLO and CRE CDO product only is my suggestion

Can you map out what the cap structure looks like?

I am assuming Basis and GS could take down equity.

I am assuming Basis could take down BB & BBB.

I am assuming other investors in Aus could take down A-BBB part of cap structure.

I have not spoken to Basis, yet, but I think they would be OK.

gm

— = Redacted by the Permanent Subcommittee on Investigations

George Maltezos, CFA
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Australia

Risk Factors: An investment in the securities presents certain risks, please see the Preliminary Offering Circular for a description of certain risk factors.

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Subcommittee on Investigations

From: Lehman, David A.
Sent: Sunday, May 20, 2007 8:58 AM
To: Swenson, Michael; Sparks, Daniel L
Subject: Fw: T/wolf and Basis

Fyi

Dan, will give u a buzz to discuss after the 10:00 call

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- Original Message -----

From: Maltezos, George (GSJBW)
To: Lehman, David A.; Case, Benjamin
Cc: Chaudhary, Omar; Carrett, Paul (GSJBW); Rolleston, Jeremy (GSJBW); Harris, Kate (GSJBW)
Sent: Sun May 20 08:16:51 2007
Subject: T/wolf and Basis

Fyi-basis are back from their 2 week business trip on Monday. My focus will go to timberwolf 100mm AAA and AA block trade with them.

Pls confirm you are willing to trade this at 350dm and 450dm respectively and that you are not marking these bonds any wider at moment for month end for May.

Tks

George Maltezos
Structured Asset Solutions
Tel: 612 9320 1431
Mob: 61

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2109

From: Lehman, David A.
Sent: Wednesday, May 30, 2007 6:23 AM
To: Rosenblum, David J.
Cc: Sparks, Daniel L
Subject: Re: Timberwolf -- Order from Tokyo Star Bank

This was 100% tokyo - sugi, omar, + jay

David A. Lehman
Goldman, Sachs & Co.
85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-863-4678
e-mail: david.lehman@gs.com

----- Original Message -----
From: Rosenblum, David J.
To: Lehman, David A.
Cc: Sparks, Daniel L
Sent: Wed May 30 06:08:20 2007
Subject: Re: Timberwolf -- Order from Tokyo Star Bank

Good job

----- Original Message -----
From: Lehman, David A.
To: Sugioka, Hirotaka; Bieber, Matthew G.; FICC-SPCDOGROU
Cc: Sparks, Daniel L; Bohra, Bunty; ficc-spgsyn; Chaudhary, Omar; Wisenbaker, Scott
Sent: Wed May 30 05:54:22 2007
Subject: Re: Timberwolf -- Order from Tokyo Star Bank

Done

Great job

Redacted by the Permanent Subcommittee on Investigations

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e-mail: david.lehman@gs.com

----- Original Message -----

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2111

From: Sugioka, Hirotaka
To: Lehman, David A.; Bieber, Matthew G.; FICC-SPCDOGROUP
Cc: Sparks, Daniel L; Bohra, Bunty; ficc-spgsyn; Chaudhary, Omar; Wisenbaker, Scott
Sent: Wed May 30 04:53:35 2007
Subject: Timberwolf -- Order from Tokyo Star Bank

Tokyo Star Bank left an order on Timberwolf.

Class: A2
Notional: 20mm
Dollar Price: 83.90
Trade Date: May 30, 2007
Settlement: June 4, 2007

Please confirm we can trade.

Thanks,
Sugi

From: Wisenbaker, Scott
Sent: Monday, June 11, 2007 7:10 AM
To: Lehman, David A.; Chaudhary, Omar
Subject: Re: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

Ok, let's clean up sizes - there has been some progress since the earlier version.

----- Original Message -----

From: Lehman, David A.
To: Wisenbaker, Scott; Chaudhary, Omar
Sent: Mon Jun 11 04:16:51 2007
Subject: Re: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

Fine - let's send to all Japan sales then...

Omar - do you know if Ozawa has had any success w/ mizuho and these positions?

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Subcommittee on Investigations

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Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-
e-mail: david.lehman@gs.com

----- Original Message -----

From: Wisenbaker, Scott
To: Chaudhary, Omar; Lehman, David A.
Sent: Mon Jun 11 03:31:28 2007
Subject: Re: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

We either need to send to sales in japan or help her understand why there is sensitivity re sending

----- Original Message -----

From: Chaudhary, Omar
To: Wisenbaker, Scott; Lehman, David A.
Sent: Mon Jun 11 03:20:50 2007
Subject: Re: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

We have been doing the targeted discussions but Ozawa-san is saying that we need it to go more broadly to all Sales at least in Japan. Given her request twice now and her help in getting focus, think we should at least push this in Japan.

Omar Chaudhary, Goldman Sachs Japan

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2112

Tel: +81 3 6437-7198
Mob: +81 90 9977-1190

----- Original Message -----

From: Wisenbaker, Scott
To: Lehman, David A.
Cc: Chaudhary, Omar
Sent: Mon Jun 11 16:14:52 2007
Subject: Fw: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

Know there was sensitivity w sending this out, but asia sales management asking again. Do you want to consider sending more broadly for asia sales or do you want to stick with the more targeted approach?

Omar, do you think the broader approach will result in additional interest? Or can we get the same results by having additional conversations with salespeople that cover accounts that could care?

I would lean towards the more targeted approach (share more info with sales and accounts when they tell us what risk they could have appetite for), but open to discussing.

----- Original Message -----

From: Chaudhary, Omar
To: Wisenbaker, Scott; Sugioka, Hirotaka
Cc: ficc-spgsyn
Sent: Mon Jun 11 02:58:21 2007
Subject: Re: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

Fumiko ozawa (pmd) on behalf of all japan sales

Omar Chaudhary, Goldman Sachs Japan
Tel: +81 3 6437-7198
Mob: +81 [REDACTED]

----- Original Message -----

From: Wisenbaker, Scott
To: Chaudhary, Omar; Sugioka, Hirotaka
Cc: ficc-spgsyn
Sent: Mon Jun 11 15:26:39 2007
Subject: Re: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

As of now, we can not send out. Who is asking for it? Who do they want to send to?

----- Original Message -----

From: Chaudhary, Omar
To: Wisenbaker, Scott; Sugioka, Hirotaka
Cc: ficc-spgsyn
Sent: Sun Jun 10 21:23:35 2007
Subject: Fw: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

Are we still restricted to send these out daily? Sales mgmt in japan asking for us to share this...

Omar Chaudhary, Goldman Sachs Japan
Tel: +81 3 6437-7198
Mob: +81 [REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----

From: Sugioka, Hirotaka
 To: Chaudhary, Omar
 Sent: Mon Jun 11 10:20:45 2007
 Subject: FW: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

From: Wisenbaker, Scott
 Sent: Tuesday, May 15, 2007 10:00 PM
 To: ficc-spgsyn
 Subject: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

until posted otherwise, please do NOT send out the SP CDO axe positions.

we are working through distribution strategy given the new reporting lines for the mtg business and people want to be comfortable with the plan before pushing forward

From: GS Syndicate
 Sent: Tuesday, May 15, 2007 3:41 AM
 To: ficc-london-spgsales
 Subject: GS Syndicate Structured Product CDO Axes (INTERNAL USE ONLY)

INTERNAL USE ONLY

Bloomberg ticker	Tranche	Deal	Manager //	Surveillance /	Liquidation Agent	Class
Mdys	S&P	Deal Type	Size			
ANDY 07-1A A1A	SS AAA	Anderson Mezz Funding	Goldman Sachs	A-1a	Aaa	AAA
	Mezz \$130,000,000					
ANDY 07-1A A1B	SS AAA	Anderson Mezz Funding	Goldman Sachs	A-1b	Aaa	AAA
	Mezz \$51,000,000					
PTPLS 07-1A A1	Mezz AAA	Point Pleasant 2007-1	Dillon Read	A-1	Aaa	AAA
	Single-A, CDO^2 \$125,000,000					
TWOLF 07-1A A2	Mezz AAA	Timberwolf I	Greywolf Capital	A2	Aaa	AAA
	Single-A, CDO^2 \$100,000,000					
PTPLS 07-1A A2	Mezz AAA	Point Pleasant 2007-1	Dillon Read	A2	Aaa	AAA
	Single-A, CDO^2 \$75,000,000					
FORTS 06-2A A2	Mezz AAA	Fortius II	Aladdin Capital	A2	Aaa	AAA
	\$25,000,000					
TWOLF 07-1A B	AA-Rated	Timberwolf I	Greywolf Capital	B	Aa2	AA
	Single-A, CDO^2 \$107,000,000					
PTPLS 07-1A B	AA-Rated	Point Pleasant 2007-1	Dillon Read	B	Aa2	AA
	Single-A, CDO^2 \$50,000,000					
ANDY 07-1A B	AA-Rated	Anderson Mezz Funding	Goldman Sachs	B	Aa2	AA
	Mezz \$37,700,000					
FORTS 06-2A B	AA-Rated	Fortius II	Aladdin Capital	B	Aa2	AA
	\$40,000,000					
FORTD 07-1A B	AA-Rated	Fort Denison	Basis Capital	B	Aa2	AA
	\$7,000,000					
PTPLS 07-1A C	A-Rated	Point Pleasant 2007-1	Dillon Read	C	A2	A
	Single-A, CDO^2 \$10,100,000					
ANDY 07-1A C	A-Rated	Anderson Mezz Funding	Goldman Sachs	C	A2	A
	Mezz \$6,800,000					
GSCSF 06-3GA C	A-Rated	GSC ABS CDO 2006-3g	GSC	C	A2	A
	\$24,600,000					High Grade
ALTS 05-1A C	A-Rated	Altius I	Aladdin Capital	C	A2	A
	\$10,000,000					High Grade
DVSQ 06-7A C	A-Rated	Davis Square VII	TCW	C	A2	A
						High Grade

	\$6,000,000									
COOL	05-1A C	A-Rated	Coolidge	Allianz Risk Transfer	C	A3	A-	Mezz		
	\$660,000									
ALTS	05-2A C	A-Rated	Altius II	Aladdin Capital	C	A2	A	High Grade		
	\$8,750,000									
PTPLS	07-1A D	BBB-Rated	Point Pleasant 2007-1	Dillon Read	D	Baa2	BBB			
	Single-A, CDO^2		\$3,000,000							
DVSQ	06-7A D	BBB-Rated	Davis Square VII	TCW	D	Baa2	BBB	High Grade		
	\$13,000,000									
GSCSF	06-3GA D	BBB-Rated	GSC ABS CDO 2006-3g	GSC	D	Baa2	BBB	High Grade		
	\$16,400,000									
LOCH	06-1A D	BBB-Rated	Lochsong	Winchester Capital		D	Baa2	BBB		
	Single-A		\$14,000,000							
ALTS	06-3A D	BBB-Rated	Altius III	Aladdin Capital	D	Baa2	BBB	High Grade		
	\$5,000,000									
ADROC	05-2A D	BBB-Rated	Adirondack 2005-2	Clinton Group		D	Baa2	BBB	High	
	Grade \$4,930,000									
HOUT	06-1A D	BBB-Rated	Hout Bay	Investec	D	Baa2	BBB	High Grade		
	\$2,000,000									
HUDHG	06-1A D	BBB-Rated	Hudson High Grade	Goldman Sachs		D	Baa2	BBB	High	
	Grade \$2,750,000									
ALTS	05-2A D	BBB-Rated	Altius II	Aladdin Capital	D	Baa2	BBB	High Grade		
	\$7,250,000									
CAMBR	7A E	BB-Rated	Camber 7	Cambridge Place	E	Ba1	BB+	Mezz	\$9,250,000	

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From: Chaudhary, Omar
Sent: Thursday, June 14, 2007 1:42 AM
To: Montag, Tom
Subject: FYI -- Two Update Emails for Your Reference

Attachments: **GS SP CDO Axes** -- Asia Trade Update (INTERNAL USE ONLY); SPG Asia -- YTD Production Update (internal)

Tom:

Good seeing you on the desk today. Will be sure to stop by in late June when I am back in NY (will arrange with Iwata-san). We will continue to crank and will make sure that Sparks / Bunty are posting you with our progress in Asia on the axes.



**GS SP CDO
Axes** -- Asia Tra...



SPG Asia -- YTD
Production Upd...

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2115

From: Chaudhary, Omar
Sent: Wednesday, June 13, 2007 8:39 PM
To: Ozawa, Fumiko; Kengeter, Carsten; Cher, Martin; Rothery, Simon (GSJBW); ficc-tk-sales-nonflow; ficc-tk-regional; ficc-tk-corp-sales; FICC-AEJ-FISALES; ficc-spg-sydney
Cc: Sparks, Daniel L; Bohra, Bunty; Lehman, David A.; Lee, Jay; Sugioka, Hirotaka
Subject: **GS SP CDO Axes** -- Asia Trade Update (INTERNAL USE ONLY)

****INTERNAL USE ONLY****

Asia Sales:

We have moved over \$250mm of SP CDO axes to accounts in Japan, Australia and Korea over the past 2+ weeks. These are HUGE orders for the firm as they have helped reduce our balance sheet risk and further exhibits the importance of the Asia franchise to the global Structured Product Group business. **Note that in line with these trades we have paid out over \$14mm of gross credits** -- this is clearly the top focus for us now in SP CDO space.

Call the SPG Asia desk in Tokyo for updated axes and offer levels. We hope to trade another 20+mm of CDO^2 risk with a Japanese account in the coming week+. Thanks.

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From: Chaudhary, Omar
Sent: Wednesday, June 13, 2007 11:23 PM
To: McTamane, Robert; Ueda, Eiji
Cc: Sparks, Daniel L; Bohra, Bunty; Lee, Jay; Sugioka, Hirotsuka
Subject: SPG Asia -- YTD Production Update (internal)

Quick update provided here on gross credit production across both the credit and rates sides of the SPG Asia business.

Bobby / Ueda-san: If you would like us to walk you through the numbers / key trades, please let us know.

- Total SPG Asia Gross Credits Paid (YTD 2006 to 6/13): **US\$42.5mm (vs. 46mm in entire FY 2006)**
- By Region, GC's are dominated by Australia (~37%), Japan (~29%) and China (~19%)
- Japan's production is up strongly YTD at roughly 3x where we were in at FY end 2006 on a percentage contribution basis

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From: Lehman, David A.
Sent: Wednesday, June 13, 2007 9:02 PM
To: Chaudhary, Omar
Subject: Re: ****GS SP CDO Axes**** -- Asia Trade Update (INTERNAL USE ONLY)

Thx for sending this out

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e-mail: david.lehman@gs.com

----- Original Message -----

From: Chaudhary, Omar
To: Ozawa, Fumiko; Kengeter, Carsten; Cher, Martin; Rothery, Simon (GSJBW); ficc-tk-sales-nonflow; ficc-tk-regional; ficc-tk-corp-sales; FICC-AEJ-FISALES; ficc-spg-sydney
Cc: Sparks, Daniel L; Bohra, Bunty; Lehman, David A.; Lee, Jay; Sugioka, Hirotsuka
Sent: Wed Jun 13 20:39:05 2007
Subject: ****GS SP CDO Axes**** -- Asia Trade Update (INTERNAL USE ONLY)

****INTERNAL USE ONLY****

Asia Sales:

We have moved over \$250mm of SP CDO axes to accounts in Japan, Australia and Korea over the past 2+ weeks. These are HUGE orders for the firm as they have helped reduce our balance sheet risk and further exhibits the importance of the Asia franchise to the global Structured Product Group business. Note that in line with these trades we have paid out over \$14mm of gross credits -- this is clearly the top focus for us now in SP CDO space.

Call the SPG Asia desk in Tokyo for updated axes and offer levels. We hope to trade another 20+mm of CDO^2 risk with a Japanese account in the coming week+. Thanks.

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Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #2116

From: Chaudhary, Omar
Sent: Monday, June 18, 2007 7:14 AM
To: Lehman, David A.
Subject: RE: \$20mm Point Pleasant trade w/ TK Star Bank

Yes -- he made that clear when he spent almost 20 minutes on the desk with me in TKO last week going through every potential lead...

From: Lehman, David A.
Sent: Monday, June 18, 2007 8:14 PM
To: Chaudhary, Omar
Subject: RE: \$20mm Point Pleasant trade w/ TK Star Bank

Montag vey involved in this fyi

From: Chaudhary, Omar
Sent: Monday, June 18, 2007 7:13 AM
To: Lehman, David A.
Subject: RE: \$20mm Point Pleasant trade w/ TK Star Bank

Thx dude

From: Lehman, David A.
Sent: Monday, June 18, 2007 8:12 PM
To: Egol, Jonathan; Case, Benjamin; Bieber, Matthew G.; Creed, Christopher J; Chaudhary, Omar
Subject: FW: \$20mm Point Pleasant trade w/ TK Star Bank

fyi

From: Lehman, David A.
Sent: Monday, June 18, 2007 7:09 AM
To: Montag, Tom; Sparks, Daniel L; Mullen, Donald; Swenson, Michael; Brafman, Lester R
Subject: \$20mm Point Pleasant trade w/ TK Star Bank

Great Job by Wada-san and Omar Chaudhary + team (again) on our CDO^2 axes

Tonight we will trade \$20mm Point Pleasant A1s @ \$90.7 to Tokyo Star Bank

We have 130mm bonds on our books currently priced @ \$90.0 so this will be a modest 140k P&L event

We hope to trade another \$20mm of these bonds next week w/ this account

.....
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 e-mail: david.lehman@gs.com

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David Lehman
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Permanent Subcommittee on Investigations
 Wall Street & The Financial Crisis
 Report Footnote #2117

From: West, Ariane
Sent: Monday, June 18, 2007 7:41 PM
To: Lehman, David A.
Subject: FW: Point Pleasant 07-1 A1 // Tokyo Star Bank (internal use only)

Who is booking this trade? The account wants confirmation of some of the numbers.

From: Sugioka, Hirota
Sent: Monday, June 18, 2007 7:10 AM
To: West, Ariane; Lee, Jung H.
Subject: RE: Point Pleasant 07-1 A1 // Tokyo Star Bank (internal use only)

Thank you for all the support I received. You guys made this happen.

From: Lehman, David A.
Sent: Monday, June 18, 2007 7:59 PM
To: Chaudhary, Omar; Wada, Koji (FI); Ozawa, Fumiko; Muramatsu, Yasuhiro
Cc: Sparks, Daniel L; Bohra, Bunty; Lee, Jay; Sugioka, Hirota
Subject: RE: Point Pleasant 07-1 A1 // Tokyo Star Bank (internal use only)

Done - Great job!

Look forward to more trades in the near future

From: Chaudhary, Omar
Sent: Monday, June 18, 2007 6:57 AM
To: Wada, Koji (FI); Ozawa, Fumiko; Muramatsu, Yasuhiro
Cc: Sparks, Daniel L; Bohra, Bunty; Lehman, David A.; Lee, Jay; Sugioka, Hirota
Subject: Point Pleasant 07-1 A1 // Tokyo Star Bank (internal use only)

Wada-san:

GREAT JOB again in getting the CDO² trade done with Tokyo Star Bank. This is another huge success for the Japan team and one that we are very happy about (coordination with Sugi was again seamless). We plan to book the trade tomorrow as requested by the client and will supply necessary official details Tuesday morning Tokyo time.

To reward your strong effort and in hopes of the follow on 20mm order from the client on this deal, we plan on paying you a **total bonus GC payment of \$40 / bond** (double our \$20/bond for AAA's on our axes that are not lower mezz AAA).

We look forward to additional trades from Tokyo Star Bank on our CDO axes.
 Thanks.

~~~~~  
 GS Sells US\$20mm PTPLS 07-1 Class A-1 @ 90.70 to Tokyo Star Bank (GS Sales = Koji Wada)

Trade Date: June 19, 2007  
 Settle Date: June 26, 2007 (T+5)  
 Offering Form: Reg S  
 Ticker: PTPLS 2007-1X A1  
 CUSIPS (Reg S): G7150NAB1  
 [REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

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**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2119**

**From:** Ricciardi, Steven  
**Sent:** Monday, August 20, 2007 7:38 AM  
**To:** Shimonov, Roman; Creed, Christopher J  
**Cc:** ficc-spcco-trading; Kang, Connie; Bieber, Matthew G.; Kleinert, Katelyn; Hornback, Joseph  
**Subject:** RE: Twolf super seniors (internal)

Ready to pick this up this morning when you are. Give a ring - thanks

**From:** Ricciardi, Steven  
**Sent:** Friday, August 17, 2007 4:49 PM  
**To:** Shimonov, Roman; Creed, Christopher J  
**Cc:** ficc-spcco-trading; Kang, Connie; Bieber, Matthew G.; Kleinert, Katelyn; Hornback, Joseph  
**Subject:** RE: Twolf super seniors (internal)

OK, so the A1B and A1C are no-PIK and the A1b basically has NAV of 100 (assuming \$30 for assets) and A1c of pretty much nothing ( an IO ) regardless of rating agency timing (right?) ...  
 ..until it goes EOD [ what makes it go EOD, senior test < 1.0 ...or, is it not having enough I/C to cover a no-PIK bond ? ] [ what remedies an EOD ? ]

So, effectively, is the way to look at the A1c as if it's equity and PV the cash flows of forward LIBOR +80 at the desired rate ? Granted, the call option may have value, but today it doesn't right?

**From:** Shimonov, Roman  
**Sent:** Friday, August 17, 2007 4:17 PM  
**To:** Creed, Christopher J; Ricciardi, Steven  
**Cc:** ficc-spcco-trading; Kang, Connie; Bieber, Matthew G.; Kleinert, Katelyn; Hornback, Joseph  
**Subject:** RE: Twolf super seniors (internal)

Ratings- based haircuts apply to assets rated in the BB, B, and CCC ratings categories by S&P and to assets rated in the Ba, B, and Caa ratings categories by Moody's.

For this deal, all double-B rated are carried at 90% of par, all single-B rated assets are carried at 70% of par, and all triple-C rated assets are carried at 50% of par.

Attached file shows how much par of assets needs to be downgraded to double B, or single B, or triple C ratings categories before each of the OC tests would fail (internal use only. The way we derive the numbers may be explained verbally). For example, **\$296,320,000** par of assets would need to be downgraded to double-B category before the Class A/B OC test would breach.

Finally, I added ratings info to the file Chris sent earlier.

<< File: Timberwolf I- OC Cushions Calcs 2007-08-17.xls >> << File: Timberwolf.xls >>

**From:** Creed, Christopher J  
**Sent:** Friday, August 17, 2007 3:27 PM  
**To:** Ricciardi, Steven  
**Cc:** ficc-spcco-trading; Kang, Connie; Shimonov, Roman; Bieber, Matthew G.; Kleinert, Katelyn; Hornback, Joseph  
**Subject:** RE: Twolf super seniors (internal)

no - the A1B/C have their prorata share - it is the S, A-1A, A1B, A1C and A1D...

Yes - NPV as in mid-market value (bidside value is 10. literally.  
 Yes - we can show an NPV will send your way.

Romo - can you go over the rating based h/c and o/c tests pls?

**From:** Ricciardi, Steven

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2123**

**Sent:** Friday, August 17, 2007 3:26 PM  
**To:** Creed, Christopher J  
**Cc:** ficc-spcco-trading; Kang, Connie; Shimonov, Roman; Bieber, Matthew G.; Kleinert, Katelyn; Hornback, Joseph  
**Subject:** RE: Twolf super seniors (internal)

I think it helps, not sure though...

So, the A1B and A1C have no vote in EOD ?  
 When you say the NPV is 20-30, is that the breakup value today / is that why you say A1C has call option value ?  
 (can we show an NAV analysis/priced portfolio ?)

Save me the trouble of figuring this out....what are the ratings-based h/c to o/c tests ?

---

**From:** Creed, Christopher J  
**Sent:** Friday, August 17, 2007 1:31 PM  
**To:** Ricciardi, Steven  
**Cc:** ficc-spcco-trading; Kang, Connie; Shimonov, Roman; Bieber, Matthew G.  
**Subject:** RE: Twolf super seniors (internal)

(1) Happy to provide analysis - we have sent out, as an example, different look through analysis, credit support analysis, and (I believe) M2M on the portfolio. Happy to provide some/all. The problem is that compliance has asked that we get exactly what the client wants run (i.e. this asset at this speed, w/ this default). I suggest we discuss best way to provide this info.

(2) Duration - Yes, we are looking at the price as the following, the sum of (1) and (2)  
 (1) Probability of Principal Repayment -> the NPV of the deal is something like 20-00/30-00. So, that deal has a good probability of some prin, and a good value on the call option; A1C has no Mkt Value coverage currently, but has some value to the call option.  
 (2) PV of interest payments - both are very high in the interest waterfall and covered by a PIK swap that covers the deal for 2 years after the assets begin to PIK - and since the deal is certainly not callable, the deal should continue to pay interest until (1) maturity or (2) an Event of Default occurs and the controlling class calls it and WANTS to liquidate the deal... (the controlling class is the S-1 and A-1A, B, C, and D) and the you need approval of 66.67% of the holders voting in aggregate to do this.

Does that help?

---

**From:** Ricciardi, Steven  
**Sent:** Friday, August 17, 2007 1:20 PM  
**To:** Creed, Christopher J; Williams, Geoffrey  
**Cc:** Cornacchia, Thomas; Sparks, Daniel L  
**Subject:** RE: Twolf super seniors

What analytics can we use in marketing this ?

What are you calling the duration...or, is it simply just evaluating an IO ?  
 Need a little guidance...thanks

---

**From:** Cornacchia, Thomas  
**Sent:** Friday, August 17, 2007 11:37 AM  
**To:** Ricciardi, Steven  
**Subject:** FW: Twolf super seniors

---

**From:** Swenson, Michael  
**Sent:** Friday, August 17, 2007 10:54 AM  
**To:** Cornacchia, Thomas  
**Cc:** Sparks, Daniel L; Creed, Christopher J; Williams, Geoffrey  
**Subject:** Twolf super seniors

| Description     | Amount | Offer | Att/Dtch |
|-----------------|--------|-------|----------|
| TWOLF 07-1A A1B | 200mm  | 60-00 | 70-90%   |

TWOLF 07-1A A1C 100mm 45-00 60-70%

<< File: Timberwolf - Final Offering Circular (disclaimed).pdf >>

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Goldman  
Sachs

**Michael J. Swenson**  
Fixed Income, Currency & Commodities

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[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

**From:** Chaudhary, Omar  
**Sent:** Thursday, August 23, 2007 4:22 AM  
**To:** Lehman, David A.; Lee, Jay  
**Cc:** Egol, Jonathan; Tourre, Fabrice  
**Subject:** RE: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

Some chance this works for accounts like TMF or Sampo Japan (Jon - know we have spent a lot of time on the latter in the past). The only question in my mind is that we have not seen many accounts pushing hard to find ways to get short (typically they are long only). That being said, the reality of the current market may have finally sunk in and investors may be able to convince their boards how to put on this sort of trade.

-----Original Message-----

**From:** Lehman, David A.  
**Sent:** Thursday, August 23, 2007 5:16 AM  
**To:** Chaudhary, Omar; Lee, Jay  
**Cc:** Egol, Jonathan; Tourre, Fabrice  
**Subject:** Fw: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

Your view?

— = Redacted by the Permanent  
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David A. Lehman  
 Goldman, Sachs & Co.  
 85 Broad Street | New York, NY 10004  
 Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: [REDACTED]  
 e-mail: david.lehman@gs.com

----- Original Message -----

**From:** Egol, Jonathan  
**To:** Kuga, Kentaro  
**Cc:** Lehman, David A.; Tourre, Fabrice  
**Sent:** Thu Aug 23 00:12:23 2007  
**Subject:** Re: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

OK this could be a fit then if client is ready to do tranche cds with us. Can you please let us know what sort of information you would find helpful please? We can send on NY open. Thanks.

----- Original Message -----

**From:** Kuga, Kentaro  
**To:** Egol, Jonathan  
**Sent:** Thu Aug 23 00:08:58 2007  
**Subject:** RE: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

believe there is hedge needs on Japanese client side.

-----Original Message-----

**From:** Egol, Jonathan  
**Sent:** Thursday, August 23, 2007 1:04 PM  
**To:** Kuga, Kentaro  
**Subject:** Re: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

1  
 Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2124

We want to write protection, customer would be going short via cds. Does this fit your customers?

----- Original Message -----

From: Kuga, Kentaro  
To: Egol, Jonathan  
Sent: Wed Aug 22 23:59:16 2007  
Subject: RE: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

money center bank+life insurance company, I think.

-----Original Message-----

From: Egol, Jonathan  
Sent: Thursday, August 23, 2007 12:57 PM  
To: Kuga, Kentaro  
Subject: Re: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

To whom would you show this please?

----- Original Message -----

From: Kuga, Kentaro  
To: Egol, Jonathan  
Cc: ficc-tk-crederi  
Sent: Wed Aug 22 23:54:44 2007  
Subject: RE: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

Hello, Jonathan  
can you send us externally-sendable material pls?  
let's see reactions from tokyo.  
thanks.  
Ken

---

From: Egol, Jonathan  
Sent: Thursday, August 23, 2007 12:31 PM  
To: ficc-mtgsales; ficc-creditsales; ficc-cdsales-us; ficc-london-spgsales; ficc-spgasia; ficc-spgsyn; EUR Traders; ficc-creditmgmt; ficc-creditmgmt-admin; ficc-usspm; ficc-spgtrading; ficc-mtgtrd  
Cc: ficc-spcdo-trading  
Subject: \*\*\* SP CDO/Correlation Desk Super Senior Axes \*\*\* (INTERNAL USE ONLY)

INTERNAL USE ONLY

We are axed to write outright super senior tranching protection to customers on the following two trades:

\* Up to \$600mm of the 40-100% tranche off of equal-weighted 80-name portfolio consisting of ABX 06-1/06-2 BBB & BBB- ("ABX Quadrant")

\* Up to \$530mm of the 47-100% tranche off of the ABACUS 2007-18 pure CRE portfolio (see below)

See below for summary of key terms and marketing bullet points. This is a unique opportunity for customers to put on super senior shorts in this market environment.

Our axe is to trade these outright (i.e., desk gets long risk) however we will consider trades with deltas upon request.

Call the desk with any questions or for externally-sendable materials including detailed trade terms.

Thanks in advance for the focus.

ABX Quadrant 400-100

GS offers up to \$600mm of super senior protection on 40-100% tranche referencing ABX 06-1/06-2 BBB and BBB- (80-name portfolio with 40 distinct deals referenced).

Summary of key terms:

- \* GS writes protection on 40-100% tranche on ABX Quadrant @ 42% upfront, 0.30% running
- \* Standard TABX docs other than reference portfolio
- \* Non-call

Marketing points:

- \* Higher dollar price than TABX BBB- 40-100
- \* Good convexity
- \* Good fit for customers bearish on 06-1/late '05 vintage relative to the 2006 story largely priced in the market

ABACUS 2007-18 47-100

GS offers up to \$530mm of super senior protection on a new-vintage static BB/BBB- CMBS & CRE CDO portfolio.

Summary of key terms:

- \* GS writes protection on 47-100% tranche in one of two formats:
  - (a) 2.50% all running; or
  - (b) 2.00% running + 3.50% upfront
- \* Protection callable by customer after 3 years
- \* TABX-style standard ISDA pay-as-you-go docs

- = Redacted by the Permanent Subcommittee on Investigations

Reference portfolio summary:

- \* ~37% BB conduit CMBS
- \* ~53% BBB- conduit CMBS
- \* 10% A/A- CRE CDO/ReREMICs
- \* Majority of CRE exposure is '06/'07 vintage, everything is 2005 or later
- \* Significant portion of CMBS names are included in CMBX 06-1 and CMBX 06-2

Marketing points:

The offering gives accounts the opportunity to buy out-of-the-money protection in significant size on a leveraged CRE portfolio. Potential benefits:

- \* Good convexity
- \* Low negative carry compared to an outright CMBX short against similar vintage/ratings

Compare to CMBX 06-2 BBB- offered @ ~500 bps p.a. versus our protection offering for half the running cost.

---

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Goldman  
Sachs

Jonathan M. Egol  
Structured Products Trading

---

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**From:** Resnick, Mitchell R  
**Sent:** Tuesday, August 21, 2007 8:18 PM  
**To:** Lehman, David A.; Chaudhary, Omar; Creed, Christopher J; Williams, Geoffrey  
**Cc:** Lee, Jay; Sugioka, Hirotaka; Sparks, Daniel L  
**Subject:** RE: Do you have cdo secondary inventory?

FYI - the committee name is Structured Investment Product Committee. I know Pablo is one of the heads of the committee, not sure of the other members.

-----Original Message-----

**From:** Lehman, David A.  
**Sent:** Tuesday, August 21, 2007 2:17 PM  
**To:** Chaudhary, Omar; Creed, Christopher J; Williams, Geoffrey  
**Cc:** Resnick, Mitchell R; Lee, Jay; Sugioka, Hirotaka; Sparks, Daniel L  
**Subject:** RE: Do you have cdo secondary inventory?

Spoke with Sparks about this

Given the complexity of the product, we would like to handle this on a client by client basis

To the extent PWM has specific clients in mind, we would request the name of the client and a brief description (i.e. total assets, trades we have done in the past, etc)

We will then get the necessary sign-off

-----Original Message-----

**From:** Chaudhary, Omar  
**Sent:** Tuesday, August 21, 2007 6:09 AM  
**To:** Creed, Christopher J; Lehman, David A.; Williams, Geoffrey  
**Cc:** Resnick, Mitchell R; Lee, Jay; Sugioka, Hirotaka  
**Subject:** RE: Do you have cdo secondary inventory?

Thank you

-----Original Message-----

**From:** Creed, Christopher J  
**Sent:** Tuesday, August 21, 2007 11:09 AM  
**To:** Chaudhary, Omar; Lehman, David A.; Williams, Geoffrey  
**Cc:** Resnick, Mitchell R; Lee, Jay; Sugioka, Hirotaka  
**Subject:** Re: Do you have cdo secondary inventory?

It is an ficc committee. Will talk to compliance this am and revert back.

----- Original Message -----

**From:** Chaudhary, Omar  
**To:** Creed, Christopher J; Lehman, David A.; Williams, Geoffrey  
**Cc:** Resnick, Mitchell R; Lee, Jay; Sugioka, Hirotaka  
**Sent:** Tue Aug 21 05:48:58 2007  
**Subject:** RE: Do you have cdo secondary inventory?

Eric Lane or Peter Kraus in GSAM?

-----Original Message-----

**From:** Creed, Christopher J  
**Sent:** Tuesday, August 21, 2007 10:48 AM  
**To:** Chaudhary, Omar; Lehman, David A.; Williams, Geoffrey  
**Cc:** Resnick, Mitchell R; Lee, Jay; Sugioka, Hirotaka  
**Subject:** Re: Do you have cdo secondary inventory?

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2125**

My current understanding is we are prohibited from offering cdo paper to all pw clients, even reg-s pw clients.

I had this discussion with horvath last week. To change this, we would have to petition the committee that oversees such things (whose name escapes me right now).

-c

----- Original Message -----

From: Chaudhary, Omar  
To: Lehman, David A.; Creed, Christopher J; Williams, Geoffrey  
Cc: Resnick, Mitchell R; Lee, Jay; Sugioka, Hirotsuka  
Sent: Tue Aug 21 05:11:26 2007  
Subject: FW: Do you have cdo secondary inventory?

Secondary CDO Team:

See note below from the PMD who runs Corporate / PWM Sales in Japan. Can you let us know if we are ok to offer ABS CDO debt pieces to PWM clients that are ok under Reg S as QP's, if we need to follow up with Jordan Horvath in NY Compliance and if we are ok if you can share the latest fresh offering sheet. Thanks.

---

From: Yokote, Shinichi  
Sent: Tuesday, August 21, 2007 9:58 AM  
To: Chaudhary, Omar  
Cc: Resnick, Mitchell R; Lee, Jay  
Subject: RE: Do you have cdo secondary inventory?

Thanks Omar

We will be clear that they are either QIB or QP eligible buyers of notes that are issued according to either Rule 144a or Reg S.

Do you tell me what is CDO's secondary market level?

---

From: Chaudhary, Omar  
Sent: Tuesday, August 21, 2007 5:48 PM  
To: Yokote, Shinichi  
Cc: Resnick, Mitchell R; Lee, Jay  
Subject: RE: Do you have cdo secondary inventory?

Yokote-san:

Thank you for your email. We can share on a confidential basis some of our CDO axes. Before that, we need to confirm that the clients we are targeting for these products are clear to buy these (namely that they are either QIB or QP eligible buyers of notes that are issued according to either Rule 144a or Reg S).

We have some interesting offers of mainly ABS CDO's that we could consider; not sure we have 10pt GC trades but there is some chance we have some trades that are high margin and appropriate for your clients.

Note that I am in London this week and Jay is on holiday; my colleague Mitch Resnick is on the desk and can speak to you live on this matter.

---

From: Yokote, Shinichi  
Sent: Tuesday, August 21, 2007 9:21 AM  
To: Chaudhary, Omar  
Subject: Do you have cdo secondary inventory?

Pwm sales guys told me that if you have cdo secondary as inventory, they want to sell them to their clients.

Do you have cdo's inventory and is there distress sales in cdo's market?

We want to trade 10pts profit.

ゴールドマン・サックス証券株式会社  
法人営業本部長  
横手 信一  
TEL 03-6437-7221  
FAX 03-6437-9705

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---

**From:** Lehman, David A.  
**Sent:** Tuesday, August 28, 2007 7:05 AM  
**To:** Creed, Christopher J  
**Subject:** RE: Japan PWM Client Interest in ABS CDO (internal use only)

xoxo

-----Original Message-----

**From:** Creed, Christopher J  
**Sent:** Tuesday, August 28, 2007 7:04 AM  
**To:** Lehman, David A.  
**Subject:** Re: Japan PWM Client Interest in ABS CDO (internal use only)

Ldl. Have info on this.

----- Original Message -----

**From:** Lehman, David A.  
**To:** Horvath, Jordan  
**Cc:** Lee, Jay; Sugioka, Hirotaka; Bohra, Bunty; Creed, Christopher J; Chaudhary, Omar; Williams, Geoffrey  
**Sent:** Tue Aug 28 07:02:54 2007  
**Subject:** RE: Japan PWM Client Interest in ABS CDO (internal use only)

Jordan - Would like to discuss ASAP

Japan PWM would like to show some CDO axes to select QIB investors (see detail below), two of which have traded this type of risk before

What do we need to do on our end to get this approved?

---

**From:** Chaudhary, Omar  
**Sent:** Monday, August 27, 2007 7:31 PM  
**To:** Horvath, Jordan; Creed, Christopher J; Lehman, David A.  
**Cc:** Lee, Jay; Sugioka, Hirotaka; Bohra, Bunty  
**Subject:** Japan PWM Client Interest in ABS CDO (internal use only)

FYI -- see notes below on both Japan PWM Compliance and the fact that at least 2 of the accounts have purchased ABS CDO equity away from GS in either debt or equity tranches. Thanks.

---

**From:** Kagawa, Yuichi  
**Sent:** Tuesday, August 28, 2007 8:24 AM  
**To:** Chaudhary, Omar  
**Cc:** Lee, Jay; Sugioka, Hirotaka  
**Subject:** RE: Do you have cdo secondary inventory?

Yes, Emi Yoshibe is the official pwm compliance person in Tokyo.

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**Report Footnote #2125**

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---

From: Chaudhary, Omar  
 Sent: Tuesday, August 28, 2007 8:23 AM  
 To: Kagawa, Yuichi  
 Cc: Lee, Jay; Sugioka, Hiroataka  
 Subject: RE: Do you have cdo secondary inventory?

Thank you -- very helpful.

Also, is Emi Yoshibe the official PWM Compliance person for Japan? Our NY contacts are telling us that they believe that Vivien Khoo in HK is the official PWM Compliance person. Please confirm.

---

From: Kagawa, Yuichi  
 Sent: Tuesday, August 28, 2007 8:19 AM  
 To: Chaudhary, Omar  
 Cc: Lee, Jay; Sugioka, Hiroataka  
 Subject: RE: Do you have cdo secondary inventory?

Omar,  
 Shin Nihon Jitsugyo and Aishin have purchased ABS CDOs (debt and equity) with other firm in the past.

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---

From: Chaudhary, Omar  
 Sent: Monday, August 27, 2007 6:49 PM  
 To: Kagawa, Yuichi  
 Cc: Lee, Jay; Sugioka, Hiroataka  
 Subject: RE: Do you have cdo secondary inventory?

Have any of these clients purchased ABS CDO (either debt or equity) in the past?

From: Kagawa, Yuichi  
Sent: Monday, August 27, 2007 3:45 PM  
To: Chaudhary, Omar; Lee, Jay; Sugioka, Hirotaka  
Cc: Yoshibe, Emi (FICC Compliance); Yokote, Shinichi;  
Ninomiya, Toshio; Miyamoto, Masaaki; Takata, Jo  
Subject: FW: Do you have cdo secondary inventory?

Omar,

I got an ok from Yoshibe-san (compliance) to give client info but please be very careful not to distribute it to wide audience...recipients must be limited to those who must know.

Please note the following info of pwm clients who we like to offer cdo secondaries:

- 1) Shin Nihon Jitsugyo Co. Ltd  
PWM client (since 1997), personal investment company. Net worth is about \$250mio. Has traded various products including, PRDC, LTFX, derivatives, options, hedge funds, and private equity with GS.
- 2) Aishin Co. Ltd  
PWM client (since 2003), personal investment company, Net worth is about \$200mio. Has traded various products including, PRDC, LTFX, derivatives, options, hedge funds, and private equity with GS.
- 3) Ando International  
PWM client (since 1999), personal investment company, Net worth is about \$200mio. Has traded various products including, PRDC, LTFX, derivatives, options, hedge funds, and private equity with GS.

Please also note that we like to show it to several other pwm clients with relatively same investment objectives and experience. Thank you.

Regards,  
Yuichi Kagawa

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**From:** Cohn, Gary (EO 85B30)  
**Sent:** Wednesday, September 05, 2007 5:20 PM  
**To:** Sparks, Daniel L  
**Subject:** RE: Refresh of Axe Priorities

Great to see

**From:** Sparks, Daniel L  
**Sent:** Wednesday, September 05, 2007 3:06 PM  
**To:** Cohn, Gary  
**Subject:** FW: Refresh of Axe Priorities

**From:** Sparks, Daniel L  
**Sent:** Wednesday, September 05, 2007 3:06 PM  
**To:** Bash-Polley, Stacy; Pinkos, Steve; Radtke, Lorin; Kreitman, Gail; Cornacchia, Thomas  
**Cc:** Schwartz, Harvey  
**Subject:** FW: Refresh of Axe Priorities

Please let me know how these are going. I am personally going to work to do a better job making sure you understand the things we are trying to achieve as a business. In addition to this, the super-senior ABX trade egol sent around and general securities financing trades are priorities for us. Please call me with any questions or thoughts.

**From:** Swenson, Michael  
**Sent:** Wednesday, September 05, 2007 10:38 AM  
**To:** Bash-Polley, Stacy; Birnbaum, Josh; Lehman, David A.  
**Cc:** Sparks, Daniel L; Schwartz, Harvey  
**Subject:** RE: Refresh of Axe Priorities

Axes

1. Cyrus is putting together a list of resids (needs to find out from mortgage finance group on what resids we are not restricted on). Expect some offerings in the next couple of days.
2. AAA ABX both 06-1 and 06-2.
3. we would like to sell 2005 vintage single-A CDS protection - would like to print 250-500mm. We can provide lists that are customized to customer needs
4. cash inventory - unfortunately line items are numerous with small sizes so it is an involved process. We will engage Vivien and team to assist in those efforts.
5. Opportunistically seek BBB and BBB- single-name buyers of protection to help us reduce single-name CDS basis as well as to help facilitate the single-name short covering. We can provide lists that are customized to customer needs.

**From:** Bash-Polley, Stacy  
**Sent:** Wednesday, September 05, 2007 9:45 AM  
**To:** Swenson, Michael; Birnbaum, Josh; Lehman, David A.  
**Cc:** Sparks, Daniel L; Schwartz, Harvey  
**Subject:** RE: Refresh of Axe Priorities

Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2126

Havent heard back from anyone--here..  
Wld really like to focus the salesforce on the priorities-- plse post me on the axes how they stand now  
I know abt the credit io..

---

**From:** Bash-Polley, Stacy  
**Sent:** Tuesday, September 04, 2007 11:49 AM  
**To:** Swenson, Michael; Blmbaum, Josh; Lehman, David A.  
**Cc:** Montag, Tom; Mullen, Donald; Sparks, Daniel L; Schwartz, Harvey; Cornacchia, Thomas  
**Subject:** Refresh of Axe Priorities

Given that we have printed some/or part of the lists that were reviewd 2 weeks ago. .It would be very helpful to send another message out -with the top 5 axes.. And where we stand--size and or active dialogues.  
I know there are a few irons in the fire on some--but want to see broadly how we stand--and add in any new axes that may have come to light (like resids)

Thx.

---

**From:** Bohra, Bunty  
**Sent:** Thursday, September 06, 2007 8:01 AM  
**To:** Sparks, Daniel L  
**Subject:** RE: Refresh of Axe Priorities

Will be in office shortly... Will grab you

-----Original Message-----

**From:** Sparks, Daniel L  
**Sent:** Thursday, September 06, 2007 8:00 AM  
**To:** Bohra, Bunty  
**Subject:** RE: Refresh of Axe Priorities

Also, I spoke with cornac about syndicate/marketing - let's resolve. You should call him and me

-----Original Message-----

**From:** Bohra, Bunty  
**Sent:** Thursday, September 06, 2007 7:54 AM  
**To:** Sparks, Daniel L  
**Subject:** Re: Refresh of Axe Priorities

Have raised my hand to be helpful on several occasions, so am happy to participate.

Let's discuss details this week.

-----  
V. Bunty Bohra  
Managing Director

Goldman, Sachs & Co.  
Structured Product Syndicate  
Fixed Income, Currency & Commodities

----- Original Message -----

**From:** Sparks, Daniel L  
**To:** Bohra, Bunty  
**Sent:** Thu Sep 06 00:16:31 2007  
**Subject:** FW: Refresh of Axe Priorities

Want to get you to send out daily 1-3 priority axes for department - let's discuss

---

**From:** Swenson, Michael  
**Sent:** Wednesday, September 05, 2007 10:38 AM  
**To:** Bash-Polley, Stacy; Birnbaum, Josh; Lehman, David A.  
**Cc:** Sparks, Daniel L; Schwartz, Harvey  
**Subject:** RE: Refresh of Axe Priorities

Axes

1. Cyrus is putting together a list of resids (needs to find out from mortgage finance group on what resids we are not restricted on). Expect some offerings in the next couple of days.

2. AAA ABX both 06-1 and 06-2.

1  
**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2129**

3. we would like to sell 2005 vintage single-A CDS protection - would like to print 250-500mm. We can provide lists that are customized to customer needs

4. cash inventory - unfortunately line items are numerous with small sizes so it is an involved process. We will engage Vivien and team to assist in those efforts.

5. Opportunistically seek BBB and BBB- single-name buyers of protection to help us reduce single-name CDS basis as well as to help facilitate the single-name short covering. We can provide lists that are customized to customer needs.

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From: Bash-Polley, Stacy  
Sent: Wednesday, September 05, 2007 9:45 AM  
To: Swenson, Michael; Birnbaum, Josh; Lehman, David A.  
Cc: Sparks, Daniel L; Schwartz, Harvey  
Subject: RE: Refresh of Axe Priorities

Havent heard back from anyone--here..

Wld really like to focus the salesforce on the priorities-- plse post me on the axes how they stand now

I know abt the credit io..

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From: Bash-Polley, Stacy  
Sent: Tuesday, September 04, 2007 11:49 AM  
To: Swenson, Michael; Birnbaum, Josh; Lehman, David A.  
Cc: Montag, Tom; Mullen, Donald; Sparks, Daniel L; Schwartz, Harvey;  
Cornacchia, Thomas  
Subject: Refresh of Axe Priorities

Given that we have printed some/or part of the lists that were reviewed 2 weeks ago. .It would be very helpful to send another message out -with the top 5 axes.. And where we stand--size and or active dialogues.

I know there are a few irons in the fire on some--but want to see broadly how we stand--and add in any new axes that may have come to light (like resids)

Thx.

The Goldman Sachs Group, Inc. | One New York Plaza | New York, New York 10004  
Tel: 212-902-4762 | Fax: 212-482-3966

Gregory K. Palm  
Executive Vice President  
and General Counsel

**Goldman  
Sachs**

March 1, 2010

Mr. Philip N. Angelides  
Chairman  
Financial Crisis Inquiry Commission  
1717 Pennsylvania Avenue, NW  
Washington, D.C. 20006-4614

Dear Chairman Angelides:

Many of the questions during the first hearing of the Financial Crisis Inquiry Commission focused on issues with respect to residential mortgage-related products. In light of the Commission's interest in this area, we are submitting this letter in an effort to provide a more comprehensive overview of certain of the issues raised over the course of the hearing.

In this letter, we elaborate on the role Goldman Sachs plays as a market maker, how we manage the risk we assume through that role, especially within the context of residential mortgage-related products, our exposure to the housing market, investors in the market for residential mortgage-related products, the different roles and obligations of underwriters and market makers and the extent of our activities in the residential mortgage-related securitization markets in 2006 and 2007. We also discuss Goldman Sachs' due diligence practices and the disclosures that the firm made to the institutions that considered investing in securities that we underwrote.

#### **Role as a Market Maker**

Market makers or financial intermediaries are critical to the efficient functioning of the financial markets: their role is to stand ready to make an offer to buy or sell a given financial instrument whenever a seller or a buyer enters the market. As a market maker, we execute a variety of transactions each day with clients and others, buying and selling financial instruments, which may result in long or short risk exposures to thousands of different instruments at any given time. This does not mean that we know or even think that prices will fall every time we

C. S. 2

sell or are short, or rise when we buy or are long. In these cases, we are executing transactions in connection with our role of providing liquidity to markets. Clients come to us as a market maker because of our willingness and ability to commit our capital and to assume market risk. Indeed, during the fourth quarter of 2009, for example, our clients asked us to bid on approximately \$7 billion (face amount) per week of mortgage- and asset-backed securities. Further, our clients typically have relationships with a number of other financial intermediaries and they compare the products, services and pricing offered by such other intermediaries and us prior to determining with whom to transact.

Without market makers that are ready, willing and able to take the other side of a transaction, a liquid market simply cannot exist. That is why financial intermediation is critical to the functioning of the capital markets and, ultimately, the financial system. Financial intermediaries connect buyers and sellers. When a buyer or seller is not readily available, financial intermediaries take the other side of a transaction and assume the risk of the trade on their own books. These transactions often are initiated by our clients, and when proposed by us are often in response to previously expressed investment interests of the client. We are responding to our clients' desire either to establish, or to increase or decrease, their exposure to a position based on their own investment views. We are not "betting against them."

### **How We Manage Our Risk**

Our willingness to take on risk is fundamental to our role as a financial intermediary. The better we understand and can manage that risk, the more willing we are to transact with clients (regardless of our view on the market) and, thereby, to offer them better prices. Our clients expect us to be willing to transact in all market conditions. They often competitively bid positions, and execute with us depending on whether we satisfy their objectives – e.g., pricing, speed and certainty of full execution – better than competing market makers or other financial intermediaries.

The exposures created through transactions with clients are part of the overall "inventory" of instruments we generally carry as part of our business. This inventory is comprised of long and short positions. Its composition reflects the accumulation of customer trades and our judgments about supply and demand or market direction. If a client asks us to transact in an instrument we hold in inventory, we may be able to give the client a better price than it could find elsewhere in the market and to execute the order without potential delay and price movement. This inventory represents a risk position that we manage continuously.

In so doing, we must also manage the size of our inventory and keep exposures in line with risk limits. We believe that risk limits are an important tool in managing our firm. They are established by senior management, and scaled to be in line with our financial resources (capital, liquidity, etc.). They help ensure that regardless of the opinions of an individual or business unit about market direction, our risk remains within prescribed levels.

In addition to selling positions, we use other techniques to manage risk. These include establishing offsetting positions ("hedges") through the same or other instruments, which serve to reduce the firm's overall exposure. Hedges, however, may give rise to other risks. For example, the use of credit default swaps as hedges in turn results in a new credit risk: the ability of the writer of the credit default swap to perform on the obligation. In order to manage this risk,

Goldman Sachs generally requires the writer of the credit default swap to post cash collateral against its obligations to the firm, or may structure other risk mitigants.

In this way, we are able to serve our clients and to maintain a robust client franchise while prudently limiting overall risk consistent with our financial resources.

### **Goldman Sachs' Exposure to, and Results from Business Relating to, the Residential Housing Market**

With that background, we want to outline for you Goldman Sachs' exposure to, and results from business relating to, the residential housing market. While this has been the subject of much recent attention, it has always been a very small part of our overall business. For example, during the period 2003 to 2008, the firm's annual net revenues attributable to residential mortgage-related products never exceeded 2% of our overall net revenues. Through the end of 2006, Goldman Sachs generally was long in exposure to residential mortgages and mortgage-related products, such as residential mortgage-backed securities ("RMBS"), collateralized debt obligations ("CDOs") backed by residential mortgages and credit default swaps referencing residential mortgage products. In late 2006, we began to experience losses in our daily residential mortgage-related products P&L as we marked down the value of our inventory of various residential mortgage-related products to reflect lower market prices.

In response to those losses, we decided to reduce our overall exposure to the residential housing market. We wanted to get "closer to home" – i.e., to reduce our overall exposure to the residential housing market, consistent with our risk protocols – given the uncertainty of the future direction of the housing market and the increased volatility of mortgage-related product markets. Indeed, we reduced both our short positions and our long positions in these products over the course of 2007. For example, during the first quarter of 2007, we reduced various short positions in light of applicable risk limits even though (viewed in isolation) these positions had been profitable. Overall, our residential mortgage-related product positions had a negligible effect on the firm's net revenues or profits for fiscal year 2007. During fiscal year 2008, we had net losses of approximately \$1.7 billion on residential mortgage-related product positions. As these results demonstrate, the firm did not generate enormous net revenues or profits by betting against residential mortgage-related products, as some have speculated; rather, our relatively early risk reduction resulted in our losing less money than we otherwise would have when the residential housing market began to deteriorate.

### **Investors in the Market for Residential Mortgage-Related Products in 2007**

The markets for residential mortgage-related products, and subprime mortgage securities in particular, were volatile and unpredictable in the first half of 2007. Goldman Sachs had no "inside information" about the residential housing trends or macroeconomic factors that ultimately would drive market values. Investors in these markets held very different views of the future direction of the housing market based on their outlook on factors that were equally available to all market participants, including housing prices, interest rates and personal income and indebtedness data. Some investors, including some hedge funds, developed aggressively negative views on the residential mortgage market. Other investors, including other hedge funds, believed that any weakness in RMBS and the residential housing market would be relatively

mild and temporary. Investors with both sets of views came to Goldman Sachs and other financial intermediaries to establish long and short exposures to the residential housing market, through RMBS, CDOs, credit default swaps and other types of instruments or transactions. We would also note that broadly-disseminated research from Goldman Sachs Economic Research ("Economic Research"), which is independent from other divisions of the firm, expressed consistently negative views on the residential housing market in 2006 and 2007. Indeed, our Economic Research expressed an increasing level of concern about the run up in housing prices in papers dating back to at least 2004. (See Appendix I) Various other firms' broadly-disseminated research reports from 2006 contained warnings of deteriorating residential housing market conditions.

The investors who transacted with Goldman Sachs in CDOs in 2007, as in prior years, were primarily large, global financial institutions, insurance companies and hedge funds (no pension funds invested in these products, with one exception: a corporate-related pension fund that had long been active in this area made a purchase of less than \$5 million). These investors had significant resources, relationships with multiple financial intermediaries and access to extensive information and research flow, performed their own analysis of the data, formed their own views about trends, and many actively negotiated the structure and terms of transactions.

These investors entered into transactions having certain characteristics in order to achieve their desired long or short exposure. They were aware of and accepted the market risk they were assuming. For securities backed by residential mortgages, the characteristics of the underlying mortgages were disclosed in detail and investors knew what they were buying. The investment views of different participants in these markets depended on their respective assessments of macroeconomic trends, as well as their analysis of the disclosed characteristics of the mortgages. Neither their views on macroeconomic trends nor their analysis of loan characteristics depended on whether Goldman Sachs hedged or retained the initial exposure we took on as a result of the transaction.

It is also important to note that it is not just a belief in the absolute direction of prices but also the relative level of prices that drive investors' actions. For example, a particular security may trade at a distressed level. The institution holding that asset may nonetheless want to sell the security to remove what it believes is a source of further risk from its balance sheet or to free up capital for other investments. A buyer of that asset believes that the distressed pricing may potentially reflect good value and is willing to take on that risk for a price, even if other investors think otherwise. The process of being able to buy risk from those unwilling or unable to shoulder it is vital to a functioning market and economy.

Residential mortgage-related products issued or underwritten by numerous firms ultimately did not perform as expected because of unprecedented economic developments. Goldman Sachs, as well as the sophisticated investors who invested in these products, certainly did not envision the events that led to such poor performance. With the benefit of hindsight, it is apparent that most participants – including rating agencies, financial institutions and government agencies – put too much faith in historical performance, believing that most residential mortgage assets were highly resilient to downturns. It was clear, however, that many loans with the characteristics disclosed in offering documents for these products would perform poorly in a very rapidly deteriorating housing market and meaningful economic recession, but Goldman

Sachs and most investors simply did not predict or anticipate how severe the contraction in the housing market would become.

### **Role of an Underwriter**

The role of an underwriter differs from that of a market maker. As described above, a market maker is primarily engaged in the business of assisting clients in executing transactions. This business is client-driven, and Goldman Sachs strives to provide a fair price to our clients.

In contrast, an underwriter works with the issuer in connection with offering financial instruments to investors. In this context, the federal securities laws effectively impose a "gatekeeper" role on Goldman Sachs: as an underwriter we are expected to assist the issuer in providing an offering document to investors that discloses all material information relevant to the offering and, absent a showing that we conducted an appropriate review (so-called "due diligence") regarding the securities being offered, we are potentially liable to investors for any losses resulting from any material misstatements or omissions in the offering document. The same disclosure obligations do not apply to a market maker, including because a market maker must execute countless transactions in order to meet the demands of clients and other parties. If a market maker were required to perform extensive due diligence on each security in which it was asked to execute a transaction, and to update disclosures every time it bought or sold securities, real-time, liquid markets could not exist.

In connection with our underwriting of residential mortgage-related securities, Goldman Sachs had a process in place to examine the management, relevant policies and procedures, underwriting standards, creditworthiness and other aspects of each mortgage originator before the firm began purchasing loans for securitization. As a result of these reviews, we determined not to do business with dozens of originators. Goldman Sachs also emphasized maintaining regular contact with major loan originators to understand the issues that they faced and the steps they were taking to address them. We also employed internal and third-party resources to conduct due diligence on the individual loans in the pools backing the securities in its RMBS offerings, including reviewing selected loan files, verifying compliance with state and federal lending statutes, and selective review of property appraisals against comparable values. As a result of these reviews, Goldman Sachs did not accept loans that, based on its review and analysis, appeared to have potentially significant legal, regulatory compliance or other issues. Knowing what we know today, of course, we wish that we had done even more.

Regardless of the degree of due diligence performed by underwriters in connection with RMBS securitizations, however, they cannot guarantee payment, performance or any rate of return. Rather, it is up to the purchaser of securities to evaluate whether the securities are worthy of investment based on the purchaser's own view and analysis of the securities' value in light of the purchaser's expectations about the future of the housing market and the economy and, importantly, the disclosures set forth in the offering documents including, in the case of asset-backed securities, detailed descriptions of the underlying assets. The Securities and Exchange Commission's Regulation AB, which provides extensive requirements and guidance for disclosures in offerings of asset-backed securities, properly focuses on disclosure of the material characteristics of the assets on which investors rely for the cash flows that provide the basis for payment of interest and principal on the securities they are purchasing. Those disclosures for

RMBS include detailed statistical information on the loans in the pool backing the RMBS, including the material originators of the loans, borrower credit scores, locations of the properties, loan to value percentages and the type of loans (e.g., second lien, adjustable rate, or option adjustable rate). The disclosures also included detailed descriptions of the policies and procedures used by the material loan originator or originators to evaluate and determine whether to make a loan. (See Appendix II)

In addition, Goldman Sachs, like other underwriters of RMBS, disclosed extensive data on every individual loan in its securitizations through "loan tapes," and other documents analyzing the underlying loans, which were publicly filed by the issuer with the Securities and Exchange Commission. These documents contained detailed information on each individual loan underlying the securitization, such as: (1) the original term of the loan; (2) the current balance; (3) the applicable interest rate; (4) the type of loan (e.g., adjustable rate or fixed rate); (5) whether the loan was a first or second lien; (6) the original loan-to-value ratio; (7) the property type (e.g., single family home); (8) the borrower's FICO score; (9) whether the property was owner-occupied; and (10) the due date and delinquency status. This information enabled the sophisticated investors that purchased these instruments to run their own models and make their investment decisions based on their views of relevant macroeconomic factors, market and housing trends, as well as the apparent credit of the borrowers whose mortgages backed the securities. (See Appendix III)

Nationally recognized law and accounting firms also were retained in connection with underwritings to assist in ensuring that the disclosures were complete, accurate and in compliance with the securities laws. These disclosures included numerous risk factors, which highlighted those characteristics of loans that increased risk (such as lower quality credit history, high loan-to-value ratio, and lack of documentation or independent verification). (See Appendix II)

Based on these disclosures, and publicly-available macroeconomic, housing and other data, investors could and did employ sophisticated analysis of the characteristics of the loan pool before deciding whether to invest in the transaction and which types of securities to purchase (from the highly rated senior securities that offered the most protection against deterioration of the asset pool and lowest return, to lower rated securities that offered less protection and a higher return).

In short, the securities being sold were as described – the investors purchased what they knowingly determined to buy. In view of what transpired in the housing market and the economy, the securities performed substantially as would have been expected in those unexpected circumstances. At the time of purchase, however, what participants in this market – including Goldman Sachs – could not know was how the housing market and the economy would perform in the future.

For non-synthetic CDOs – i.e., CDOs collateralized by cash securities – the offering materials contained detailed risk disclosures, and set forth each of the securities in the portfolio at or about the time of closing that determined the cash flows to investors. (See Appendix IV) We provided analyses to investors that highlighted how the securities would perform under certain scenarios and based upon stated assumptions, and these investors often had their own

models to analyze the credit worthiness of the underlying cash securities. Investors then could (and did) refer to those disclosures in making investment decisions. Again, investors had detailed information that allowed them to analyze how the securities would perform under different assumptions and scenarios.

For CDOs containing predominantly or exclusively synthetic assets – i.e., credit default swaps referencing RMBS or CDO securities, rather than the RMBS or CDO securities themselves – one party (the counterparty to the credit default swap) necessarily has to assume a short position with respect to the synthetic assets in order for there to be a long position for investors to take – there was no “secret” short position. As part of our disclosures, we indicated that Goldman Sachs initially would take the short side of the transaction, where applicable. There was no limitation on our ability to sell some or all of the short position. (See Appendix V) The sophisticated institutions that bought CDO securities did not make their decisions based on whether Goldman Sachs or other firms entering into credit default swaps with the CDO issuer would keep or sell that short position; they made their investment decisions based on their fundamental analysis of the characteristics of the underlying referenced assets and their prediction of where the housing market and the economy would be in the future. In fact, Goldman Sachs’ CDOs containing primarily residential mortgage-related synthetic assets were initially created in response to the request of a sophisticated institutional investor that approached the firm specifically seeking that particular exposure. Reverse inquiries from clients were a common feature of this market.

#### Participation in the Residential Mortgage-Related Securitization Markets

Goldman Sachs has never been a significant originator of mortgages.<sup>1</sup> And, in the context of the overall mortgage markets, we were neither a leading issuer<sup>2</sup> nor a leading underwriter of securitized residential mortgage-related products. During the period 2002 through 2007, our market shares as an issuer and underwriter of Non-Agency RMBS varied between 1.9% and 4.0% as an issuer and 4.7% and 6.7% as an underwriter.<sup>3</sup> In 2007, for example, the firm’s market share as an issuer of Non-Agency RMBS was 3.0% and we were not among the top 10 underwriters of these securities.<sup>4</sup> For overall RMBS issuance, including agency securities, Goldman Sachs was ranked 12<sup>th</sup> as an issuer in 2006 with a market share of 2.3% and 18<sup>th</sup> as an issuer in 2007, with a market share of 1.2%.<sup>5</sup> Thus, although Goldman Sachs was a participant in the RMBS securitization business, it certainly did not dominate the market as either an issuer or underwriter.

<sup>1</sup> In March 2007, Goldman Sachs acquired Senderra, a small mortgage originator.

<sup>2</sup> An issuer is the legal entity that owns the pool of residential mortgages or RMBS, CDOs or combination thereof and “issues” securities representing various interests therein. For the purpose of compiling market share data, industry sources treated a firm as the issuer of RMBS if the securities were issued off of one of that firm’s shelf registration statements, even though the issuing entity was often a separate legal entity.

<sup>3</sup> Source: Inside Mortgage Finance. It was always the case that we were the underwriters of securities that we issued, so all securities issued off of Goldman Sachs’ shelf registration statements would be counted in both categories.

<sup>4</sup> Source: Inside Mortgage Finance. Rankings below the top ten were not published in 2007, so our market share is unavailable. We note, however, that the 10th ranked underwriter had a market share of 5.5%.

<sup>5</sup> Source: Inside Mortgage Finance. Inside Mortgage Finance published overall RMBS market share information with respect to issuer participation only and did not publish such information for years prior to 2006.

This point is equally true if one focuses solely on the so-called “subprime” segment of the overall RMBS market. During the period 2002 to 2007, our market shares as an issuer and underwriter of subprime RMBS varied between 0.9% and 4.7% as an issuer and less than 4.2% and 6.5% as an underwriter.<sup>6</sup> In 2007, for example, the firm’s market share as an issuer was 1.7% (we were ranked 21<sup>st</sup>) and we were not ranked in the top ten as an underwriter.<sup>7</sup>

Goldman Sachs also was not a dominant participant in new-issue residential mortgage-related CDO activity. During the period 2002 through the first three quarters of 2007 our market share as an underwriter of new-issue CDOs where the collateral consisted primarily of RMBS varied between 2.4% and 8.2%.<sup>8</sup> For example, Goldman Sachs’ market share in the first three quarters of 2007 was approximately 5.6%.<sup>9</sup> As discussed above, substantially all CDOs were sold to sophisticated institutions that met the definition of Qualified Institutional Buyers under Securities and Exchange Commission Rule 144A.

### Conclusion

Although Goldman Sachs held various positions in residential mortgage-related products in 2007, our short positions were not a “bet against our clients.” Rather, they served to offset our long positions. Our goal was, and is, to be in a position to make markets for our clients while managing our risk within prescribed limits. Our predominant view of the risks arising from the residential housing market in early 2007 caused us to reduce our overall exposure to market movements in either direction consistent with established risk protocols.

We certainly did not know the future of the residential housing market in the first half of 2007 any more than we can predict the future of markets today. We also did not know whether the value of the instruments we sold would increase or decrease. It was well known that housing prices were weakening in early 2007, but no one – including Goldman Sachs – knew whether they would continue to fall or to stabilize at levels where purchasers of residential mortgage-related securities would have received their full interest and principal payments. Finally, we were not consistently or significantly overall net “short the market” in residential mortgage-related products, and, contrary to media speculation, we did not generate enormous net revenues or profits from our residential mortgage-related activities.

<sup>6</sup> Source: *Inside Mortgage Finance*.

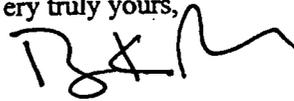
<sup>7</sup> Source: *Inside Mortgage Finance*. Rankings below the top ten were not published in 2007 so our market share is unavailable. We note, however, that the 10th ranked underwriter had a market share of 4.2%.

<sup>8</sup> Source: *Asset-Backed Alert*. No CDOs were issued off of Goldman Sachs’ shelf registration statements and therefore issuer information is not applicable.

<sup>9</sup> Source: *Asset-Backed Alert*. Market share data for the fourth quarter of 2007 is not available.

We hope that the information above is helpful to the continuing work of the Commission.

Very truly yours,



Gregory K. Palm

cc: Hon. Bill Thomas  
(Commission Vice Chairman)

Brooksley Born  
(Commissioner)

Byron S. Georgiou  
(Commissioner)

Senator Bob Graham  
(Commissioner)

Keith Hennessey  
(Commissioner)

Douglas Holtz-Eakin  
(Commissioner)

Heather H. Murren, CFA  
(Commissioner)

John W. Thompson  
(Commissioner)

Peter J. Wallison  
(Commissioner)

Thomas Greene  
(Executive Director)

**From:** Smith, Sarah  
**Sent:** Monday, February 12, 2007 2:32 PM  
**To:** Sparks, Daniel L; Mass, Robert  
**Subject:** RE: FYIs

**x-gs-classification:** Internal-GS

agreed

**From:** Sparks, Daniel L  
**Sent:** Monday, February 12, 2007 2:27 PM  
**To:** Mass, Robert; Smith, Sarah  
**Subject:** RE: FYIs

For this book I think monthly is the right way as the data comes monthly on performance. Dramatic mkt moves could change things.

**From:** Mass, Robert  
**Sent:** Monday, February 12, 2007 2:05 PM  
**To:** Sparks, Daniel L; Smith, Sarah  
**Subject:** RE: FYIs

Thanks.

Has the biz agreed with controllers about how frequently each book is to be marked? Daily? Weekly? Monthly? Quarterly?

**From:** Sparks, Daniel L  
**Sent:** Monday, February 12, 2007 2:00 PM  
**To:** Mass, Robert; Smith, Sarah  
**Subject:** FW: FYIs

I did timeline recon and here is what I have found from discussion with Gasvoda and Cawthon:

1/31 e-mail below where Cawthon posted Gasvoda on need to mark down a particular position  
 2/1 Gasvoda posts Sal in controllers about a potential write-down in book  
 2/1 Sal and Cawthon speak and discuss work to be done - but don't speak much after that until 2/8  
 2/8 Cawthon and Gasvoda post Sparks on overall \$22mm write-down

Based on this and the e-mail below, I don't think Cawthon was hiding things as he initiated discussion with Gasvoda. This appears to have been pre-controller discussion, but the breadth of the review needed was not complete. I think (and I've told him) that he needs to do a better job communicating with controllers early and throughout.

Let me know if there are additional thing you think I should check on

**From:** Cawthon, Michael  
**Sent:** Monday, February 12, 2007 9:23 AM  
**To:** Sparks, Daniel L  
**Subject:** FW: FYIs

**From:** Cawthon, Michael  
**Sent:** Wednesday, January 31, 2007 7:26 PM

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2133**

To: Gasvoda, Kevin  
Subject: FYIs

- Concurrent with the resid reval, we're reviewing our MDWebb NPL position, the severities for which have begun to trend worse. We currently have 75MM marked at ~77.5, and which needs to come down 4MM to 5MM in value-- we're currently breaking even month to month and I don't like the pipeline. Prelim look at our resids indicates flat to modestly higher.

- not sure what level of involvement you're looking for out of me for the 2nds business at this point-- after some of the RA announcements, I looked at some sub positions in Intex-- they're worthy of a discussion

- sat down w/ Margaret Holen last Friday for a long visit. Stating the obvious: Strats are feeling squeezed betw our desk and ABS for project needs-- in spite of the fact that the risk set largely overlaps. I indicated that I need 1) a seasoned model and 2) some EPD analytics ASAP-- we are actively engaging Marschoun, & Akil, but would like to set a set of formal task objectives. Also significant angst about the seating chart...

- I've given Cyrus the download on some of the resid yield method thoughts/work and he's touched base w/ Arbind to get a running start on the background. Trying to focus on this- realized I've failed to deliver here in a big way

- want to revisit SBC strategy in wake of ASF. Michelle expressed concerns about the ownership for the guidelines we are drafting- I've not been worried about this thus far, but want to generally make sure we're on same page for strategy.

---

Michael Cawthon  
Goldman, Sachs & Co.  
Whole Loan Trading  
85 Broad Street, 26th Floor  
New York, NY 10004  
michael.cawthon@gs.com

tel: 212.902.2854  
fax: 212.902.1691

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**From:** Davilman, Andrew  
**Sent:** Thursday, June 28, 2007 8:45 AM  
**To:** ficc-ops-odopricing; ficc-mtgcorr-desk; Harrop, Thomas  
**Subject:** FW: Missing Marks (15).xls  
**Attachments:** Missing Marks (15).xls; Disclaimer.txt

Pls mark these asap, and return to [rcioffi@bear.com](mailto:rcioffi@bear.com), pls cc. me as well for my records.

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**From:** Cioffi, Ralph (Exchange) [mailto:[rcioffi@bear.com](mailto:rcioffi@bear.com)]  
**Sent:** Thursday, June 28, 2007 8:43 AM  
**To:** Davilman, Andrew  
**Subject:** Missing Marks (15).xls

*Andy I need the 4 bonds marked for 5/31/07 we still need to report an NAV and I need these asap today.*

| CUSIP     | DESCRIPTION                           | S&P RATING | SPREAD      | BRKR | SECTOR         | Mark | Fair Valued Last Month |
|-----------|---------------------------------------|------------|-------------|------|----------------|------|------------------------|
| 290908AA0 | EMRLD 2.07875 05/24/2011 SER 144A     | AAA        | US006M+51.0 | GSCO | CDO IG Corp    |      |                        |
| 83367A9Q5 | GSCO ZOHAR 07-3A FXD TRS              |            |             | GSCO | CLO Distressed |      |                        |
| 88714PAD8 | TWOLF 2007-1A A1C 6.127419 09/03/2044 | AAA        | LIB03+80    | GSCO | CDO - CDO2     |      |                        |
| 88714PAE6 | TWOLF 2007-1A A1D 6.627419 09/03/2044 | AAA        | LIB03M+130  | GSCO | CDO - CDO2     |      |                        |

| Cusip     | REFERENCE             | COUNTERPAR | INITIAL |
|-----------|-----------------------|------------|---------|
| 17291K9L3 | ACABS 2006-2A A2L     | CITI       | 500     |
| 17291J9B8 | COMMO 2006-5A B       | CITI       | 390     |
| 25199K9X3 | ABSHE 2005-HE3 M9     | DB         | 330     |
| 37153F9F2 | BSABS 2005-HE11 M8    | GCM        | 450     |
| 48101N9O6 | CBCL 16A C            | LEH        | 225     |
| 48101N9M0 | STAK 2007-1A A2       | LEH        | 175     |
| 59018W9V9 | JPMCC 2004-CB8 H      | MER        | 190     |
| 59018V9X7 | BSABS 2006-HE3 M9     | MER        | 387     |
| 90258A9G4 | Beach St V 16-17%     | UBS        | 80      |
| 90263A9V4 | Beach St V 17-21.3%   | UBS        | 55      |
| 90263A9T9 | Beach St V 21.3-26.3% | UBS        | 35      |
| 90260M9N9 | BSABS 2006-EC2 M8     | UBS        | 525     |
| 90260M9V1 | FFML 2006-FF8 M9      | UBS        | 775     |
| 90290D9B9 | HEMT 2005-4 M9A       | UBS        | 825     |
| 48100Z9G7 | IXIS 2005-HE3 B2      | UBS        | 525     |
| 90260K9J2 | MABS 2006-WMC1 M9     | UBS        | 245     |
| 90263B9D2 | NCHET 2006-1 M9       | UBS        | 850     |

Corporate

| Cusip     | REFERENCE           | COUNTERPAR | INITIAL |
|-----------|---------------------|------------|---------|
| 07393F9Z1 | ATT Corp            | BS         | 45      |
| 07392T9E9 | FTD BSKT1           | BS         | 80      |
| 07393F9X6 | SBC                 | BS         | 33      |
| 07392Y9B4 | SLM Corp            | BS         | 36      |
| 7891239A6 | Mustang Offset 0.14 | MER        | 14      |

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**From:** Egol, Jonathan  
**Sent:** Tuesday, June 19, 2007 7:44 PM  
**To:** Brafman, Lester R  
**Subject:** Re: We are being asked by BSAM to bid all \$200+ mm ABACUS CDO^2 bonds that were on somebody else's repo line

No trades. LEH is offering it guys. Assume repo desk there got hosed.

----- Original Message -----  
From: Brafman, Lester R  
To: Egol, Jonathan  
Sent: Tue Jun 19 19:38:20 2007  
Subject: Re: We are being asked by BSAM to bid all \$200+ mm ABACUS CDO^2 bonds that were on somebody else's repo line

Did this block trade

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----  
From: Egol, Jonathan  
To: Brafman, Lester R  
Sent: Tue Jun 19 18:13:43 2007  
Subject: RE: We are being asked by BSAM to bid all \$200+ mm ABACUS CDO^2 bonds that were on somebody else's repo line

I don't know why Ralph decided to finance this away from us. I can ask Davilman if he recalls.

I got additional color on this from 2 accounts, can post you live.

-----Original Message-----  
From: Brafman, Lester R  
Sent: Tuesday, June 19, 2007 5:47 PM  
To: Egol, Jonathan  
Subject: RE: We are being asked by BSAM to bid all \$200+ mm ABACUS CDO^2 bonds that were on somebody else's repo line

Did we bid this?? How come it wasn't financed here

-----Original Message-----  
From: Egol, Jonathan  
Sent: Tuesday, June 19, 2007 3:57 PM  
To: Brafman, Lester R  
Subject: Re: We are being asked by BSAM to bid all \$200+ mm ABACUS CDO^2 bonds that were on somebody else's repo line

We mark them monthly. I have learned this is on lehman's repo line.

----- Original Message -----  
From: Brafman, Lester R  
To: Egol, Jonathan  
Sent: Tue Jun 19 15:54:18 2007  
Subject: RE: We are being asked by BSAM to bid all \$200+ mm ABACUS CDO^2 bonds that were on somebody else's repo line

Have we been marking them. Do we know whose line.. Do we know where they have been marking them

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2133**

— = Redacted by the Permanent  
 Subcommittee on Investigations

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From: Egol, Jonathan  
 Sent: Tuesday, June 19, 2007 3:25 PM  
 To: Sparks, Daniel L  
 Cc: Brafman, Lester R; Swenson, Michael  
 Subject: We are being asked by BSAM to bid all \$200+ mm ABACUS CDO^2 bonds that were on somebody else's repo line

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Goldman  
Sachs

Jonathan M. Egol  
Structured Products Trading

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**From:** Bash-Polley, Stacy  
**Sent:** Thursday, August 02, 2007 3:30 PM  
**To:** Montag, Tom; Mullen, Donald; Schwartz, Harvey; Sparks, Daniel L  
**Cc:** Brafman, Lester R  
**Subject:** Marks Summary

**Attachments:** FW: NYL mark issue ; FW: TWOLF 0701 A2s; Fw: GSAA NIMs; Marks

FW: NYL mark issue FW: TWOLF 0701 A2s Fw: GSAA NIMs Marks

Below are select client issues that have come up related to marks - A lot of info.. Here is the bottom line -sounds like we were sticking out much more before july month end - still the lowest -but the gap has narrowed -some clients would prefer a bid/offer vs us using bid side as the Mark. (we should discuss further -other dealers are implying marks to be used as different spots- ie some midmkt/some where they see value/some bid levels - so not all "apples to apples" -still collecting more data- but today's move should narrow gap further

(Tim Ruberti)

Carlyle- Timberwolf A2. See attached for mark history. Client and sales/trading have had several discussions throught marking process abt how we come up with number.. Without using any model discussions (ie used tabx/abx and underlying cdo markets as reference).. They have not agreed with our process and recently asked other dealers to analyze--say that we are off significantly from where other dealers are modeling this. (of course they didn't comment when asked where other dealers would bid the bonds).. We are following up (today) with all call - where Elisha will ask a bit more abt their methodology for valuing bond etc.

(Ryan Kelly)

UBS Prop - We took their mark on the Fort Denison from 93.16 to 40.00 They admit the AAA CDO mkt is off substantially but feel that this particular bond.. Being a front cashflow (shorter) AAA with a (3yr) ave life would perform better than the junior AAA market as a whole. Meanwhile, we took Hudson Mezz 06-1A AF AAA from 80.4 to 65. They would like our thoughts as to why Fort Den was marked down so much more.

The Alt A marks were particularly punitive. [REDACTED] is one of the biggest players lower in the CAP structure. Our offerings are still 10-20 points higher than the marks. Look at GSAA 2007-7.

On financing, [REDACTED] said our HC on single A Nim (GSAMP 2006-HE8 NIM) (25%-our desk wanted to do it at 35%, maybe 50% in two weeks) were by far the most onerous of all dealers. (15-20%) It is simply the reality check of the market that people are not used to.

Our biggest issue has been with [REDACTED] and [REDACTED] marks over the course of July for

|            | 7/6/07 | 7/16/07 | 7/24/07 | 7/27/07 | 7/31/07 |
|------------|--------|---------|---------|---------|---------|
| [REDACTED] | 95.2   | 95      | 70      | 70      | 45      |
| [REDACTED] | 87.3   | 87      | 80      | 75      | 45      |

They bought AAA cdos [REDACTED] They have communicated to sales that GS is by far an outlier and they will never be able to buy another cdo from us based on their lack of confidence in understanding how we are coming up with marks. This disucssion was tabled-- until they saw the month end marks others have provided. See attached for color on current situation wrt july month end (bottom line- others caught up but we stick out)

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2136

[REDACTED] issues with their CDO marks. Said we were many many points behind where other dealers were marking similar positions. The triggers [REDACTED] are based on mark to markets, so when we send levels for their CDO positions, it actually impacts [REDACTED] marks, however they claim that the marks are not actual objective valuations of whether or not the bond will actually suffer losses, but rather a reflection of the lack of liquidity in the market right now. They have stated that other dealers have provided two sets of marks: 1) based on where that dealer would actually bid those bonds for positions and 2) based on where the bonds were trade if the market were currently not "broken", so more of a fair statement as to the intrinsic value of those bonds.

[REDACTED]  
[REDACTED] -were surprised at how low marks were on their [REDACTED] positions.. (GS submitting our marks later today) -one mark on a [REDACTED] deal essentially implied cash flow would be gone by summer '08

[REDACTED]  
[REDACTED]  
(Nicole Martin)  
Greywolf-- see attached. Client traded them away at a much better price  
[REDACTED] in discussion on a few sub pcs of Subprime deals that we partnered on in 06. I am calling partner there to discuss.

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

**From:** Winkelried, Jon (EO 85B30)  
**Sent:** Thursday, August 02, 2007 8:12 AM  
**To:** Schwartz, Harvey; Montag, Tom; Broderick, Craig; Mullen, Donald  
**Cc:** Cornacchia, Thomas  
**Subject:** RE: Aig collateral call

Wasn't aware but one thing we're not going to do is compromise on what we think the right marks are and our margin process.

-----Original Message-----

**From:** Schwartz, Harvey  
**Sent:** Thursday, August 02, 2007 7:21 AM  
**To:** Montag, Tom; Broderick, Craig; Mullen, Donald  
**Cc:** Cornacchia, Thomas; Winkelried, Jon  
**Subject:** Fw: Aig collateral call

Fyi

Also cc winks...just in case cassano reaches out to him direct

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----

**From:** Aliredha, Yusuf  
**To:** Schwartz, Harvey  
**Sent:** Thu Aug 02 06:49:55 2007  
**Subject:** FW: Aig collateral call

I hope you are aware of this? I was not. Looking into it now.

-----Original Message-----

**From:** Wright, Neil  
**Sent:** Thursday, August 02, 2007 10:44 AM  
**To:** Sundaram, Ram; Davilman, Andrew; Sparks, Daniel L; Salame, Pablo; Sherwood, Michael S  
**Cc:** Aliredha, Yusuf  
**Subject:** Aig collateral call

I am on vacation but was called this morning by andrew forster. Jo Cassano (ceo of aig fp) is livid about the collateral call we have made on aig fp this week relating largely to the super senior they have written with us on subprime rmbs cdo's. We are the only dealer to have made such a call and they disagree our marks and our process, which they say under contract they have the right to obtain and use third party marks in a dispute situation.

Jo Cassano wants to come round and see Woody today about the issue and they are threatening to stop dealing with us across the board unless this is resolved today. I don't know who is around/contactable but we need to sort this out and get Woody or Pablo on the phone with joe cassano today pls.

Ram are you co-ordinating this? Can you arrange a conf call?

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# Derivative Collateral Dispute Summary

October 30, 2007

Confidential Treatment Requested by Goldman Sachs

GS MBS-E-009882064

**Permanent Subcommittee on Investigations**  
***Wall Street & The Financial Crisis***  
**Report Footnote #2136**

*CS*



## Summary Breakdown (in millions)

|                                   | Official Disputes | ROE/MS Derivative Disputes | Collateral Disputes | Total |
|-----------------------------------|-------------------|----------------------------|---------------------|-------|
| Prioritized disputes              | 45%               | 2,920                      | 2,255               | 77%   |
| Additional disputes in the top 15 | 35%               | 2,267                      | 1,149               | 51%   |
| Subtotal top 15                   | 79%               | 5,187                      | 3,404               | 66%   |
| All other counterparties          | 21%               | 1,353                      | 893                 | 66%   |
| Total                             | 100%              | 6,540                      | 4,297               | 66%   |

\* Overall dispute numbers adjusted with more recent information when available and material. Mortgage dispute numbers have been estimated.

6373



## Prioritized Disputes (in millions)

| Entity                               | Disputed | Resolved | Percentage Resolved | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------|----------|----------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AIG FINANCIAL PRODUCTS CORP          | 985      | 985      | 100%                | AIG dispute is on their long \$16B super senior position. Business refreshing levels after recent market moves, resulting in substantially higher margin calls. Senior mgmt to post client prior to actual updated client call. We anticipate that recent mark downs at ML will help alleviate the dispute.                                                                                                                                                                                                                                                                                                                                                         |
| MORGAN STANLEY CAPITAL SERVICES INC. | 485      | 359      | 74%                 | Primary variance attributable to 2 super senior trades (\$1.8B Quadrant and \$1.2B Hudson Mezz) for a difference of \$908M. MS is currently posting \$454M (1/2 of the difference on the 2 trades). Numerous conversations have taken place with traders and product controllers. For the quadrant trade, we have taken them through our marking methodology and shown them a trade in the exact structure with recent quotes for the same. They are choosing to ignore all of this information based on size vs trade (they think \$60M trade tells them nothing about \$1.8B trade). We have offered to trade in the context of our marks and they have declined. |
| [REDACTED]                           | 416      | 94       | 23%                 | Primarily attributable to CDO Mezz CDS (difference of \$75M on 10 trades) and one correlation trade [REDACTED]. [REDACTED] Historical issue that tends to reduce over time. Traders to get back on the phone with client. A large portion of the remaining non mortgage dispute appears to be related to other credit derivatives. Operations will have a list of the top 10 shortly.                                                                                                                                                                                                                                                                               |
| [REDACTED]                           | 540      | 361      | 67%                 | Current differences relate to [REDACTED] and CDO CDS (\$54M). [REDACTED] systematic issues with pricing. Historically, they have remarked closer to our levels. Recent calls to their risk mgmt head have gone unanswered. The matter has been escalated to the [REDACTED]. He is supposed to give us a contact on their side to work through the issue.                                                                                                                                                                                                                                                                                                            |
| [REDACTED]                           | 495      | 455      | 92%                 | Primarily attributable to [REDACTED] and ABX Index (\$105M). [REDACTED] acknowledged having difficulty marking their book on a regular basis. Historically they have remarked closer to our levels. The original trader is no longer [REDACTED]. The matter has been escalated to their head of product control. Our existing contact (CDO business mgr) has indicated that they will be marking their book for October month end and expects that they will come substantially more in line. He was not able to provide a trading contract for the position at this time.                                                                                          |

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## Additional Disputes in the Top Fifteen (in millions)

| Entity                            | Dispute | Dispute | Dispute | Dispute                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------|---------|---------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| [REDACTED]                        | 431     | 307     | 71%     | [REDACTED]s make our reconciliation efforts more challenging. Recent discussions between operations and product controllers have uncovered many flaws on their side. Recent mortgage variance is primarily on [REDACTED]. We have a good contact [REDACTED] and should be able to get some traction now that their quarter announcement is over. |
| [REDACTED]                        | 400     | 131     | 33%     | [REDACTED] intermediating on the majority of these trades. Many transactions within bid/offer. CDO mezzanine and high grade deals. Mortgage trading desk is sending over revised levels on a regular basis. The balance of the non mortgage dispute is related to credit. Operations will have a list of the top 10 later today.                 |
| ABN AMRO BANK N.V.                | 384     | 334     | 87%     | ABN dispute is on long \$3 billion of super senior CDO. Most trades within bid/offer. The expectation being \$900mm ABACUS 078-AC1 v2 off approximately 20 pts (\$180mm). Trader to discuss with client again.                                                                                                                                   |
| [REDACTED]                        | 253     | 36      | 14%     | Minimal differences related to mortgages. Balance of the dispute is equity and credit derivatives. Operations will have a list of the top 10 today.                                                                                                                                                                                              |
| [REDACTED]                        | 171     | 77      | 45%     | [REDACTED] tends to lag the market and come closer in line when markets settle. Expected to be within bid/offer for month end.                                                                                                                                                                                                                   |
| [REDACTED]                        | 152     | 51      | 33%     | Down to no dispute overall.                                                                                                                                                                                                                                                                                                                      |
| [REDACTED]                        | 144     | 84      | 58%     | Estimated to be down to within bid/offer.                                                                                                                                                                                                                                                                                                        |
| [REDACTED]                        | 135     | 54      | 40%     | Incorporated [REDACTED] comments above.                                                                                                                                                                                                                                                                                                          |
| BEAR STEARNS CREDIT PRODUCTS INC. | 117     | 5       | 4%      | Have not historically been a sizable issue. Operations currently researching the dispute.                                                                                                                                                                                                                                                        |
| [REDACTED]                        | 80      | 70      | 88%     | GS has offered to trade with them and they have declined and remarked. [REDACTED] did not appear to be active in the market.                                                                                                                                                                                                                     |

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**From:** Swenson, Michael  
**Sent:** Wednesday, July 25, 2007 7:41 PM  
**To:** Kao, Kevin J.; Jha, Arbind  
**Cc:** Turok, Michael; Lehman, David A.; Birnbaum, Josh; McAndrew, Thomas R.; Primer, Jeremy; Gao, Renyuan  
**Subject:** Re: Cash bonds

Kevin -

Thank you

----- Original Message -----

**From:** Kao, Kevin J.  
**To:** Jha, Arbind  
**Cc:** Turok, Michael; Swenson, Michael; Lehman, David A.; Birnbaum, Josh; McAndrew, Thomas R.; Primer, Jeremy; Gao, Renyuan  
**Sent:** Wed Jul 25 19:38:48 2007  
**Subject:** RE: Cash bonds

Arbind - ABS cash bond durations are from Intex. So as long as the cash bonds are marked appropriately the spreads and durations should get reflected accordingly.

I will also watch the jobs closely tonight. Thanks.

-----Original Message-----

**From:** Jha, Arbind  
**Sent:** Wednesday, July 25, 2007 7:11 PM  
**To:** Kao, Kevin J.  
**Cc:** Turok, Michael; Swenson, Michael; Lehman, David A.; Birnbaum, Josh; McAndrew, Thomas R.; Primer, Jeremy; Gao, Renyuan  
**Subject:** Cash bonds

Kevin,  
Given the huge changes in marks today, we expect Mortgage Trading VaR to shoot through the roof if we do not reflect mark/spread changes correctly on the cash ABS and CDO bonds in the risk feed tonite. Please let us know if we perceive this to a major problem tomorrow.  
Thanks,  
Arbind

**From:** Sparks, Daniel L  
**Sent:** Sunday, July 29, 2007 10:19 PM  
**To:** Montag, Tom  
**Subject:** RE: Problem

We are in an absolute war - been that way for awhile. We probably should have taken more time to put through the CDO monster remark and check it/filter it all the way through. But we rushed it because of Basis and a desire to protect ourselves against counter-parties.

-----Original Message-----

**From:** Montag, Tom  
**Sent:** Sunday, July 29, 2007 10:05 PM  
**To:** Wiesel, Elisha; Sparks, Daniel L  
**Cc:** Mullen, Donald  
**Subject:** Re: Problem

Why no problems before on marking? What procedures caught it before?

----- Original Message -----

**From:** Wiesel, Elisha  
**To:** Sparks, Daniel L; Cohn, Gary (EO 85B30); Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Smith, Sarah; Avanesians, Armen  
**Cc:** Viniar, David  
**Sent:** Sun Jul 29 21:58:43 2007  
**Subject:** RE: Problem

Slightly more color around Dan's message below:

There are two standard ways in which ABS CDO positions are currently marked. Either it's a cash bond, and the traders mark the price in M5, or it's a CDS, and the traders mark the CDS CDO price in SecDb. The system booking issue we're experiencing is because Hout Bay was booked using a different mechanism from either of these two ways.

Trade #1: When the Hout Bay mezz tranche was sold, GS bought back the risk in total return swap form. The trade was booked using a 3rd approach which is not widely used by the secondary desk. This approach was to create an underlying CDS-style credit market to represent Hout Bay Mezz, and to then book a generic TRS against that market in SecDb.

Trade #2: GS then did another trade, which was to buy protection on the top 2/3 of the mezzanine tranche, further tranching the position. This 3rd-order tranche trade was booked using the ABACUS tradable, which applies a SecDb-based model to an underlying. The underlying was specified as a CDS CDO (rather than the TRS actually used to book Hout Bay Mezz). So this means we now had two things in SecDb representing the same total return swap -- (a) a standard CDS CDO which the desk marked as part of it's usual sweep, which informed the model-based value of the protection purchase, and (b) a credit market to mark the TRS.

When CDS CDOs (but not the TRS) were re-marked in last week's sweep, pnl noise was created as Trade #2's value changed, but Trade #1's was not.

-----Original Message-----

**From:** Sparks, Daniel L  
**Sent:** Sunday, July 29, 2007 9:10 PM  
**To:** Cohn, Gary (EO 85B30); Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
**Cc:** Viniar, David  
**Subject:** RE: Problem

Booked through TAP into secDB, but one leg of position is TROR swap format and one is in CDS format.

Traders are responsible to get it marked correctly and are working with right people to fix systematically going forward.

-----Original Message-----

From: Cohn, Gary (EO 85B30)  
Sent: Sunday, July 29, 2007 9:01 PM  
To: Sparks, Daniel L; Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David  
Subject: Re: Problem

What system are they in

----- Original Message -----

From: Sparks, Daniel L  
To: Mullen, Donald; Montag, Tom; Lee, Brian-J; McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary  
Sent: Sun Jul 29 20:59:01 2007  
Subject: RE: Problem

Our CDO trading team is. This week has had significant moves in CDOs, especially super-seniors, and activity has been crazy. We missed this position, and the form it's in and the systems issues we have make it challenging. We're working hard to trade in this market and manage the position - and the team had a very good week.

That doesn't mean this error is acceptable, but we found it within a few days of the massive adjustment.

We are working to make the system better.

-----Original Message-----

From: Mullen, Donald  
Sent: Sunday, July 29, 2007 8:26 PM  
To: Sparks, Daniel L; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)  
Subject: Re: Problem

We clearly need to have a stale mark report. Who was responsible to mark this?

----- Original Message -----

From: Sparks, Daniel L  
To: Montag, Tom; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)  
Sent: Sun Jul 29 19:54:23 2007  
Subject: RE: Problem

It's 2 positions: long \$1.275BB, short \$825mm. Net long is \$450mm. We're looking into the history on AIG mark Yes, mark had not been updated this month. We don't have a stale mark report CDO origination book

-----Original Message-----

From: Montag, Tom  
Sent: Sunday, July 29, 2007 7:42 PM  
To: Sparks, Daniel L; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)  
Subject: Re: Problem

Its a 1.2 billion dollar position? Is that correct? How have we been marking AIG ? Both controllers and the desk hadn't looked at it all month? Wouldn't there be a report of large positions where marks hadn't changed. Whose book was it in?

----- Original Message -----

From: Sparks, Daniel L  
To: Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)  
Sent: Sun Jul 29 18:49:48 2007  
Subject: Problem

One large synthetic position has not been marked since last month and has not been flowing through the position system, and the problem is large with the dramatic remark we made this week to CDOs. The trading team scrubbed everything this weekend with controllers and strat, and found this - Hout Bay 1 super senior (roughly \$1.2BB off a CDO of AA-ish paper done in March 2006 and without much CDO^2). It's funded with another counterparty, and AIG wrote credit protection on the top 65%, GS has the remaining 35% credit risk), and a mark of 25 points needs to go through. There are various causes for our mistake (none good), but the form of the trade had a lot to do with it.

That's about \$100mm loss that we need to take.

The team has gone through everything else and does not feel there is anything else like this not feeding through, although there is a \$50mm senior pic swap the needs to be better analyzed in light of the market.

We can either put it in the estimate Monday, or put it in Friday as a large variance.

I'd rather I posted you live, but I just got the information and wanted to post this group quickly with month-end.

I'm around tonight 203-972-1346 or in the morning 2-2914.

**From:** Sparks, Daniel L  
**Sent:** Sunday, July 29, 2007 9:28 PM  
**To:** Mullen, Donald  
**Subject:** RE: Problem

He's overseeing cmts, correlation and cdo's. There are responsible line people in each. There is a systems issue in how this was evaluated that when corrected will prevent this. We made massive mark adjustments this week, pushed them through because of basis and counterparty exposure, and probably should have waited to work through everything.

-----Original Message-----

**From:** Mullen, Donald  
**Sent:** Sunday, July 29, 2007 9:23 PM  
**To:** Sparks, Daniel L  
**Subject:** Re: Problem

I am sympathetic to his schedule but this can't happen. what exactly is he making markets in?

----- Original Message -----

**From:** Sparks, Daniel L  
**To:** Mullen, Donald  
**Sent:** Sun Jul 29 21:19:33 2007  
**Subject:** RE: Problem

Lehman, it is in retained cdo position

-----Original Message-----

**From:** Mullen, Donald  
**Sent:** Sunday, July 29, 2007 9:14 PM  
**To:** Sparks, Daniel L  
**Subject:** Re: Problem

Who is the single person responsible to mark egol? And is it in his pnl?

----- Original Message -----

**From:** Sparks, Daniel L  
**To:** Cohn, Gary (EO 85B30); Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
**Cc:** Viniar, David  
**Sent:** Sun Jul 29 21:10:19 2007  
**Subject:** RE: Problem

Booked through TAP into secDB, but one leg of position is TROR swap format and one is in CDS format.

Traders are responsible to get it marked correctly and are working with right people to fix systematically going forward.

-----Original Message-----

**From:** Cohn, Gary (EO 85B30)  
**Sent:** Sunday, July 29, 2007 9:01 PM  
**To:** Sparks, Daniel L; Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
**Cc:** Viniar, David

Subject: Re: Problem

What system are they in

----- Original Message -----

From: Sparks, Daniel L  
To: Mullen, Donald; Montag, Tom; Lee, Brian-J; McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary  
Sent: Sun Jul 29 20:59:01 2007  
Subject: RE: Problem

Our CDO trading team is. This week has had significant moves in CDOs, especially super-seniors, and activity has been crazy. We missed this position, and the form it's in and the systems issues we have make it challenging. We're working hard to trade in this market and manage the position - and the team had a very good week.

That doesn't mean this error is acceptable, but we found it within a few days of the massive adjustment.

We are working to make the system better.

-----Original Message-----

From: Mullen, Donald  
Sent: Sunday, July 29, 2007 8:26 PM  
To: Sparks, Daniel L; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)  
Subject: Re: Problem

We clearly need to have a stale mark report. Who was responsible to mark this?

----- Original Message -----

From: Sparks, Daniel L  
To: Montag, Tom; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)  
Sent: Sun Jul 29 19:54:23 2007  
Subject: RE: Problem

It's 2 positions: long \$1.275BB, short \$825mm. Net long is \$450mm. We're looking into the history on AIG mark Yes, mark had not been updated this month We don't have a stale mark report CDO origination book

-----Original Message-----

From: Montag, Tom  
Sent: Sunday, July 29, 2007 7:42 PM  
To: Sparks, Daniel L; Mullen, Donald; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)  
Subject: Re: Problem

Its a 1.2 billion dollar position? Is that correct? How have we been marking AIG? Both controllers and the desk hadn't looked at it all month? Wouldn't there be a report of large positions where marks hadn't changed. Whose book was it in?

----- Original Message -----

From: Sparks, Daniel L  
To: Mullen, Donald; Montag, Tom; Lee, Brian-J (FI Controllers); McMahon, Bill; Wiesel, Elisha; Smith, Sarah  
Cc: Viniar, David; Cohn, Gary (EO 85B30)

Sent: Sun Jul 29 18:49:48 2007  
Subject: Problem

One large synthetic position has not been marked since last month and has not been flowing through the position system, and the problem is large with the dramatic remark we made this week to CDOs. The trading team scrubbed everything this weekend with controllers and strat, and found this - Hout Bay 1 super senior (roughly \$1.2BB off a CDO of AA-ish paper done in March 2006 and without much CDO^2). It's funded with another counterparty, and AIG wrote credit protection on the top 65%, GS has the remaining 35% credit risk), and a mark of 25 points needs to go through. There are various causes for our mistake (none good), but the form of the trade had a lot to do with it.

That's about \$100mm loss that we need to take.

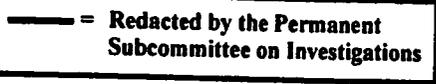
The team has gone through everything else and does not feel there is anything else like this not feeding through, although there is a \$50mm senior pic swap the needs to be better analyzed in light of the market.

We can either put it in the estimate Monday, or put it in Friday as a large variance.

I'd rather I posted you live, but I just got the information and wanted to post this group quickly with month-end.

I'm around tonight 203-972-1346 or in the morning 2-2914.

**From:** McHugh, John  
**Sent:** Friday, July 13, 2007 11:11 PM  
**To:** Swenson, Michael; Lehman, David A.  
**Cc:** Sparks, Daniel L  
**Subject:** RE: Talking Points Needed for Gary Cohn  
**Attachments:** PMD speaking notes July 2007 for Gary Cohn.doc

 = Redacted by the Permanent Subcommittee on Investigations

Talking points pasted below and attached...pls review

#### Market Commentary

- Subprime mortgage market continues to be dislocated and illiquid
- spreads tightened from March-May for technical reasons (supply & short covering)
- Increases in delinquencies, slower prepayment speeds and interest rates rising continued to weigh on the market in the face of weaker housing prices
- BSAM & other hedge fund managers (most recently Basis Capital) announced they were halting fund redemptions and/or liquidating holdings, with some likely to fail
- Rating agencies announced a series of downgrades and/or securities placed on negative watch. Agencies also adopted significant changes in rating and surveillance methodologies using more punitive stress assumptions which will result in more aggressive downgrade actions on existing deals and require greater credit enhancement on new deals.
- ABX prices dropped dramatically in reaction with new issue residential and CDO prices following suit. At Dec 31, 2006, ABX 06-2 BBB- synthetics tranche was trading at \$95, it bottomed at \$53 on July 13, 2007

#### Subprime loan & securitization commentary:

- Industry wide, subprime loan origination is down 40% in 2007 and headed lower
- 7 of the top 10 subprime lenders in '06 are either out of business or have changed ownership
- Subprime loan bids began to stabilize in the mid-102s in late May and early June as dealers bid more aggressively to feed inventory into their securitization platforms but have since fallen more than a point in the face of worse fundamentals
- Spread volatility returned, loan and new issue pricing has come under pressure with dealers having particular difficulty placing lower rated securities
- Goldman's subprime loan purchases were less than \$50mm for April and May, but in June we were successful in bidding on a \$1bn subprime loan package from HSBC (seasoned loans ('05 production) so has some HPA embedded and strong payment histories)
- More stringent due diligence procedures resulted in lower pull-through rates, reduced market share and pushback from originators, but results are difficult to argue against
- CDO securitization market is coming to a standstill, GS has zero in warehouse
- Non-prime loan inventory is currently at \$3bn, down from \$12bn at fiscal year-end
- Warehouse secured lending in this space has been reduced from just under \$1bn at fiscal year-end to \$50mm currently

Permanent Subcommittee on Investigations  
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| (\$mm's)                   | <u>07/01/06</u> | <u>11/25/06</u> | <u>05/15/07</u> | <u>Current</u> |
|----------------------------|-----------------|-----------------|-----------------|----------------|
| Loan Inventory:            |                 |                 |                 |                |
| Subprime                   | 5,525           | 6,200           | 156             | 1,175          |
| Alt A                      | 5,683           | 3,333           | 1,897           | 1,599          |
| S&D                        | 827             | 768             | 665             | 643            |
| 2nds                       | 865             | 1,505           | 62              | 57             |
| Resi Warehouse             | 852             | 848             | 51              | 53             |
| CDO Warehouse              | 8,245           | 5,720           | 1,740           | -              |
| Retained CDO Bonds         | 200             | 360             | 4,570           | 2,530          |
| ABX 06-2 BBB- dollar price | 99              | 98              | 76              | 53             |

- ABX 06-2 and 07-1 series hit all-time lows of 53 and 49, respectively, on July 13th

-----Original Message-----

From: Sparks, Daniel L

Sent: Friday, July 13, 2007 7:37 PM

To: White, Eileen (EO 85B30); Scherr, Stephen (IB NYP48); Hickey, Steve; Lehman, David A.; Swenson, Michael; McHugh, John

Cc: Black, Jennifer (IB NYP48); Jannetti, Eileen; Bellcour, Dominique (DewAnn); Lipnick, Allison (EO 85B30)

Subject: Re: Talking Points Needed for Gary Cohn

John, please update what you had prepared for montag - shoot it by swenson and lehman, and address below

----- Original Message -----

From: White, Eileen (EO 85B30)

To: Scherr, Stephen (IB NYP48); Sparks, Daniel L; Hickey, Steve

Cc: Black, Jennifer (IB NYP48); Jannetti, Eileen; Bellcour, Dominique (DewAnn); Lipnick, Allison (EO 85B30)

Sent: Fri Jul 13 16:28:04 2007

Subject: Talking Points Needed for Gary Cohn

All,

Lloyd has asked Gary to provide a 5-minute update on credit markets at the Monthly Partner Meeting this Tuesday, July 17th.

Would you be able to provide talking points for Gary? I would be grateful if you might be able to forward to me as soon as possible. (Gary is traveling to Asia.)

Sorry for the last-minute request; this was just put on the agenda.

Best.

Eileen

---

Goldman, Sachs & Co.  
 85 Broad Street | 30th Floor | New York, NY | 10004  
 Tel 212 902 1163 | Fax 212 902 5445  
 email: Eileen.White@GS.com

Eileen M. White                      Goldman  
 Managing Director                    Sachs  
 Office of the Chairman

---

**From:** Blankfein, Lloyd (EO 85B30)  
**Sent:** Tuesday, July 31, 2007 6:55 PM  
**To:** Montag, Tom  
**Subject:** Re: Mortgage Derivative Collateral Disputes - 7/31 Update (COB 7/27 marks)

Make sure they prioritize weaker credits where our risk is threatening.

— = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----

**From:** Montag, Tom  
**To:** Blankfein, Lloyd  
**Sent:** Tue Jul 31 18:52:53 2007  
**Subject:** Fw: Mortgage Derivative Collateral Disputes - 7/31 Update (COB 7/27 marks)

7 billion of collateral disputes!!!

----- Original Message -----

**From:** Simpson, Michael  
**To:** Viniar, David; Montag, Tom; Mullen, Donald; Sparks, Daniel L; Smith, Sarah; Lee, Brian-J (FI Controllers); Broderick, Craig; Rapfogel, Alan; Vince, Robin  
**Cc:** O'Connor, Gavin; Armstrong, Phil; Kane, Nicola; Brafman, Lester R  
**Sent:** Tue Jul 31 18:51:04 2007  
**Subject:** Mortgage Derivative Collateral Disputes - 7/31 Update (COB 7/27 marks)

Over the past week the market has experienced continued volatility. As a result, there were a significant number of mark updates. The overall derivative collateral dispute amount is now \$7.0 billion.

The following reflects a high level reconciliation from our last update:

| Date     | Amount (in billions) | Comments                                   |
|----------|----------------------|--------------------------------------------|
| 7/24     | 3.0                  | Previous total derivative dispute level on |
| GS calls | (0.9)                | Resolved disputes                          |
|          | 1.2                  | New disputes                               |
|          | 3.7                  | Net increase in previous disputes          |
| 7/31     | 7.0                  | Current total derivative dispute level on  |
| GS calls |                      |                                            |

The following table represents the 10 largest disputes and their respective increases/decreases since our last update. All numbers are in millions.

| Risk Party                            | Current Dispute | Inc/(Dec) |
|---------------------------------------|-----------------|-----------|
| AIG FINANCIAL PRODUCTS CORP           | 1,891           | 1,770     |
| CANADIAN IMPERIAL BANK OF COMMERCE... |                 |           |
| CALYON...                             |                 |           |
| UBS AG...                             |                 |           |
| MORGAN STANLEY CAPITAL SERVICES INC.  | 348             |           |
|                                       | 118             |           |
| IXIS CORPORATE & INVESTMENT BANK      |                 |           |
| DEUTSCHE BANK AKTIENGESELLSCHAFT...   |                 |           |
| ABN AMRO BANK N.V....                 | 215             | 161       |
| SOCIETE GENERALE...                   |                 |           |
| CITIBANK, N.A....                     |                 |           |
| Sub-Total on Top 10 disputes          | 4,855           | 3,665     |

The team is focused on all of these. The bulk of the disputes have detailed

reconciliations as of COB 7/27 and we are in the process of reaching out to each of the counterparties.

We will update this distribution as we make progress.

If there are any question, please contact me directly.

From: Lehman, David A.  
Sent: Tuesday, August 28, 2007 9:37 AM  
To: Sparks, Daniel L  
Subject: RE: Mark changes which are greater than 5% / greater than 10%

[REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----

From: Sparks, Daniel L  
Sent: Tuesday, August 28, 2007 8:44 AM  
To: Lehman, David A.  
Subject: Re: Mark changes which are greater than 5% / greater than 10%

Yes - say I reviewed and am ok, and show him and ask for sign off from him

----- Original Message -----

From: Lehman, David A.  
To: Sparks, Daniel L  
Sent: Tue Aug 28 07:28:52 2007  
Subject: RE: Mark changes which are greater than 5% / greater than 10%

Do you want me to reach out to Don on the greater than 10% ones?

From: Sparks, Daniel L  
Sent: Monday, August 27, 2007 11:30 PM  
To: Lehman, David A.  
Subject: RE: Mark changes which are greater than 5% / greater than 10%

I got your v-mail and I'm fine

From: Lehman, David A.  
Sent: Monday, August 27, 2007 6:44 PM  
To: Sparks, Daniel L  
Subject: Mark changes which are greater than 5% / greater than 10%

RMBS Mark changes which are greater than 5%

| Description | Price      | Chg   | client      |
|-------------|------------|-------|-------------|
| LBMLT 2005- | [REDACTED] | (5.0) | boc beijing |
| GSR 2005-   | [REDACTED] | (8.0) | boc beijing |
| GSAMP 2007- | [REDACTED] | (8.0) | CCB CN      |
| GSAMP 2006- | [REDACTED] | (9.0) | bochk       |
| GSAMP 2006- | [REDACTED] | (8.0) | boc beijing |
| GSAMP 07-   | [REDACTED] | (9.0) | bochk       |
| GSAA 2005-  | [REDACTED] | (9.5) | boc beijing |
| GSAA 2006-  | [REDACTED] | (9.0) | boc beijing |
| GSR 2005-   | [REDACTED] | (7.0) | boc beijing |

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|             |            |       |                 |
|-------------|------------|-------|-----------------|
| LBMLT 2006- | ██████████ | (7.0) | boc beijing     |
| GSAA 2006-  | ██████████ | (9.1) | CCB CN          |
| GSAA 2006-  | ██████████ | (7.1) | boc beijing     |
| GSAMP 2006- | ██████████ | (5.5) | boc beijing     |
| GSAMP 2006- | ██████████ | (5.5) | boc beijing     |
| GSAMP 2006- | ██████████ | (5.0) | boc beijing     |
| FNR 05-     | ██████████ | 5.7   | Chunghwa Post   |
| GSR 2005-   | ██████████ | (35)  | State Street    |
| GSAA 2006-  | ██████████ | (22)  | Axon Financial  |
| GSAA 2006-  | ██████████ | (20)  | Calyon ABS      |
| FFML 2005-  | ██████████ | (20)  | Hong Kong ME    |
| CBASS 2006- | ██████████ | (15)  | Aladdin Capital |
| GSAMP 2006- | ██████████ | (13)  | Swiss Re        |
| GSAMP 2006- | ██████████ | (12)  | E-SEC Lending   |
| GSAMP 2006- | ██████████ | 10    | *UBS 3          |
| CBASS 2006- | ██████████ | 10    | Delaware        |
| GSAA 2007-  | ██████████ | 15    | FSA             |
| RFMS2 2006- | ██████████ | 15    | AIG (ME)        |
| GSAMP 2005- | ██████████ | (5)   | ACA             |
| LBMLT 2006- | ██████████ | (5)   | Hong Kong ME    |
| NCHET 2006- | ██████████ | (5)   | HK Daily        |
| GSAA 2006-  | ██████████ | 5     | Hong Kong ME    |
| GSAMP 2006- | ██████████ | 7     | AIG (ME)        |

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RMBS Mark changes which are greater than 10%

| Description | Price      | Chg  | client         |
|-------------|------------|------|----------------|
| LBMLT 2006- | ██████████ | (19) | boc beijing    |
| GSAMP 2006- | ██████████ | (20) | boc beijing    |
| CWL 06-     | ██████████ | (18) | ICBC China     |
| MSHEL 2006- | ██████████ | (15) | ICBC China     |
| CWL 06-     | ██████████ | (14) | ICBC China     |
| CARR 2006-  | ██████████ | (14) | ICBC China     |
| GSAMP 2006- | ██████████ | (12) | ICBC China     |
| GSAMP 2006- | ██████████ | (12) | ICBC China     |
| WFHET 06-   | ██████████ | (10) | ICBC China     |
| INDX 2005-  | ██████████ | (17) | uob asset mgmt |
| LBMLT 2005- | ██████████ | (15) | boc beijing    |
| GSR 06-     | ██████████ | (17) | uob asset mgmt |
| GSAA 2006-  | ██████████ | (17) | CCB CN         |
| RALI 2006-  | ██████████ | (16) | boc beijing    |
| INDX 2005-  | ██████████ | (12) | uob asset mgmt |
| GSAA 2006-  | ██████████ | (13) | CCB CN         |
| MABS 2005-  | ██████████ | (13) | ICBC China     |
| INDX 2005-  | ██████████ | (12) | uob asset mgmt |
| GSAA 2006-  | ██████████ | (11) | boc beijing    |
| GSAA 2005-  | ██████████ | (12) | CCB CN         |
| BSABS 2005- | ██████████ | (10) | ICBC China     |
| GSAA 2006-  | ██████████ | (10) | boc beijing    |

CDO mark changes (5 and 10pts)

| Description | CLIENT     | Prc    | Chg |
|-------------|------------|--------|-----|
| ADROC 2005- | HongKong   | (10.0) |     |
| ADROC 2005- | Winchester | (5.0)  |     |
| CAMBR 7A    | CIBC       | (5.0)  |     |
| FORTD 2007- | CIBC       | (5.0)  |     |

ABACUS mark changes (5 and 10 pts)  
ABAC 2006-10A J Win Cap (10pts)

Goldman, Sachs & Co.  
85 Broad Street | New York, NY 10004

**From:** Sparks, Daniel L  
**Sent:** Thursday, June 21, 2007 7:53 AM  
**To:** Brafman, Lester R  
**Subject:** Re: Repo

Kind of stunning - but we are hearing it

----- Original Message -----  
**From:** Brafman, Lester R  
**To:** Sparks, Daniel L  
**Sent:** Thu Jun 21 07:51:13 2007  
**Subject:** Re: Repo

Would have thought that bsam event would provide reasonable explanation as to why our marking and haircuts r ok

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----  
**From:** Sparks, Daniel L  
**To:** Mullen, Donald; Lehman, David A.; Gasvoda, Kevin; Swenson, Michael; Brafman, Lester R  
**Sent:** Thu Jun 21 07:46:50 2007  
**Subject:** Re: Repo

There are a few positions where repo either feels a put was agreed to or the department actually has agreed to it. Whether we do it or money mkts does it - the firm still has it and we need to be diligent on marks and haircuts. We also finance people in the warehouse business - notably basis and cbass who we have been margin calling (appropriately) a fair amount lately.

For very important trades, we should consider it. Kevin, can you circulate the list of bonds to this group.

Also, sales is making significant noise about gs notable conservatism in marking and haircuts.

----- Original Message -----  
**From:** Mullen, Donald  
**To:** Lehman, David A.; Sparks, Daniel L; Gasvoda, Kevin; Swenson, Michael; Brafman, Lester R  
**Sent:** Thu Jun 21 07:37:52 2007  
**Subject:** Re: Repo

We should discuss. Wjat kind of cdo?

----- Original Message -----  
**From:** Lehman, David A.  
**To:** Sparks, Daniel L; Mullen, Donald; Gasvoda, Kevin; Swenson, Michael; Brafman, Lester R  
**Sent:** Thu Jun 21 07:23:01 2007  
**Subject:** Repo

Yesterday we asked the repo desk to finance a CDO position that we were looking to sell to a client. While the trade with the client did not happen, the repo desk would have wanted

the mortgage department to write a "put" on the CDO bonds where we would own the bonds @ the mark price minus the haircut in the event the bonds went south and the risk was put back to GS.

I know this issue has come up in the past but we should discuss.

---

Goldman, Sachs & Co.  
85 Broad Street | New York, NY 10004  
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-  
e-mail: david.lehman@gs.com

Goldman  
Sachs

David Lehman  
Fixed Income, Currency & Commodities

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Disclaimer:

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**From:** Deng, Daniel  
**Sent:** Monday, May 21, 2007 9:39 PM  
**To:** Chaudhary, Omar; Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay  
**Cc:** Yang, Zhenyu; Shao, Wenbo; Deng, Daniel  
**Subject:** RE: Mark to market prices

Dear comrades, thanks vm for help on this... cheers

-----Original Message-----

**From:** Chaudhary, Omar  
**Sent:** Tuesday, May 22, 2007 9:38 AM  
**To:** Deng, Daniel; Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay  
**Cc:** Yang, Zhenyu; Shao, Wenbo  
**Subject:** RE: Mark to market prices

Will send to you in a second via FICC-opps

-----Original Message-----

**From:** Deng, Daniel  
**Sent:** Tuesday, May 22, 2007 10:35 AM  
**To:** Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay; Chaudhary, Omar  
**Cc:** Yang, Zhenyu; Shao, Wenbo; Deng, Daniel  
**Subject:** RE: Mark to market prices

Thanks vm for the efforts and we do appreciate. Will make sure client understand we made great effort here.

And Cud u pls show indicative MTM price for the following bonds as well?

NCHET 06-  
GSAMP 06-  
GSAMP 06-  
CBASS 06-  
GSAMP 06-

----- = Redacted by the Permanent Subcommittee on Investigations

thanks

-----Original Message-----

**From:** Chin, Edwin  
**Sent:** Tuesday, May 22, 2007 7:40 AM  
**To:** Deng, Daniel; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay; Chaudhary, Omar  
**Cc:** Yang, Zhenyu; Shao, Wenbo  
**Subject:** RE: Mark to market prices

After much discussion internally, we will improve our bid to 98-00 given the market color we have observed in the past two days. The markdown was mostly a reaction to the rating agency downgrade and partly reflected the illiquidity of the position, but upon further analysis we have gotten more comfortable with the risk position and agree it should be marked at a higher price. However, we reserve the right to revisit the valuation for month-end upon the full release of the May trustee report.

-----Original Message-----

**From:** Deng, Daniel  
**Sent:** Monday, May 21, 2007 11:58 AM

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2164**

To: Chin, Edwin; Swenson, Michael; Gasvoda, Kevin; Lehman, David A.; Lee, Jay; Chaudhary, Omar  
Cc: Yang, Zhenyu; Deng, Daniel; Shao, Wenbo  
Subject: Fw: Mark to market prices

Pls see below request from BOC HK. We understand it s tough time for ABS trading, but as BOC HK is one of the key supporters for our ABS new business in the past, especially it bought second lien stuff mostly from GS with the belief that we have best asset/risk management in this area, can we try our best to show " better " indicative prices for them? As u can see in the the message below, client is under pressure of being questioned that they bought something looks really bad. I think we are not asking off the market price for them, but for a AAA bond with half year AVL, we showed a price of LBMLT 06 A A1 as of 95-00, it turns to be a spread of 1025 at 25 cpr, this is something hard for client to believe... It s hard time for both ABS investors and trading desk now, but for reputation and long run business relationship, we would like you to take these request seriously, we need them to think of GS as the best firm, and we need them to be our best client when next biz boom comes... Once again, we understand that market risk is always the key issue for trading desk, but PLS try to do something possible to make sure clients won't dissapointed on us when comparing us with our competitors. We discussed with Jay Lee and Omar on this, and also shared the key points with client this morning, seems client is still unhappy with our explanation... We would highly appreciate if a slightly aggressive price can be showed from trading desk. At least we can tell client that we tried our best we can for them in current market circumstance. Thanks vm and pls let us know how we can solve this more constructively... China team

----- Original Message -----  
From: Yang, Zhenyu  
To: Deng, Daniel  
Sent: Mon May 21 23:06:48 2007  
Subject: FW: Mark to market prices

Hi Zhenyu,

According to the instruction from our management, please kindly provide the following mark to market prices for our 2nd lien holdings (all GS as lead mgr):

NCHET 06- [REDACTED]  
GSAMP 06- [REDACTED]  
GSAMP 06- [REDACTED]  
CBASS 06- [REDACTED]  
GSAMP 06- [REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

For the bid quote of LBMLT 06-A A1 your trader gave us earlier today, can you also ask for the 2-way bid-ask price for our reference?

Thanks and regards.

-----  
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**From:** Lehman, David A.  
**Sent:** Monday, August 06, 2007 11:25 AM  
**To:** Lee, Jay; Creed, Christopher J; Williams, Geoffrey  
**Cc:** Chaudhary, Omar  
**Subject:** RE: Tokyo Star

If we have not traded TWOLF or PTPLS recently (which we have not...), I think it makes the most sense for us to speak to the underlying portfolio moves. We have seen several "A" CDOs which back either deal trade since the past month.

I think it is important to point out that while our prices are actionable levels where they can buy/sell a specific amount if risk, other dealers do not price that way. In fact, we have been told by other accounts that other dealer's prices are not even indicative of the market

We cannot put this on paper - It concerns me that they want something specifically in writing

**From:** Lee, Jay  
**Sent:** Monday, August 06, 2007 11:18 AM  
**To:** Lehman, David A.; Creed, Christopher J; Williams, Geoffrey  
**Cc:** Chaudhary, Omar  
**Subject:** RE: Tokyo Star

Hm. If we have trade spots to point to, that's probably fine. However, if we just say "it's the market price, here's our bid for protection, step up or clam up", that will lead to a response along this vein:

- 1) Assuming Twolf itself hasn't traded recently and there are not markets on the security itself, what is the last CDO<sup>2</sup> price spot.
- 2) What characteristics do we focus on when comparing Twolf to the more transparent bond (eg, the number of underlying CDO's that have "tight triggers", the number of underlyers on the downgrade list and in risk of PIKING, market value coverage, attachment/detachment points, etc), and
- 3) Why do the other dealers all have higher marks on their CDO<sup>2</sup> if it's something as simple as "market price"?

**From:** Lehman, David A.  
**Sent:** Tuesday, August 07, 2007 12:05 AM  
**To:** Lee, Jay; Creed, Christopher J; Williams, Geoffrey  
**Cc:** Chaudhary, Omar  
**Subject:** RE: Tokyo Star

Our marking policy is a market price (bid and/or offer) -- We do not have a written methodology for pricing and we should tell them that

**From:** Lee, Jay  
**Sent:** Monday, August 06, 2007 10:09 AM  
**To:** Creed, Christopher J; Lehman, David A.; Williams, Geoffrey  
**Cc:** Chaudhary, Omar  
**Subject:** RE: Tokyo Star

I can ask, but I think other dealers have actually provided writeups on the specifics of the CDO<sup>2</sup>, instead of general terms

We can ask for the general level of their marks from other dealers as well

**From:** Creed, Christopher J  
**Sent:** Monday, August 06, 2007 11:07 PM  
**To:** Lee, Jay; Lehman, David A.; Williams, Geoffrey  
**Cc:** Chaudhary, Omar  
**Subject:** RE: Tokyo Star

Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2165

Will they share w/ us the written material given to them by the other banks?

What about the marks?

---

**From:** Lee, Jay  
**Sent:** Monday, August 06, 2007 10:07 AM  
**To:** Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcco  
**Cc:** Chaudhary, Omar; Sugioka, Hirotaka  
**Subject:** FW: Tokyo Star

FYI, Tokyo Star Bank continues to put a lot of pressure on us for something written on pricing methodology. They say they need something by **Tuesday NYC COB**, because they have a meeting on Wednesday morning with management.

We have made it clear that we cannot provide anything specifically related to Timberwolf or Point Pleasant, and that we can only provide methodology in general terms. We offered a conference call where we have the freedom to discuss the marks more specifically, but they insist that they need something written to show to their management when they provide their marks. They also say that other dealers have already sent information on their pricing methodology, and their marks are higher despite lower ratings.

---

**From:** Wada, Koji (FI)  
**Sent:** Monday, August 06, 2007 11:13 AM  
**To:** Lee, Jay; Chaudhary, Omar; Sugioka, Hirotaka  
**Cc:** Ozawa, Fumiko  
**Subject:** Tokyo Star

I talked with Mr. Lee today.

I proposed conference call with NY traders tomorrow morning but he denied and said they need our answer in writing first...

Tokyo Star will have their internal meeting with management side on this Wednesday, so pls push NY traders and compliance so that we can send it on **Wednesday morning Tokyo time**.

FYI, other dealers have already sent their pricing methods and MTMs. Basically the prices were higher than ours even though the ratings are AA. That is why they need our pricing method information as soon as possible.

I totally understand that this request is special and difficult for us to answer quickly but pls do your best.

Regards,

Koji Wada

---

**From:** Lehman, David A.  
**Sent:** Wednesday, June 06, 2007 7:10 AM  
**To:** Sugioka, Hirotaka  
**Subject:** Re: Point Pleasant marks - request from Tokyo Star Bank

I can talk abt the credit tranches if need be. They are broadly off as well, as one would expect.

**Redacted by the Permanent Subcommittee on Investigations**

---

David A. Lehman  
Goldman, Sachs & Co.  
85 Broad Street | New York, NY 10004  
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-  
e-mail: david.lehman@gs.com

---

----- Original Message -----  
From: Sugioka, Hirotaka  
To: Lehman, David A.  
Sent: Wed Jun 06 07:07:18 2007  
Subject: RE: Point Pleasant marks - request from Tokyo Star Bank

Thanks

-----Original Message-----  
From: Lehman, David A.  
Sent: Wednesday, June 06, 2007 8:05 PM  
To: Sugioka, Hirotaka  
Subject: Re: Point Pleasant marks - request from Tokyo Star Bank

The other AAAs perhaps, I thk the credit bonds are too subjective.

The A2s were around 93 in April and 91 in May

Let me know if this is enough

---

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85 Broad Street | New York, NY 10004  
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e-mail: david.lehman@gs.com

---

----- Original Message -----  
From: Sugioka, Hirotaka  
To: Lehman, David A.  
Sent: Wed Jun 06 06:58:13 2007  
Subject: RE: Point Pleasant marks - request from Tokyo Star Bank

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2167**

Are we able to show our thoughts on market levels (April end and May end) for other tranches?

-----Original Message-----

From: Lehman, David A.  
Sent: Wednesday, June 06, 2007 7:55 PM  
To: Sugioka, Hirotaka  
Subject: Re: Point Pleasant marks - request from Tokyo Star Bank

Let me know if u need anything else

----- = Redacted by the Permanent Subcommittee on Investigations

---

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Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-  
e-mail: david.lehman@gs.com

----- Original Message -----

From: Sugioka, Hirotaka  
To: Lehman, David A.  
Sent: Wed Jun 06 06:41:22 2007  
Subject: RE: Point Pleasant marks - request from Tokyo Star Bank

Thanks

-----Original Message-----

From: Lehman, David A.  
Sent: Wednesday, June 06, 2007 7:40 PM  
To: Sugioka, Hirotaka; Case, Benjamin  
Cc: Chaudhary, Omar; Lee, Jay; Bieber, Matthew G.  
Subject: Re: Point Pleasant marks - request from Tokyo Star Bank

Verbal only

Want to give them our thots on market levels, not "marks"

Ptpls Als were valued +/- 95 @ the end of April and -/- 94 @ the end of May...similar to TWOLF, this bond has come off a bit

---

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Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917-  
e-mail: david.lehman@gs.com

----- Original Message -----

From: Sugioka, Hirotaka  
To: Case, Benjamin  
Cc: Chaudhary, Omar; Lee, Jay; Lehman, David A.; Bieber, Matthew G.

Sent: Wed Jun 06 06:17:58 2007

Subject: Point Pleasant marks - request from Tokyo Star Bank

Tokyo Star is requesting April-end and May-end marks on Point Pleasant.  
Can you please provide what you can share?

Thanks.

-----Original Message-----

From: Case, Benjamin

Sent: Friday, May 25, 2007 9:30 AM

To: Sugioka, Hirotaka

Cc: Bieber, Matthew G.; Chaudhary, Omar; Lee, Jay; Lehman, David A.

Subject: RE: CDO spread request from Tokyo Star Bank

Sugi,

As requested, attached is a list of CDO-squared programs in the market over the past few years, along with the Bloomberg ticker for each deal:

Tricadia CDO - TRIC 2003-1A, TRIC 2004-2A, TRIC 2005-3A, TRIC 2005-4A, TRIC 2006-5A, TRIC 2006-6A, TRIC 2006-7A, TRIC 2007-8A Zais - ZING 1A, ZING 2A, ZING 3A, ZING 4A, ZING 5A, ZING 6A, ZING 7A, ZING 8A, ZING 9A Porter Square - PS 1A, PS 2A, PS 3A Stockbridge CDO - STKB 2004-1A Lenox CDO - LNX 2005-1A Class V Funding - CLSVF 2005-1A, CLSVF 2006-2A, CLSVF 2007-3A IMAC CDO - IMACC 2006-1A, IMACC 2007-2 Tahoma CDO - THOM 2006-1A, THOMA 2007-2A, THOM 2007-3A Visage CDO - VSGE 2006-1A, VSGE 2006-2A Centre Square - CENTS 2006-1A Mantoloking - MANTO 2006-1A Port Jackson - PORTJ 2007-1A Bantry Bay - BANTR 2007-1A Mars CDO - MARSC 2007-1A Neo CDO - NEOCD 2007-1A Squared CDO - SQRD 2007-1A

Also, here are the April month-end marks for the Timberwolf A1 tranches -- please relay verbally (only the valuations team is allowed to send valuations externally in email form):

|               |     |             |
|---------------|-----|-------------|
| TWOLF 2007-1A | A1A | 100         |
| TWOLF 2007-1A | A1B | 100         |
| TWOLF 2007-1A | A1C | 99.7109375  |
| TWOLF 2007-1A | A1D | 99.69921875 |

**From:** John.Nash@thomson.com  
**Sent:** Tuesday, November 20, 2007 9:10 AM  
**Subject:** ABS: Market Tense As Goldman Predicts RMBS CDO Problems To Drag On

**New York, November 20. The US structured finance markets remained in a state of quasi paralysis with minimal liquidity and poor sentiment. The jitteriness of market participants was escalated by a report from Goldman Sachs analysts predicting that the mortgage markets crisis is likely to drag on and will have serious implications for a significant number of financial institutions.**

"Write-downs and losses will continue to mount, fueling negative investor sentiment and keeping (equity) valuations under pressure," said William Tanona, Lori Applebaum and other GS analysts in a report to their clients. "Some companies will have to raise capital, others will have preserve capital, and managements will need to repair some seriously damaged balance sheets."

Citing the problems of the residential mortgage market and RMBS CDOs, Goldman downgraded Citigroup to SELL and recommended that investors avoid mortgage insurers and financial guarantors. The GS research staff estimated that industry-wide losses reflecting marking down of values in subprime mortgage CDO"s will approach \$150 billion; reflecting \$18bn of write-downs by financial firms for 2007.Q3; \$22bn in Q4 and a remaining balance of \$108bn in additional losses based on evaluations of current market prices.

The analysis assumes \$221.4bn of subprime mortgage CDO exposure across the gamut of financial institutions: \$82.1bn for US brokers plus C, JPM; \$68.1bn financial guarantors, \$35.9bn non-life insurers, \$23.4bn US banks, \$11.7bn mtge insurers and \$0.2bn life insurers.

"The patient remains in the hospital," quipped a portfolio manager for a major buy-side shop. Asked by IFRmarkets if the ABS CDO sector will be able to retool, he said: "Sorry to say that the CDO market is dead." The ABX indices finished lower as market participants worried that the negative impact of the subprime debacle will be widespread. The closely followed [ABX 07-1 "BBB-" 389] lost 8.6/32nds to \$17-27+. The [ABX 06-2 "BBB-" 242] declined 10.9/32nds to \$17-16. Elsewhere, the [LCDX-9] leveraged loan index was down 0.33pt to \$95.65, raising the yield by 11bp to 355bp. (John Nash).

\*\*\*\*\*

John Nash  
Senior Analyst  
Thomson IFR - ABS  
John.Nash@Thomson.com  
Phone # : (646) 822 - 3575

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2169**

**From:** Lehman, David A.  
**Sent:** Thursday, June 21, 2007 10:27 AM  
**To:** Tourre, Fabrice; Gerst, David  
**Subject:** RE: Post on ACA

great job getting this done

**From:** Tourre, Fabrice  
**Sent:** Thursday, June 21, 2007 9:46 AM  
**To:** Sparks, Daniel L; Cornacchia, Thomas; Bash-Polley, Stacy; Swenson, Michael; Lehman, David A.  
**Cc:** ficc-mtgcrr-desk  
**Subject:** Post on ACA

We are buying \$5mm 10yr CDS protection on ACA Financial Guaranty Corp, monoline supplement, at 146bps. Thanks to Paul Mutter for the trade. This leaves us with \$2.7mm of 3yr ACA CDS exposure following the large ABACUS 07-AC1 trade we executed last month.

Goldman, Sachs & Co.  
85 Broad Street | 26th Floor | New York, NY 10004  
Tel: 212-902-5891 | Fax: 212-493-0106 | Cell: 917-  
Email: fabrice.tourre@gs.com

**Redacted by the Permanent Subcommittee on Investigations**

**Goldman Sachs**

**Fabrice Tourre**  
Structured Products Group

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**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2173**

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**From:** Swenson, Michael  
**Sent:** Friday, April 27, 2007 3:58 PM  
**To:** Salem, Deeb  
**Subject:** Re:

Yes

----- Original Message -----  
From: Salem, Deeb  
To: Swenson, Michael  
Sent: Fri Apr 27 15:56:37 2007  
Subject: RE:

are you available?

-----Original Message-----  
From: Swenson, Michael  
Sent: Friday, April 27, 2007 3:55 PM  
To: Salem, Deeb; Chin, Edwin  
Subject: Re:

Was that today?

----- Original Message -----  
From: Salem, Deeb  
To: Swenson, Michael; Chin, Edwin  
Sent: Fri Apr 27 15:52:08 2007  
Subject: RE:

6 of the BB's have been put on watch or downgraded by FITCH. many of the other deals such as CWL and BSABS are not rated by Fitch

sail, mabs, lbmlt, arsi, svhe, and heats

-----Original Message-----  
From: Swenson, Michael  
Sent: Friday, April 27, 2007 3:48 PM  
To: Salem, Deeb; Chin, Edwin  
Subject:

Is this true?

----- Original Message -----  
From: kadler@bloomberg.net <kadler@bloomberg.net>  
To: Swenson, Michael  
Sent: Fri Apr 27 14:37:25 2007  
Subject: IS IT TRUE THAT 5 OUT OF 20 DEALS IN ABX 06-1 HAVE HAD RATING A

IS IT TRUE THAT 5 OUT OF 20 DEALS IN ABX 06-1 HAVE HAD RATING AC TIONS BY FITCH?

**From:** Bieber, Matthew G.  
**Sent:** Tuesday, July 10, 2007 10:14 PM  
**To:** Lin, Shelly  
**Subject:** RE: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Can you send me the list of names that gets you to 35%?

**From:** Lin, Shelly  
**Sent:** Tuesday, July 10, 2007 10:14 PM  
**To:** Sugioka, Hirotaka  
**Cc:** Case, Benjamin; Bieber, Matthew G.  
**Subject:** RE: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Sugi -- Verbal only for now. We need to check with compliance tomorrow morning if they really want the spreadsheet.

**From:** Lin, Shelly  
**Sent:** Tuesday, July 10, 2007 9:31 PM  
**To:** Sugioka, Hirotaka  
**Cc:** Case, Benjamin; Bieber, Matthew G.  
**Subject:** RE: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

INTERNAL USE ONLY

-----  
 TWolf actually has closer to 35% exposure to the list of CDOs in the SP Report.  
 Pt. Pleasant has around 21%.  
 Please see the attached spreadsheets. Do not forward externally.

<< File: INTERNAL ONLY - Timberwolf Closing Portfolio - SP Exposure.xls >> << File: INTERNAL ONLY Copy of SP exposure -Point Pleasant 2007-1 Warehouse AssetsClosing.xls >>

**From:** Sugioka, Hirotaka  
**Sent:** Tuesday, July 10, 2007 8:53 PM  
**To:** Lin, Shelly  
**Subject:** FW: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Found a new version on the web. Can you use this?

<< File: ArticlePDF.pdf >>

**From:** Sugioka, Hirotaka  
**Sent:** Wednesday, July 11, 2007 9:39 AM  
**To:** Lin, Shelly  
**Subject:** FW: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

Can you provide the lists of CDOs (19% of Point Pleasant and 25% of Timberwolf mentioned below)?

**From:** Case, Benjamin  
**Sent:** Wednesday, July 11, 2007 8:13 AM  
**To:** Maltezos, George ( GSJBW ); Harris, Kate ( GSJBW ); Rolleston, Jeremy ( GSJBW )  
**Cc:** Lehman, David A.; Egol, Jonathan; Bieber, Matthew G.; Chaudhary, Omar; Lee, Jay; Sugioka, Hirotaka  
**Subject:** FW: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

INTERNAL USE ONLY

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2186**

681-3

GS MBS-E-001990255

George,

Below are some talking points for you related to today's price movements for Basis. Please note that the price moves sent to Basis (and the notes below) reflect the S&P actions that were announced this morning, but did not take into account the Moody's actions that were announced very late in the day here. We are still in the process of working through the Moody's actions.

**Point Pleasant**

- 19% of the total portfolio was listed in the attached S&P paper as having "material exposure" to the 612 RMBS that S&P placed on negative credit watch today (and stated on a conference call that they would be downgraded within days). If a portion of the assets with material exposure PIK (due to OC tests failing in the underlying CDOs from the RMBS downgrades and resulting OC haircuts), the Point Pleasant BBBs will be shut off from cashflow.

**Timberwolf**

- Approximately 25% of the total portfolio was listed in the attached S&P paper as having "material exposure" to the 612 RMBS that S&P placed on negative credit watch today (and stated on a conference call that they would be downgraded within days).

**Fort Denison**

- 17 RMBS assets (21% of the overall portfolio and 43% of the total RMBS component of the portfolio) were placed on negative credit watch today. In addition, 10 CDO assets (10% of the overall portfolio and 23% of the total CDO component of the portfolio) were on the list in the S&P paper. Asset downgrades in the Fort Denison portfolio cause a diversion of all principal proceeds and a portion (approximately 40%) of excess interest proceeds away from the equity to amortize down the Class C Loan. Depending on the amount of principal amortization on the asset portfolio in each period, this will cause an overall reduction of projected payments to the Fort Denison equity by 45-60%. Additionally, if/when the CDO assets in the portfolio PIK (due to OC tests failing in the underlying CDOs from the RMBS downgrades and resulting OC haircuts), that will cause additional reduction in payments that will be borne by the equity.

**Redacted by the  
Permanent Subcommittee on Investigations**

**From:** Egol, Jonathan  
**Sent:** Tuesday, July 10, 2007 10:46 AM  
**To:** ficc-mtgsales; ficc-fisales; ficc-creditsales  
**Cc:** Mullen, Donald; Sparks, Daniel L; Brafman, Lester R; Saunders, Tim; ficc-mtgcstrat; ficc-spgtrading; ficc-spcdo  
**Subject:** INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

**INTERNAL USE ONLY**

From the tape:

- \*S&P IS REVIEWING "GLOBAL UNIVERSE" OF SUBPRIME CDOS
- \*S&P SAYS 218 CDOS HAVE SUBPRIME BONDS THAT MAY BE CUT
- \*S&P SAYS 168 RATED CDOS ARE BACKED BY BBB SUBPRIME BONDS

In connection with today's S&P report today on subprime RMBS criteria changes and associated credit review, the following Goldman Sachs CDO transaction have been flagged by S&P as having exposure to subprime RMBS. S&P has stated that is reviewing the global universe of CDOs for

*Cell 3*

such exposure. Full report (PDF) attached.

<< File: ArticlePDF.pdf >>

Mezzanine ABS Cashflow CDOs:

- Fortius II
- Hudson Mezz I

High Grade ABS Cashflow CDOs:

- GSC ABS Funding 2006-3g
- West Coast Funding I

ABACUS Synthetic ABS CDOs:

- ABACUS 2006-11
- ABACUS 2006-14
- ABACUS 2007-AC1

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Goldman Sachs

Jonathan M. Egol  
Structured Products Trading

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**From:** Gaddi, Robert  
**Sent:** Friday, October 26, 2007 5:00 PM  
**To:** Swenson, Michael  
**Subject:** ABACUS 2007-AC1 -- Marketing Points (INTERNAL ONLY) [T-Mail]

This deal was number 1 in the universe of CDO's that were downgraded by Moodys and S&P. 99.89% of the underlying assets were downgraded.

\*\*\*INTERNAL ONLY\*\*\*

**ABACUS 2007-AC1 - 2bn synthetic RMBS CDO**

**OVERVIEW**

- Static portfolio consisting entirely of "Baa2"-rated midprime/subprime RMBS selected by ACA
- ACA is one of the largest and most experienced CDO managers in the world (see Overview of ACA below)
- Goldman's market-leading ABACUS program currently has \$5.1bn in outstanding CLNs with strong secondary trading desk support

**RELATIVE VALUE**

- Reference Portfolio more conservative (360 WARF) than traditional mezz ABS CDOs (450-500 WARF)
- Capital Structure less aggressive than traditional mezz ABS CDOs (see comp below)
- Attractive spreads relative to ABS CDOs currently in the market (see comps below)

**PORTFOLIO**

- Granular portfolio of 90 equally-sized reference obligations selected by ACA
- Static reference portfolio fully-identified, with no reinvestment, removals, substitutions or discretionary trading
- 100% Baa2 Moody's-rated subprime/midprime (360 Moody's WARF)
- Diversified across 30 shelves and 24 servicers

**STRUCTURE**

- Tranches offered across the entire capital structure
- No IC/OC tests: ABACUS notes will be uncapped and non-deferrable
- Sequential Principal Paydown Sequence: no subordination is leaked to residual tranches under any circumstance
- No upfront structuring fees
- Investors will not bear WAC and/or available funds cap risk
- Projected 4- to 5- year tranche WALs at the reference portfolio pricing speed
- Tranches available in unfunded CDS format as well as in CLN format (in all major currencies)

**OVERVIEW OF ACA MANAGEMENT LLC**

- One of the largest CDO managers in the world
- Currently manages approximately \$16bn in collateral assets across 22 CDOs
- No rated notes in any ACA's CDOs have ever been downgraded
- ACA team consists of 30 dedicated credit and portfolio management professionals with on average 13 years of relevant experience
- Portfolio Selection Fee structure aligns manager's incentive with investors'

## COMPs:

|                       | ABACUS 2007-AC1 | TABS 2007-7  | Alpha Mezz CDO | Draco  |
|-----------------------|-----------------|--------------|----------------|--------|
| 2007-1                |                 |              |                |        |
| -----                 |                 |              |                |        |
| Pricing Date          |                 | Feb-07       | Feb-07         | Jan-07 |
| Portfolio Advisor     | ACA             | Tricadia     | Countrywide    |        |
| Declaration           |                 |              |                |        |
| Underlying Portfolio  |                 |              |                |        |
| WARF:                 | 360             | 450          | 525            | 450    |
| Lowest Moody's:       | Baa2            | Ba2          | Ba2            |        |
| % NIG:                | 0%              | 5%           | 5%             | 0%     |
| % ABS CDOs:           | 0%              | 22%          | 15%            | 3%     |
| % RMBS:               | 100%            | 78%          | 85%            | 97%    |
| Reinvestment Period:  | N/A             | 4 years      | 4 years        | 5      |
| years                 |                 |              |                |        |
| Principal Repayments: | Sequential      | Mod Pro-Rata | Mod Pro-Rata   | Mod    |
| Pro-Rata              |                 |              |                |        |
| Interest Shortfalls:  | N/A             | Fixed Cap    | Fixed Cap      | Fixed  |
| Cap                   |                 |              |                |        |
| Capital Structure     |                 |              |                |        |
| Aaa/AAA C/E:          | 21.0%           | 25.7%        | 21.0%          | 23.4%  |
| Aa2/AA C/E:           | 18.0%           | 15.0%        | 15.0%          | 17.4%  |
| Aa3/AA- C/E:          | 13.0%           |              | 14.0%          |        |
| A2/A C/E:             | 10.0%           | 11.9%        | 9.4%           | 11.2%  |
| Pricing               |                 |              |                |        |
| Aaa/AAA Pricing:      | L+[ ]           | L+55         | L+44           | L+48   |
| Aa2/AA Pricing:       | L+[ ]           | L+65         | L+55           | L+58   |
| Aa3/AA- Pricing:      | L+[ ]           |              | L+62           |        |
| A2/A Pricing:         | L+[ ]           | L+275        | L+160          | L+225  |

**Expected Timing:**

Price Guidance &amp; Red - w/o March 5, 2007

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**MEMORANDUM**

**To:** Mortgage Capital Committee

**From:** Marc Flamino  
Anthony Preisano  
Erin Conroy

**Cc:** Jonathan Sobel                      Robyn Huffman  
Dan Sparks                                David Stiepleman  
Kevin Gasvoda                            Andrew Waskow  
Michelle Gill                               Patrick Welch  
Carey Baker                                Dmitri Ponomarev

**Date:** February 13, 2006

**Re:** Request for renewal of the existing \$1 billion (\$500 committed, \$500 uncommitted, 1-year, revolving warehouse facility secured by subprime residential mortgage loans for Fremont Investment and Loan

**I. Transaction Summary**

We are requesting approval for the renewal of the existing \$1 billion (\$500 committed, \$500 uncommitted), 1-year, revolving warehouse facility secured by subprime residential mortgage loans (the "Facility") for a 1-year term for Fremont Investment and Loan ("Fremont"). The current Facility matures February 27, 2006. Fremont is an important relationship for Goldman Sachs ("GS"), and renewing the Facility will enable GS to lock in warehouse revenue and maintain our opportunities for purchasing whole loan packages and securitization mandates through 2006.

**II. Economics**

GS has generated revenue totaling \$7.01 million in 2005 as detailed below. We generated \$540,000 in warehouse usage and commitment fees in 2005. GS generated significant ancillary revenue throughout 2005 from 6 whole loans purchases and 5 deal mandates (2005-D revenue is recognized in 2006). We project increased revenue in 2006 of \$9.54 million, attributable to the same warehouse commitment fee and a slightly lower usage fee, 3 securitization mandates (1 lead, 2 Co-Manager) and 5 to 7 whole loan package purchases. We anticipate average warehouse usage to be 5% to 10% in 2006, consistent with the low usage (8% average) throughout 2005.

**Current Warehouse Facilities and Funded Balances**

**— = Redacted by the Permanent Subcommittee on Investigations**

**GS Warehouse Facilities**

Current Outstanding as of 2/9/06

**Commercial Clients**

| Client | Facility Size | Commitment Status | Current Outstanding |
|--------|---------------|-------------------|---------------------|
|--------|---------------|-------------------|---------------------|

**Redacted by the Permanent Subcommittee on Investigations**

**Residential Clients**

| Client          | Facility Size     | Commitment Status | Current Outstanding |
|-----------------|-------------------|-------------------|---------------------|
| [Redacted]      | [Redacted]        | [Redacted]        | [Redacted]          |
| [Redacted]      | [Redacted]        | [Redacted]        | [Redacted]          |
| [Redacted]      | [Redacted]        | [Redacted]        | [Redacted]          |
| Countywide      | 1,000.00          | Uncommitted       | 0.00                |
| Fremont         | 1,000.00          | \$500 Committed   | 0.00                |
| Long Beach      | 2,000.00          | Committed         | 1,563.51            |
| New Century (b) | 350.00            | Committed         | 0.00                |
| [Redacted]      | 150.00            | Committed         | 0.00                |
| [Redacted]      | 50.00             | Committed         | 0.00                |
| <b>Totals</b>   | <b>\$6,560.00</b> |                   | <b>\$2,815.71</b>   |

**ABS Clients**

| Client              | Facility Size     | Commitment Status | Current Outstanding |
|---------------------|-------------------|-------------------|---------------------|
| [Redacted]          | [Redacted]        | [Redacted]        | [Redacted]          |
| [Redacted]          | [Redacted]        | [Redacted]        | [Redacted]          |
| [Redacted]          | [Redacted]        | [Redacted]        | [Redacted]          |
| <b>Totals</b>       | [Redacted]        | [Redacted]        | [Redacted]          |
| <b>Grand Totals</b> | <b>\$9,362.66</b> |                   | <b>\$3,792.27</b>   |

- (a) Facility partially assigned to Commerzbank
- (b) Facility approved by Capital Committee, not yet closed

684 5

**From:** Morris, Loren  
**Sent:** Wednesday, March 14, 2007 3:22 PM  
**To:** Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle  
**Cc:** Flamino, Marc; Dente, Michael  
**Subject:** RE: NC Visit

**x-gs-classification:** Internal-GS

I like the idea of DQ patterns. I'd like to list all deals of a certain status and use it as an inclusive list for prioritization. Thanks

**From:** Gasvoda, Kevin  
**Sent:** Wednesday, March 14, 2007 4:17 PM  
**To:** Morris, Loren; Murray, Kelli; Gething, Christopher; Gill, Michelle  
**Cc:** Flamino, Marc; Dente, Michael  
**Subject:** RE: NC Visit

Great Loren, thanks. Delinq triggers may be one way to look at it but early deals are going to be so far from triggering I'd prefer, once we clear thru the emergency list, focusing on DQ pattern the first 4 months of a deal.

**From:** Morris, Loren  
**Sent:** Wednesday, March 14, 2007 12:51 PM  
**To:** Morris, Loren; Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle  
**Cc:** Flamino, Marc; Dente, Michael  
**Subject:** RE: NC Visit

Kelli informs us that the data is being loaded today for 06 FM 2 and then a sample can be pulled. Working with HBK on NC2 should not be distracting. Assuming the confidentiality agreement was signed, they can work more closely with Clayton. We're off to other vendors at this point. Bohan in next week.

Results of the Digital Risk review will be provided next Tuesday. Over 2,600 loans were reviewed, a significant amount of those are Long Beach and Fremont seconds. Seconds from FM1 are being re-reviewed internally. Contrary to Clayton's initial review, on average, about 50% of about 200 files look to be repurchase obligations. Tom Winslow is looking at the Long Beach loans that Long Beach rejected repurchase. He is finding fraud that had not initially been alleged. We'll forward those a flow basis to WaMu contact.

Looking to develop a comprehensive deal sheet, perhaps based on delinquency triggers to use for prioritization and status tracking. Envision this centralized in Repurchase Group. Let me know if you have any other questions or comments. Thanks

**From:** Morris, Loren  
**Sent:** Wednesday, March 14, 2007 11:10 AM  
**To:** Gasvoda, Kevin; Murray, Kelli; Gething, Christopher; Gill, Michelle  
**Cc:** Flamino, Marc; Dente, Michael  
**Subject:** RE: NC Visit

Kevin, I'll be able to update you shortly. Thank You for sending along this information.

**From:** Gasvoda, Kevin  
**Sent:** Wednesday, March 14, 2007 10:13 AM  
**To:** Murray, Kelli; Gething, Christopher; Gill, Michelle  
**Cc:** Flamino, Marc; Dente, Michael; Morris, Loren  
**Subject:** RE: NC Visit

Yes and thank you regarding 2nd liens, I think priority s/b on Fremont and Long Beach vs. NC on 2nd lien deals. Fremont first since they still have cash but may not for long. Do we have any early returns on Fremont 2nd lien deal scrubs?

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2199**

W/ HBK on NC2 we need to not halt that entirely but should pull back resources there. We should also move 06FM2 up the priority list.

---

**From:** Murray, Kelli  
**Sent:** Wednesday, March 14, 2007 10:06 AM  
**To:** Gasvoda, Kevin; Gething, Christopher; Gill, Michelle  
**Cc:** Flamino, Marc  
**Subject:** RE: NC Visit

As you know, we have an extensive re-underwrite review underway on 06 NC2, and also other NC loans in the 2nds deals that are in the pipeline for scrubs. Should we change course at all here given the fact NC can't pay? Keep in mind, we're spending ~ \$250/loan for these scrubs. Please give us some guidance here.

Thanks.

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**From:** Gasvoda, Kevin  
**Sent:** Tuesday, March 13, 2007 10:45 PM  
**To:** Larson, Erika L.; Gething, Christopher; Murray, Kelli; Gill, Michelle  
**Cc:** Knox, Deana C.; Flamino, Marc  
**Subject:** RE: NC Visit

Good report, thanks. I spoke to Richard Cimino (runs servicing) and he was very constructive and wants to be helpful.

Assume they will not be able to buy back any epd's so we need to work w/ them to make sure our loans are getting the epd attention.

Thanks

— = Redacted by the Permanent Subcommittee on Investigations

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**From:** Larson, Erika L.  
**Sent:** Tuesday, March 13, 2007 9:31 PM  
**To:** Gasvoda, Kevin; Gething, Christopher; Murray, Kelli; Gill, Michelle  
**Cc:** Knox, Deana C.; Flamino, Marc  
**Subject:** RE: NC Visit

#### On-Site Visit

- Very receptive & accommodating to my visit ([REDACTED] collection mgmt), in an office w/system access & freedom to come & go and to meet w/department managers
- Overall feeling I received on-site is "normal servicing environment". Per [REDACTED] let 100 + employees go about a month ago - decent amount of empty cubicles & offices...
  - Collection mgr trying to keep employees focused on job at hand - met in small groups today to let them ask their questions (most likely not get answers) so they can get back to focusing on collecting
- Front end collections (FPD & <31 day dlq) -
  - FPD - tenured collectors - overall cure ratio = 87%
  - At day 17 & no contact - Skip tracing data file out to vendor, Marketing dept contacting brokers for add'l contact info & Door Knocker campaign (NCCI) starts
- Delinquency/Collection #s - received some initial rptg numbers (see below). Meeting w/Default Rptg Wed morn to discuss specific rptg requests

- Also, going to setup details around special call campaign for our FPDs & EPDs
- Investor Acctg/Rpting -
  - Appears issue with the wires coming to GS are due to delays in moving loans into 07-NC1 inv code - loans did not get moved from GS to 07-NC1 until 3/8/07
  - Meeting w/mgr tomorrow afternoon to ensure all loans moved to appropriate investor code for rpting & remitting to Master Servicing going forward.
  - Also need to determine how we want to handle the rpting for the Dec15 group of loans that transferred to Avelo - normally NC should be responsible for 1st rpting since they were servicing as of 2/28.

**DAILY DELINQUENCY REPORT BY INVESTOR**

#133 - Goldman whole loans (Feb28 & Mar5) & dlq securitized loans (Dec28 & Jan30)  
 #437 - 07 NC1

| As of 03/10/07 |              |                    |              |              |              |                   |
|----------------|--------------|--------------------|--------------|--------------|--------------|-------------------|
|                | 00133        |                    | 133          |              | 00437        |                   |
|                | #            | \$                 | % #          | % \$         | #            | \$                |
| 0-30           | 808          | 169,890,640        | 20.35%       | 21.18%       | 3,310        | 685,713,          |
| 31-59          | 303          | 59,897,913         | 7.63%        | 7.47%        |              |                   |
| 60-89          | 91           | 19,215,315         | 2.29%        | 2.40%        |              |                   |
| 90+            | 20           | 4,512,134          | 0.50%        | 0.56%        |              |                   |
| CUR            | 2,232        | 423,222,984        | 56.22%       | 52.77%       | 3,374        | 586,952,          |
| FPD            | 516          | 125,248,513        | 13.00%       | 15.62%       |              |                   |
| <b>Total</b>   | <b>3,970</b> | <b>801,987,499</b> | <b>2.40%</b> | <b>2.64%</b> | <b>6,684</b> | <b>1,272,666,</b> |

| As of 03/12/07 |              |                    |              |              |             |                   |
|----------------|--------------|--------------------|--------------|--------------|-------------|-------------------|
|                | 00133        |                    | 133          |              | 00437       |                   |
|                | #            | \$                 | % #          | % \$         | #           | \$                |
| 0-30           | 651          | 137,162,122        | 16.46%       | 17.17%       | 2692        | 565,147,          |
| 31-59          | 289          | 57,545,409         | 7.31%        | 7.21%        | 6           | 1773              |
| 60-89          | 92           | 19,288,271         | 2.33%        | 2.42%        | 2           | 161               |
| 90+            | 20           | 4,512,134          | 0.51%        | 0.56%        |             |                   |
| CUR            | 2,498        | 480,767,979        | 63.16%       | 60.20%       | 3995        | 706935            |
| FPD            | 405          | 99,407,179         | 10.24%       | 12.45%       |             |                   |
| <b>Total</b>   | <b>3,955</b> | <b>798,683,093</b> | <b>2.40%</b> | <b>2.64%</b> | <b>6695</b> | <b>1,274,018,</b> |

Let me know if you have any questions or requests.

Thanks.

Erika Larson  
 Goldman, Sachs & Co  
 727 [REDACTED]

**[REDACTED] = Redacted by the Permanent Subcommittee on Investigations**

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**From:** Gasvoda, Kevin  
**Sent:** Tuesday, March 13, 2007 6:34 PM

**To:** Larson, Erika L.; Gething, Christopher; Murray, Kelli; Knox, Deana C..  
**Cc:** Flamino, Marc; Gill, Michelle  
**Subject:** RE: NC Visit

Terrific thanks. Since they are not going to pay our epd's we need to have fewer EPD's!  
Pls push them to make the special calls.

thnx

---

**From:** Larson, Erika L.  
**Sent:** Tuesday, March 13, 2007 6:30 PM  
**To:** Gething, Christopher; Murray, Kelli; Knox, Deana C..  
**Cc:** Gasvoda, Kevin; Flamino, Marc; Gill, Michelle  
**Subject:** RE: NC Visit

Deana,  
I spoke with the FPD/EPD Collection VP & he can run a special campaign on our EPD loans. I know you're still working on a settlement for the DEC28 trade but it would be benefical to run these through. He's going to pull the loans he shows as EPD for GS but I would like to compare to our list. Can you send me the loan level for the Dec28 EPD's?  
I'm also having him include the loans from the Jan30 trade that tentative qualify today - they have through Thursday (45 days) to pay.

All,  
I'll send an update on other items regarding my visit later tonight.

Thanks.

Erika Larson  
Goldman, Sachs & Co  
727- [REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

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**From:** Gething, Christopher  
**Sent:** Saturday, March 10, 2007 8:45 AM  
**To:** Murray, Kelli; Knox, Deana C..  
**Cc:** Larson, Erika L.; Gasvoda, Kevin; Flamino, Marc; Gill, Michelle  
**Subject:** RE: NC Visit

Thanks Kelli, keep these guys on all email in this regard

---

**From:** Murray, Kelli  
**Sent:** Friday, March 09, 2007 9:41 PM  
**To:** Knox, Deana C..  
**Cc:** Gething, Christopher; Larson, Erika L.  
**Subject:** NC Visit

Deana,

We're scheduled for Erika to be on site at NC Tues-Thurs of next week. Don't know if you have any EPD needs she can help you with while on site, but to the extent you need anything, we should get together first thing Mon morning.

Thanks.



## MEMORANDUM

**To:** Mortgage Capital Committee

**From:** Marc Flamino  
Anthony Preisano  
Ibrahim Majeed

Jin Kim  
Matthew Viani

**Cc:** Dan Sparks  
Kevin Gasvoda  
Michelle Gill  
Carey Baker

David Stiepleman  
Andrew Waskow  
Patrick Welch

**Date:** February 20, 2007

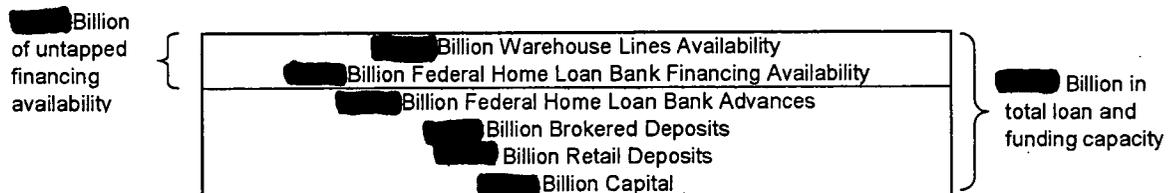
**Re:** Request for renewal of the existing \$1 billion (\$500 committed, \$500 uncommitted), 1-year, revolving warehouse facility secured by subprime residential mortgage loans for Fremont Investment & Loan

### I. Transaction Summary

We are requesting approval for the renewal of the existing \$1 billion (\$500 committed, \$500 uncommitted), 1-year, revolving warehouse facility secured by subprime residential mortgage loans (the "Facility") for a 1-year term for Fremont Investment & Loan ("Fremont"). The current Facility matures February 26, 2007.

Fremont relies primarily on deposits and advances from Federal Home Loan Bank of San Francisco ("FHLB") to finance its originations. Because these sources offer less costly sources of funds compared to Fremont's existing warehouse facilities, Fremont uses the Facility as backup liquidity and does not expect to draw on the Facility in normal course of business to finance its loan originations. In the past, Fremont has used the Facility in cases where they have sold whole loans to Goldman Sachs Mortgage Company ("GSMC") by temporarily moving the purchased loans onto the Facility for a week or less prior to settlement of the loan purchase to facilitate the settlement process. In addition, Fremont has also used the Facility to move loans prior to transferring them to a securitization where GS is the lead underwriter. Below is a summary of Fremont's sources of funds as of September 30, 2006.

#### Capital and Liquidity Capacity (as of 9/30/06)



— = Redacted by the Permanent Subcommittee on Investigations

Fremont is an important relationship for Goldman Sachs ("GS"), and renewing the Facility will enable GS to lock in warehouse revenue and maintain our opportunities for purchasing whole loan packages and securitization mandates through 2007.

## II. Current Warehouse Facility Terms

Fremont will report origination volume of \$32.6 billion for 2006. Their warehouse terms are below:

- **Annual Commitment Fee:** 10 bps on the committed amount of \$500mm (\$500K)
- **Advance Rate:** 90% of market value, capped at par (10% haircut is three times our normal level)
- **Wet Funding:** None
- **Usage fee:** L + 40 bps
- **Recourse:** Full recourse to Fremont Investment & Loan
- **Mark-to-Market:** GS has ability to mark collateral to market at its sole discretion

## III. Economics

GS has generated revenues totaling \$13.38 million in 2006 of which \$620,000 came in the form of warehouse usage and commitment fees (see below). We project revenue in 2007 of \$11.25 million, attributable to the same warehouse commitment fee and usage fee, as well as 3 securitization mandates (1 lead, 2 Co-Manager) and \$3 billion in whole loan package purchases. We anticipate average warehouse usage to be 5% to 10% in 2007, consistent with the low usage (9.2% average) throughout 2006.

| <u>2006 Warehouse &amp; Ancillary Revenue</u> |            | <u>2007 Projected Warehouse &amp; Ancillary Revenue</u> |            |
|-----------------------------------------------|------------|---------------------------------------------------------|------------|
| (\$mm)                                        | Revenue    | (\$mm)                                                  | Revenue    |
| <b>Warehouse</b>                              |            | <b>Warehouse</b>                                        |            |
| Commitment Fees                               | [REDACTED] | Commitment Fees                                         | [REDACTED] |
| Warehouse Usage <sup>(2)</sup>                | [REDACTED] | Warehouse Usage <sup>(2)</sup>                          | [REDACTED] |
| <b>Whole Loans <sup>(1)</sup></b>             |            | <b>Whole Loans <sup>(1)</sup></b>                       |            |
| 6 packages from GSAMP 2006-FM1 [REDACTED]     | [REDACTED] | Projected Subprime/Second Lien Purchases (\$3 billion)  | [REDACTED] |
| 1 package from GSAMP 2006-FM3 [REDACTED]      | [REDACTED] |                                                         |            |
| <b>Securitized</b>                            |            | <b>Securitized</b>                                      |            |
| FHLT 2006-A (Co-Manager)                      | [REDACTED] | Projected: 1 Lead Manager mandate <sup>(3)</sup>        | [REDACTED] |
| FHLT 2006-C (Co-Manager)                      | [REDACTED] | Projected: 2 Co-Manager mandates <sup>(3)</sup>         | [REDACTED] |
| FHLT 2006-B II (Co-Manager)                   | [REDACTED] |                                                         |            |
| FHLT 2006-D (Co-Manager)                      | [REDACTED] |                                                         |            |
| FHLT 2006-E (Lead-Manager)                    | [REDACTED] |                                                         |            |
| <b>Total</b>                                  | [REDACTED] | <b>Total</b>                                            | [REDACTED] |

(1) Assuming 0.25% revenue

(2) Average usage in 2006 was 9.2%, at a spread of L + 40 bps. Same usage and terms assumed for 2007

(3) Revenue assuming average size \$1BN at 25 weighted average bps per deal and 12.5% allocation on co-manager deals

## IV. Pull-Through Rates

Below is a summary of the pull-through rates for the last three pools GSMC has purchased from Fremont.

| <u>Pull Through Rates (3 packages):</u> |            |                     |                        |        |        |               |       |       |
|-----------------------------------------|------------|---------------------|------------------------|--------|--------|---------------|-------|-------|
| MS Name                                 | # of loans | Dollar Value (\$MM) | Drops as % of the Pool |        |        |               |       |       |
|                                         |            |                     | Total                  | Credit | Compl. | Credit/Compl. | Value | Other |
| FMT NOV 292006 COLLAT                   | 3,218      | 738.57              | 9.56%                  | 1.65%  | 1.27%  | 2.79%         | 4.52% | 2.42% |
| FMT Dec282006                           | 3,573      | 766.27              | 9.93%                  | 2.68%  | 1.97%  | 4.19%         | 3.64% | 2.32% |
| FMT Dec282006 2                         | 894        | 265.73              | 10.93%                 | 2.79%  | 1.59%  | 4.18%         | 4.43% | 2.67% |

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Fremont's pull-through rates are within range of other sub-prime originators that we have purchased significant sub-prime pools from in the past 3-6 months. Below are some weighted average pull-through rates for different originators.

Pull-Through Rates (\$ millions)

| Fremont |              | LownHome |              | New Century |              | NovaStar |              | Senderra |              | SouthStar |              |
|---------|--------------|----------|--------------|-------------|--------------|----------|--------------|----------|--------------|-----------|--------------|
| Size    | Pull-Through | Size     | Pull-Through | Size        | Pull-Through | Size     | Pull-Through | Size     | Pull-Through | Size      | Pull-Through |
| \$1,771 | 90%          | \$140    | 88%          | \$2,017     | 89%          | \$678    | 77%          | \$157    | 94%          | \$328     | 93%          |

To address issues relating to pull-through rates and EPD rates, Fremont has proactively established programs and underwriting guideline changes to enhance the quality of the loans they originate. Some of these changes include:

- Tightening of underwriting criteria, including elimination of 80/20 loans and greater restrictions on first-time homebuyers.
- Fraud training for its underwriters and establishment of an underwriter certification program.
- Implementation of Core Logic's LoanSafe system to help detect fraud.
- Review and identification of brokers with higher default rates.
- Running of AVM's for each loan.
- In-house appraiser review and additional diligence.
- Use of lesser of purchase price or appraised value for properties owned less than 12 months.
- Greater restrictions on maximum allowable LTV for properties listed for sale for greater than 90 days.

As a result of these changes, Fremont hopes to realize a decreasing level of first payment defaults on its loans production, which will result in lower levels of loan repurchases in 2007.

#### V. Credit Review

|         | Fremont<br>General<br>Corporation | Fremont<br>Investment &<br>Loan | Recent Actions                            |
|---------|-----------------------------------|---------------------------------|-------------------------------------------|
| S&P     | B+ / Stable                       | BB- / Stable                    | Upgrade – Sept 20, 2005                   |
| Moody's | B2 Stable                         | B1 / Stable                     | Upgrade – Sept 20, 2005                   |
| Fitch   | B+ / Negative                     | BB / Negative                   | Outlook Stable to Negative – Jan 25, 2007 |

Key credit strengths include:

- **Diversified sources funding.** The company has a more diversified funding mix relative to other warehouse borrowers given its access to FDIC-insured deposits and FHLB borrowings. Although jumbo (non-core) deposits comprise slightly higher portion of total deposits every year, the total amount of deposit funding has grown each year and reached \$9.61bn as of 09/06 (or 76% of total funding).
- **High levels of capital.** Fremont holds substantially more capital against its operations than most peers [REDACTED] although capital levels have come down in recent periods. As of 09/06, Fremont Investment & Loan had a Tier 1 Leverage ratio of [REDACTED] (normal FDIC requirement for this ratio is [REDACTED]).
- **Regulatory oversight.** As an industrial bank Fremont Investment & Loan is regulated by the California Department of Financial Institutions and the FDIC.
- **Strong asset quality metrics.** [REDACTED] On the residential real estate side, interest-only loans declined to 7.6% of production from 25.7% in 09/05 and the 40/30 and 50/30 products were 21% and 20.6% of production respectively in 09/06. The average FICO score of their residential portfolio is 627, which is on the high side for a sub-prime lender.

Key concerns:

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- **Declining profitability.** Profitability metrics deteriorated significantly in 2006; return on average assets dropped to 0.87% for 09/06, from 3.63% in 09/05 and 4.20% in 2004. The company has informed us that they will post a loss of \$27.7mm at the bank for 4Q2006 (results will be published on Feb 28) due primarily to a reserve build for EPD claims (there will be an additional loss posted on a consolidated basis due to write downs of residual values at the holding company). They have also informed us they expect to post a loss in 1Q07 because of low gain on sale margins. The company is forecasting to be modestly profitable again in 2Q07 but that is heavily dependent on a rebound in market pricing for loans.
- **Traditionally high risk lines of business.** Fremont operates in two traditionally high risk lines of business: commercial real estate (especially transition properties) and sub-prime residential real estate. Performance in these two business lines is somewhat correlated although the commercial side of the business remains profitable in the current market.
- **Minor geographic concentration in California and high single borrower concentrations in the CRE portfolio.** Although in the past years, commercial real estate loan concentration in California raised concern, portfolio has become more diversified recently with California accounting for 19%, Florida 15%, and New York 12%. Single borrower concentrations still exist as well; however they are somewhat less of a concern as Fremont's capital base has grown 30% since 2004 and over 90% since 2003.

#### VI. Recommendation

Based on the strong sponsorship, expected future revenues and GS' significant relationship with Fremont, we recommend Mortgage Capital Committee approve the renewal of the Facility.

| <b>Team Member</b> | <b>Department</b> |
|--------------------|-------------------|
| Marc Flamino       | FICC              |
| Anthony Preisano   | FICC              |
| Ibrahim Majeed     | FICC              |
| Jin Kim            | FICC              |
| Matthew Viani      | FICC              |

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on Investigations**

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GS MBS-E-001157947

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**From:** Bruns, William  
**Sent:** Wednesday, March 21, 2007 5:49 PM  
**To:** Birnbaum, Josh  
**Subject:** RMBS CDS Trade History 19Jan06 - 19Mar07 v3.xls  
**Attachments:** RMBS CDS Trade History 19Jan06 - 19Mar07 v3.xls

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
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|              | Total Volume          | GS Long Risk Volume   | GS Short Risk Volume   | Difference            |
|--------------|-----------------------|-----------------------|------------------------|-----------------------|
| AAA          | 2,505,000,000         | 700,000,000           | -1,805,000,000         | -1,105,000,000        |
| AA           | 521,550,000           | 95,000,000            | -426,550,000           | -331,550,000          |
| AA-          | 150,000,000           | 150,000,000           | 0                      | 150,000,000           |
| A+           | 155,800,000           | 0                     | -155,800,000           | -155,800,000          |
| A            | 3,427,190,000         | 1,843,020,000         | -1,584,170,000         | 258,850,000           |
| A-           | 1,953,152,000         | 724,652,000           | -1,228,500,000         | -503,848,000          |
| BBB+         | 968,394,050           | 340,494,050           | -627,900,000           | -287,405,950          |
| BBB          | 14,119,325,957        | 6,716,738,457         | -7,402,587,500         | -685,849,043          |
| BBB-         | 19,414,222,469        | 9,122,937,500         | -10,291,284,969        | -1,168,347,469        |
| BB+          | 62,500,000            | 8,000,000             | -54,500,000            | -46,500,000           |
| BB           | 15,000,000            | 0                     | -15,000,000            | -15,000,000           |
| <b>Total</b> | <b>43,292,134,476</b> | <b>19,700,842,007</b> | <b>-23,591,292,469</b> | <b>-3,890,450,462</b> |
| Checks       | 43,292,134,476        | 19,700,842,007        | -23,591,292,469        | -3,890,450,462        |

| Credit Market                                 | External Trade ID | Risk Notional | GS Long Risk Notional | GS Short Risk Notional | Counterparty                            | Counterparty Ref | Denominated Effective | External Counterparty                                                | External Counterparty Ref |
|-----------------------------------------------|-------------------|---------------|-----------------------|------------------------|-----------------------------------------|------------------|-----------------------|----------------------------------------------------------------------|---------------------------|
| GSAMP 2007-FM1 M8 / GSA07FM1 M8 (3622MAAN1)   | SDB981372111A     | -15000000     | 0                     | 0                      | -15000000 Robert Gaddi (MTG Sales Book) | SLS GADDIR-MTG   |                       | BEAR STEARNS CREDIT (GSI, London, Bear Stearns Credit Products Inc.) | FIAM 00640502             |
| GSAMP 2007-FM2 M9 / GSA07FM2 M9 (3622MHAP1)   | SDB981611184A     | -10000000     | 0                     | 0                      | -10000000 Robert Gaddi (MTG Sales Book) | SLS GADDIR-MTG   |                       | RBS LDN (GSI, LONDON, The Royal Bank of Scotland Plc)                | FIAM 00688283             |
| GSAMP 2007-FM2 M8P / GSA07FM2 M8P (3622MHAY2) | SDB981611267A     | -5000000      | 0                     | 0                      | -5000000 Robert Gaddi (MTG Sales Book)  | SLS GADDIR-MTG   |                       | BEAR STEARNS CREDIT (GSI, London, Bear Stearns Credit Products Inc.) | FIAM 00640502             |

| Credit Market                                 | Matched Ext Trd Id | STP Id | Termination | Tradable Name                   | Tradable Type    | Trade Date | Comments | Rating | Sector |
|-----------------------------------------------|--------------------|--------|-------------|---------------------------------|------------------|------------|----------|--------|--------|
| GSAMP 2007-FM1 M8 / GSA07FM1 M8 (3622MAAN1)   | SDB981372111       |        | 25-Dec-36   | TDS GSAMP07FM1M8 CYFB 00 2KC 0  | Mtg Default Swap | 18-Jan-07  |          | BBB    | RMBS S |
| GSAMP 2007-FM2 M9 / GSA07FM2 M9 (3622MHAP1)   | SDB981611184       |        | 25-Jan-37   | TDS GSAMP07FM2M9 X35X 00 JZJ 0  | Mtg Default Swap | 2Mar07     |          | BBB    | RMBS S |
| GSAMP 2007-FM2 M8P / GSA07FM2 M8P (3622MHAY2) | SDB981611267       |        | 25-Jan-37   | TDS GSAMP07FM2M8P FNZS 00 JZJ 0 | Mtg Default Swap | 2Mar07     |          | BBB    | RMBS S |

2/18/2008

**GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)**

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name                                                                                | Trading Date | Closing Date | Role                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------|--------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| West Coast Funding I, Ltd. - Issuer<br>West Coast Funding I (Delaware) Corp. - Co-Issuer | 8/30/2006    | 07/28/06     | Initial Purchaser<br>Synthetic Security Counterparty<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction II<br>Collateral Agent<br>Collateral Administrator<br>Securities Intermediary<br>Investment Advisor<br>Trustee<br>Principal Note Paying Agent<br>Calculation Agent under Note Agency Agreement<br>Note Transfer Agent<br>Issuer Administrator<br>Cashflow Swap Counterparty<br>Interest Rate Swap Counterparty<br>Rating Agencies  | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>TCW Asset Management Company<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Maples Finance Limited<br>AIG Financial Products Corp<br>AIG Financial Products Corp<br>Moody's and S&P |
| Altus III Funding, Ltd. - Issuer<br>Altus III Funding, Corp. - Co-Issuer                 | 9/8/2006     | 09/28/06     | Initial Purchaser<br>Synthetic Security Counterparty<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent Custodian<br>Fiscal Agent<br>Collateral Manager<br>Administrator and Share Trustee<br>Mizuho International plc<br>Rating Agencies<br>Hedge Counterparty (Interest Rate Swap and Cashflow Swap) | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Bank of New York Trust Company (formerly JPMorgan Chase Bank, NA)<br>Ataddin Capital Management LLC<br>Maples Finance Limited<br>Initial Purchaser<br>Moody's and S&P<br>Deutsche Bank AG, London Branch     |
| Lochong, Ltd. - Issuer<br>Lochong, Corp. - Co-Issuer                                     | 9/8/2006     | 10/4/06      | Initial Purchaser<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent<br>Custodian<br>Fiscal Agent<br>Rating Agencies<br>Administrator and Share Trustee<br>Synthetic Security Counterparty                                                                                                                                                                               | Goldman Sachs & Co. "GSCO"<br>Bank of New York Trust Company<br>Bank of New York Trust Company<br>Moody's and S&P<br>Maples Finance Limited<br>Deutsche Bank AG, London Branch                                                                                                                                                                                                                                                                                                                                                                                    |

Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2215

2/18/2008

**GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)**

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name                                                                                              | Pricing Date | Closing Date | Role                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------|--------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hudson High Grade Funding 2006-1, Ltd. - Issuer<br>Hudson High Grade Funding 2006-1, Corp. - Co-Issuer | 9/29/2006    | 11/01/06     | Initial Purchaser<br>Liquidation Agent<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction<br>Synthetic Security Counterparty<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent<br>Custodian<br>Fiscal Agent<br>Income Notes Transfer Agent<br>Administrator and Share Trustee<br>Hedge Counterparty (Interest Rate Swap and Cashflow Swap)<br>Rating Agencies | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Bank of New York Trust Company<br>Bank of New York Trust Company<br>Maples Finance Limited<br>UBS AG, London Branch<br>S&P and Moody's                                                      |
| Hudson Mezzanine Funding 2006-1, Ltd. - Issuer<br>Hudson Mezzanine Funding 2006-1, Corp. - Co-Issuer   | 10/25/2006   | 12/05/06     | Initial Purchaser<br>Liquidation Agent<br>Collateral Put Provider<br>Senior Swap Counterparty<br>Credit Protection Buyer<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent<br>Custodian<br>Fiscal Agent<br>Income Notes Transfer Agent<br>Rating Agencies<br>Administrator and Share Trustee                                                                                 | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Goldman Sachs International "GSI"<br>Goldman Sachs International "GSI"<br>Bank of New York Trust Company<br>Bank of New York Trust Company<br>Moody's and S&P<br>Maples Finance Limited |

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## GOLDMAN, SACHS &amp; CO. - Goldman Sachs (MNY-07848)

COO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name                                                                                        | Pricing Date | Closing Date | Notes                                                                                                                                                                                                                                                                                                                                                                                                                            | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------|--------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Davis Square Funding VII, Ltd. - Issuer<br>Davis Square Funding VII (Delaware) Corp. - Co-Issuer | 11/3/2006    | 12/05/06     | Initial Purchaser<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction<br>Synthetic Security Counterparty<br>Initial Purchaser<br>Initial Purchaser<br>Cashflow Swap Counterparty<br>Interest Rate Swap Counterparty<br>Trustee<br>Collateral Agent<br>Collateral Administrator<br>Securities Intermediary<br>Principal Note Paying Agent<br>Investment Advisor<br>Rating Agencies<br>Issuer Administrator          | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>SG Americas Securities, L.L.C<br>Societe Generale<br>UBS AG, London Branch<br>UBS AG, London Branch<br>Bank of New York Trust Company<br>Bank of New York Trust Company<br>TCW Asset Management Company<br>Moody's and S&P<br>Maples Finance Limited                                                             |
| Fortius II Funding, Ltd. - Issuer<br>Fortius II Funding, Corp. - Co-Issuer                       | 11/3/2006    | 12/07/06     | Initial Purchaser<br>Synthetic Security Counterparty<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent<br>Custodian<br>Collateral Manager<br>Fiscal Agent<br>Administrator and Share Trustee<br>Hedge Counterparty (Interest Rate Swap and Cashflow Swap)<br>Rating Agencies | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Bank of New York Trust Company<br>Bank of New York Trust Company<br>Aladdin Capital Management LLC<br>Bank of New York Trust Company<br>Maples Finance Limited<br>UBS AG, London Branch<br>Moody's and S&P |

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**GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)**

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name                                                                                           | Financing Dates | Closing Dates | Roles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------|-----------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GSC ABS Funding 2006-3g, Ltd. - Issuer<br>GSC ABS Funding 2006-3g (Delaware) Corp - Co-Issuer       | 12/7/2006       | 01/18/07      | Initial Purchaser<br>Synthetic Security Counterparty<br>CP Note Placement Agent<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction II<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction I<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent Custodian<br>Collateral Manager<br>Fiscal Agent<br>Administrator and Share Trustee<br>Hedge Counterparty (Interest Rate Swap and Cashflow Swap)<br>CP Put Counterparty<br>Rating Agencies | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs & Co. "GSCO"<br>Bank of America (formerly LaSalle Bank National Association)<br>Bank of America (formerly LaSalle Bank National Association)<br>GSCP (NJ) LP<br>Bank of America (formerly LaSalle Bank National Association)<br>Maples Finance Limited<br>AIG Financial Products Corp<br>Nordea Bank Finland Plc<br>Moody's and S&P                                                                                                |
| Hudson Mezzanine Funding 2006-2, Ltd. - Issuer<br>Hudson Mezzanine Funding 2006-2, Corp - Co-Issuer | 12/21/2006      | 02/08/07      | Initial Purchaser<br>Liquidation Agent<br>Collateral Put Provider<br>Credit Protection Buyer<br>Rating Agencies<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent<br>Custodian<br>Fiscal Agent<br>Income Notes Transfer Agent<br>Administrator and Share Trustee                                                                                                                                                                                                     | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Goldman Sachs International "GSI"<br>Moody's and S&P<br>Bank of America (formerly LaSalle Bank National Association)<br>Bank of America (formerly LaSalle Bank National Association)<br>Maples Finance Limited |

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## GOLDMAN, SACHS &amp; CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name                                                                                        | Pricing Date | Closing Date | Role                                                                                                                                                                                                                                                                                                                                                                                                                 | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------|--------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Point Pleasant Funding 2007-1, Ltd. - Issuer<br>Point Pleasant Funding 2007-1, Corp. - Co-Issuer | 4/10/2007    | 04/18/07     | Initial Purchaser<br>Collateral Put Provider<br>Initial Placement Agent<br>Credit Protection Buyer<br>Liquidation Agent<br>Cashflow Swap Counterparty<br>Rating Agencies<br>Administrator and Share Trustee<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent<br>Custodian<br>Fiscal Agent<br>Income Notes Transfer Agent          | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>DUS Corporate and Investment Bank<br>DUS Corporate and Investment Bank<br>Dillon Read Capital Management<br>Rabobank<br>Moody's and S&P<br>Maples Finance Limited<br>Bank of America (formerly LaSalle Bank National Association)<br>Bank of America (formerly LaSalle Bank National Association) |
| Altus IV Funding, Ltd. - Issuer<br>Altus IV Funding, Corp. - Issuer                              | 4/27/2007    | 05/31/07     | Initial Purchaser<br>Synthetic Security Counterparty<br>Calculation Agent under U.S. Dollar Cash Flow Swap Transaction<br>Trustee<br>Securities Intermediary<br>Note Registrar<br>Note Paying Agent<br>Note Calculation Agent<br>Note Authenticating Agent Custodian<br>Collateral Manager<br>Fiscal Agent<br>Hedge Counterparty (Rate Swap and Cashflow Swap)<br>Administrator and Share Trustee<br>Rating Agencies | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Bank of America (formerly LaSalle Bank National Association)<br>Bank of America (formerly LaSalle Bank National Association)<br>Aladdin Capital Management LLC<br>Bank of America (formerly LaSalle Bank National Association)<br>AIG Financial Products Corp<br>Maples Finance Limited<br>Moody's and S&P                          |
| ABACUS 2005-1                                                                                    | 03/02/05     | 5/2008       | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Trustee/Issuing & Paying Agent                                                                                                                                                               | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Bank of America (formerly LaSalle Bank National Association)                                                                                                                                                                                                                                                                                                                              |

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## GOLDMAN, SACHS &amp; CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name       | Pricing Date | Closing Date    | Role                                                                                                                                                                                                                                                                                                            | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------|--------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ABACUS 2005-3   | 07/06/05     | 2,4,6,9/2006    | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent                      | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association)                                     |
| ABACUS 2005-CB1 | 11/10/05     | 4,8/2006        | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Portfolio Adviser<br>Trustee/Issuing & Paying Agent | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>C-Bass Investment Management LLC<br>Bank of America (formerly LaSalle Bank National Association) |
| ABACUS 2006-14  | 09/27/06     | 10/2006, 5/2007 | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent                      | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association)                                     |

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**GOLDMAN, SACHS & CO. - Goldman Sachs (MNY-07848)**

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name      | Trading Date | Closing Date   | Roles                                                                                                                                                                                                                                                                                      | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------|--------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ABACUS 2006-11 | 08/16/06     | 9/2006         | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association) |
| ABACUS 2006-15 | 09/20/06     | 10/2006        | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association) |
| ABACUS 2006-9  | 08/02/06     | 1/2007, 8/2006 | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association) |

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GS MBS.000004345

2/18/2008

## GOLDMAN, SACHS &amp; CO. - Goldman Sachs (MNY-07846)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name        | Pricing Date | Closing Date | Role                                                                                                                                                                                                                                                                                                            | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------|--------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ABACUS 2006-HGS1 | 11/03/06     | 11/2006      | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Portfolio Advisor<br>Trustee/Issuing & Paying Agent | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bear Stearns Asset Management Inc<br>Bank of America (formerly LaSalle Bank National Association) |
| ABACUS 2006-12   | 04/05/06     | 4/2006       | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent                      | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association)                                      |
| ABACUS 2006-8    | 02/17/06     | 4/2006       | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent                      | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association)                                      |

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Requested by Goldman Sachs

GS MBS 0000004346

2/18/2008

## GOLDMAN, SACHS &amp; CO. - Goldman Sachs (MNY-07848)

CDO Transactions (July 1, 2006 - December 31, 2007) in which Goldman Sachs acted as underwriter

| Deal Name       | Pricing Date | Closing Date | Role                                                                                                                                                                                                                                                                                                                    | Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------|--------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ABACUS 2007-AC1 | 04/10/07     | 4/2007       | Initial Purchaser<br>Protection Buyer<br>Basis Swap Counterparty<br>Collateral Put Provider<br>Collateral Disposal Agent<br>Notifying Party<br>Credit Default Swap Calculation Agent<br>Basis Swap Calculation Agent<br>Collateral Put Calculation Agent<br>Trustee/Issuing & Paying Agent<br>Portfolio Selection Agent | Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMDP"<br>Goldman Sachs International "GSI"<br>Goldman Sachs & Co. "GSCO"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Capital Markets, L.P. "GSCM"<br>Goldman Sachs Mitsui Marine Derivative Products, LP "GSMDP"<br>Goldman Sachs International "GSI"<br>Bank of America (formerly LaSalle Bank National Association)<br>ACA Management |

7-11-08  
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GS MBS 000004347

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**From:** Jha, Arbind  
**Sent:** Wednesday, September 20, 2006 4:32 PM  
**To:** Birnbaum, Josh  
**Subject:** Tried calling you

Sobel this morning mentioned in the Firmwide Risk Committee meeting that we are looking at CDO exit for our long ABX risk. Wanted to get some color on this, particularly in relation to how we are going to assemble/manufacture 80-100 names typically needed as CDO collateral (synthetic). Thanks.



Date: September 20th, 2006

To: Firmwide Risk Committee

Re: September 20th FRC Minutes

The September 20th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Lloyd Blankfein, Gary Cohn, Mark McGoldrick, Liz Beschel, Bob Litterman, Braham Cramer, Randy Cowen, and Don Mullen.

**Divisional Reports**

The businesses updated the committee on the [REDACTED]. A general discussion followed the updates.

*Bill McMahon*

- [REDACTED]
- [REDACTED]

*Rich Ruzika*

- [REDACTED]
- [REDACTED]
- [REDACTED]

*Jon Sobel*

- ABX position underperforming by widening 50bp while single name BBB CDS are 10bp wider and cash is roughly flat. Divergence due to Macro Hedge Funds shorting the sector.
- Business working on first ever synthetic CDO with indices. May consist of 40 to 60 names.
- ABX risk down 30% to \$1.6MM/bp. Business may increase position if arbitrage opportunity presents itself.
- Noted active securitization calendar.

*Justin Gmelich*

- [REDACTED]
- [REDACTED]

*Ed Eisler*

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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GS MBS 0000004472

Permanent Subcommittee on Investigations  
Wall Street & The Financial Crisis  
Report Footnote #2217

*Dave Heller*

- [Redacted]
- [Redacted]

*Marc Spilker*

- [Redacted]
- [Redacted]

*Raanan Agus*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

*Any Other Business*

[Redacted]

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**From:** Sobel, Jonathan  
**Sent:** Tuesday, October 24, 2006 6:26 PM  
**To:** Sparks, Daniel L  
**Subject:** Re:

I am upset by this email from Tom. Who do you think is feeding him the incorrect "chatter"?

----- Original Message -----

**From:** Sparks, Daniel L  
**To:** Montag, Tom; Sobel, Jonathan; Bash-Polley, Stacy  
**Sent:** Tue Oct 24 18:07:00 2006  
**Subject:** RE:

There's a lot more to it than the chatterers are factoring in. The team knows the mandate is to reduce, and that they better not miss trades by letting price get in the way. That said, there is an arb to cdo and we plan to be commercial about it.

**From:** Montag, Tom  
**Sent:** Tuesday, October 24, 2006 6:03 PM  
**To:** Sobel, Jonathan; Bash-Polley, Stacy; Sparks, Daniel L  
**Subject:** RE:

there is always a trade missed on pricing :)

that said i just heard some chatter about people trying to make money out of the cdo and slowing down process etc and i think myself and others think we need to be less nickel and dime and more dollar based in reducing the risk

**From:** Sobel, Jonathan  
**Sent:** Tuesday, October 24, 2006 4:28 PM  
**To:** Montag, Tom; Bash-Polley, Stacy; Sparks, Daniel L  
**Subject:** RE:

CDO should price tomorrow and is in good shape. P&L release should be in the neighborhood of \$15mm. We also are starting to see some short covering, which we will sell into to further reduce our risk toward your 50% goal.

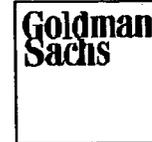
Is there something specific you're referring to in terms of our being too picky? Is there a trade we missed due to price?

**From:** Montag, Tom  
**Sent:** Tuesday, October 24, 2006 4:19 PM  
**To:** Bash-Polley, Stacy; Sobel, Jonathan; Sparks, Daniel L  
**Subject:**

great on the this CDO getting rid of our ABX risk? when is the next one?  
 lets be aggressive--when we are down 50% in risk then we can be pickier  
 about making money

let me know

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2218**



Date: August 9<sup>th</sup>, 2006  
To: Firmwide Risk Committee  
Re: August 9<sup>th</sup> FRC Minutes

The August 9<sup>th</sup> Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Gary Cohn, Robert Litterman, Isabelle Ealet, Jacob Rosengarten, Rich Ruzika, Tom Riggs, Robin Vince, and Randy Cowen.

**Divisional Reports**

*Ed Eisler*

• [Redacted]  
• [Redacted]

*Don Mullen*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Driss Ben-Brahim*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Jon Sobel*

- ABX continues to perform well, but business feels it has run its course and so will reduce exposures.
- Business purchased \$6BN prime residential loans and sold Alt-A residuals last week as well as CLO equity position.
- Business to come back to committee on 3 potential opportunities which include 2 European deals one a CMBS warehouse funding opportunity to both originators and purchasers, one a mortgage conduit, and the third a U.S. sale of commercial loans to REITs.

Dave Heller

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Permanent Subcommittee on Investigations  
Wall Street & The Financial Crisis  
Report Footnote #2220

- [Redacted]
- [Redacted]

*Marc Spilker*

- [Redacted]
- [Redacted]
- [Redacted]

*Raanan Agus*

- [Redacted]
- [Redacted]
- [Redacted]

*Braham Cramer*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Any Other Business

None

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**From:** Viniar, David  
**Sent:** Wednesday, September 20, 2006 4:18 PM  
**To:** Montag, Tom  
**Subject:** RE: ABX wider again today.

I believe \$7mm

-----Original Message-----

**From:** Montag, Tom  
**Sent:** Wednesday, September 20, 2006 4:15 PM  
**To:** Viniar, David  
**Subject:** Fw: ABX wider again today.

Fyi. How much was global macro down today

----- Original Message -----

**From:** Sobel, Jonathan  
**To:** Montag, Tom  
**Sent:** Thu Sep 21 03:09:34 2006  
**Subject:** RE: ABX wider again today.

I think most hedge funds have been right on this (i.e. they've been short), so it's a piling on effect that we're seeing rather than a risk unwind. We have reduced our risk by about 30% over the past week, but it's starting to feel overdone to me. The synthetic CDO seems like a viable takeout here; the feedback we've received has been positive thus far. To give you a perspective on relative performance over the past month or so:

--BBB- ABX index +55bp wider  
--BBB- cash sub prime virtually unchanged with deals pricing and selling (similar to index)  
--BBB- single name sub prime CDS +10 wider --Equities up --CMBS unchanged --Corp credit tighter

I believe the divergence has been caused by macro hedge funds shorting the index. A CDO would enable us to exploit the cheapening in the index vs. cash and single names.

-----Original Message-----

**From:** Montag, Tom  
**Sent:** Wednesday, September 20, 2006 2:25 PM  
**To:** Sobel, Jonathan  
**Subject:** Re: ABX wider again today.

I thought u were selling

This will continue for awhile won't it

----- Original Message -----

**From:** Sobel, Jonathan  
**To:** Montag, Tom  
**Sent:** Thu Sep 21 02:11:39 2006  
**Subject:** ABX wider again today.

Down about \$10mm. I think this is getting overdone, and I will look to buy in the manager's account if this continues. Saw some buying from PIMCO yesterday, JPM Arb looking at some size now, CDO execution will take some time but seems quite reasonable.



Date: September 9th, 2006  
To: Firmwide Risk Committee  
Re: September 9th FRC Minutes

The September 9th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Mark McGoldrick.

**Divisional Reports**

*Jon Sobel*

- Risks at the lower end of their range.
- Securitization calendar picking up next week.
- Business continuing to reduce volatile ABX position.
- Business bid on \$12BN sub-prime loans last week.

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*Don Mullen*

- [Redacted]
- [Redacted]
- [Redacted]

*Rich Ruzika*

- [Redacted]
- [Redacted]
- [Redacted]

*Ed Eisler*

- [Redacted]

*Dave Heller*

- [Redacted]
- [Redacted]
- [Redacted]

*Marc Spilker*

- [Redacted]
- [Redacted]

*Raanan Agus*

- [REDACTED]
- [REDACTED]
- [REDACTED]

Any Other Business

Two presentations were given to the committee, one on High Risk Derivatives and one on the firm's [REDACTED]  
[REDACTED]

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

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**From:** Swenson, Michael  
**Sent:** Tuesday, September 12, 2006 6:21 PM  
**To:** Birnbaum, Josh  
**Subject:** FW: ABX

---

**From:** Sobel, Jonathan  
**Sent:** Tuesday, September 12, 2006 6:00 PM  
**To:** Swenson, Michael  
**Cc:** Sparks, Daniel L  
**Subject:** ABX

The last post you gave me was this morning when you thought things were "firm". Now I find out that we're down \$6mm on the day. I understand that things move, but you need to post me.

Also, I want to reduce this position.



Date: August 23rd, 2006

To: Firmwide Risk Committee

Re: August 23rd FRC Minutes

The August 23rd Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by Craig Broderick. Apologies were received from David Viniar, Jerry Corrigan, Sarah Smith, Raanan Agus, Braham Cramer, Bob Litterman, Jonathan Sobel, Marc Spilker and Robin Vince.

Divisional Reports

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*Driss Ben-Brahim*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

*Bill McMahon*

- Mortgages sold down another net 15% of their large ABX position. ABX liquidity has improved.
- Mortgages will bid on \$12BN sub prime whole loans this week.
- [Redacted] trade (whole loans) converted to agencies and sold.

*Isabelle Ealet*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

*Rich Ruzika*

- [Redacted]
- [Redacted]
- [Redacted]

*Don Mullen*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

*Dave Heller*

- [Redacted]
- [Redacted]

• [Redacted]

*Robert Howard*

• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]

*Jacob Rosengarten*

• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]

Any Other Business

None

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**From:** Sobel, Jonathan  
**Sent:** Tuesday, September 19, 2006 4:16 PM  
**To:** Swenson, Michael  
**Subject:** ABX

We need to reach a conclusion on the viability of a structured exit.

BEGBATES = GS MBS-E-012328194  
ENDBATES = GS MBS-E-012328194  
DOCTYPE : Email  
FILEPATH : :\\004\Michael\_Swenson\_060701-061231-part03\_pst\Michael.Swenson\_060701-061231 - Part 03\recovered  
FILENAME : Updated ABX and Single -Name Opportunities.msg  
FILEEXT : msg  
SUBJECT : Updated: ABX and Single -Name Opportunities  
AUTHOR : Swenson, Michael  
RECIPIENT : Kamilla, Rajiv  
Nagel, Kyle  
Birnbaum, Josh  
Salem, Deeb  
Lehman, David A.  
Egol, Jonathan  
Rosenblum, David J.  
Ostrem, Peter L

FILEMODDATE = 09/19/2006  
FILEMODTIME = 13:46:42  
EMAILSENDATE = 09/19/2006  
EMAILSENIME = 13:23:36  
EMAILRECDATE = 09/19/2006  
EMAILRECTIME = 13:23:38  
FULLTEXT : i»¿Subject: Updated: ABX and Single -Name Opportunities  
Location: TBD

Start: 9/19/2006 4:00:00 PM  
End: 9/19/2006 4:30:00 PM

Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not Responded

Required Attendees: Swenson, Michael; Kamilla, Rajiv; Nagel, Kyle  
Optional Attendees:

Importance: Normal

ACCESSID = 1293  
CREATEDATE = 02/01/2010  
EDITTRAIL : 20100201 101213 Eas [5OHIZ1-1293] dg45782;

---

**Subject:** Updated: ABX and Single -Name Opportunities  
**Location:** TBD

**Start:** Tue 9/19/2006 4:00 PM  
**End:** Tue 9/19/2006 4:30 PM  
**Show Time As:** Tentative

**Recurrence:** (none)

**Meeting Status:** Not yet responded

**Required Attendees:** Swenson, Michael; Birnbaum, Josh; Salem, Deeb; Lehman, David A.; Egol, Jonathan; Rosenblum, David J.; Ostrem, Peter L; Nagel, Kyle; Kamilla, Rajiv

*[Handwritten signature]*

**From:** Swenson, Michael  
**Sent:** Tuesday, September 19, 2006 9:35 PM  
**To:** Sobel, Jonathan  
**Subject:** ABX

Proceeding with the CDO solution, the CDO team has 60 single-names that they will be able to begin to build a deal around.

Goldman, Sachs & Co.  
 85 Broad Street | New York, NY 10004  
 tel: +1 212 902 5090 | mobile: +1 917 4 [REDACTED] fax: +1 212 902 1691  
 e-mail: michael.swenson@gs.com

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Goldman  
 Sachs

**Michael J. Swenson**  
 Fixed Income, Currency & Commodities

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Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2228

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**From:** Li, John X  
**Sent:** Monday, October 16, 2006 10:15 AM  
**To:** Herrick, Darryl K  
**Subject:** Call Arbind Jha 7-6356

Regarding Hudson Mezz risk issue

Goldman, Sachs & Co.  
85 Broad Street | New York, NY 10004  
Tel: 212-902-2592 | Fax: 212-493-0251  
e-mail: john.x.li@gs.com

**John X. Li**  
Structured Products Group  
Fixed Income, Currencies & Commodities

Permanent Subcommittee on Investigations  
*Wall Street & The Financial Crisis*  
Report Footnote #2231

**STRUCTURED FINANCE****Rating Methodology**

## CDO RatingFactors Inclusion of Tranched ABX Indices in ABS CDOs

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<sup>1</sup> Jeremy Gluck contributed to this report as a research consultant.



**Moody's Investors Service**

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**INTRODUCTION**

The advent of tranched ABS credit indices represents another milestone for the credit derivatives market. But while the trading of standardized tranches on a portfolio of ABS (exclusively Home Equity securities) provides new strategic opportunities for market participants, the inclusion of these new instruments in ABS CDO portfolios poses certain challenges.

These challenges revolve around the potential degree of overlap in ABS CDO collateral pools that can sharply increase pool-wide correlation. Coupled with the current environment, in which the new ABX-based tranches are trading at extremely wide spreads relative to similarly enhanced ABS CDO tranches, there is a risk that many ABS CDOs will see sharp increases in average pool-wide correlation through the purchase of the standardized ABX tranches in either synthetic or cash (credit-linked note) form.

**What Are the New Tranched ABS Index Instruments?**

The ABX credit indices were launched in January 2006. Each index includes 20 liquid Home Equity securities issued in the prior six months. The ABX 06-01 index is based on HE securities underwritten during the second half of 2005, the ABX 06-2 index on securities underwritten during the first half of 2006 and the ABX 07-1 index on securities underwritten during the second half of 2006. Unlike corporate credit indices, there is no overlap in underlying instruments between different series as each ABX series is associated with a single vintage.

The first tranched ABX indices ("TABX") began trading on February 14 of this year. At least initially, only the BBB and BBB- ABX sub-indices have been tranched. The standardized tranches reference the combination of the ABX 06-2 and ABX 07-1 collateral pools, for a total of 40 credits. The attachment/detachment points are set as follows:

| BBB Reference Portfolio | BBB- Reference Portfolio |
|-------------------------|--------------------------|
| 35-100                  | 40-100                   |
| 20-35                   | 25-40                    |
| 12-20                   | 15-25                    |
| 7-12                    | 10-15                    |
| 3-7                     | 5-10                     |
| 0-3                     | 0-5                      |

March 23, 2007

Permanent Subcommittee on Investigations  
Wall Street & The Financial Crisis  
Report Footnote #2235

FOIA

### **The Incentive to Include TABX in ABS CDOs**

With the recent turmoil in the subprime mortgage market-the prices of the ABX indices have fallen dramatically over the past few months--the new TABX tranches are trading at very wide yields.

Given the yields at which the TABX tranches have been priced, CDO structurers and managers may perceive an opportunity to add the instruments to ABS CDO portfolios in order to enhance portfolio-average spreads. The tranches could potentially be added directly to synthetic and hybrid ABS CDOs in credit default swap form, or transformed into credit-linked notes for inclusion in cash-flow CDOs.

### **Moody's View About the Addition of TABX Tranches**

So long as they are properly treated, the addition of TABX tranches to ABS CDO portfolios may not raise any concerns.

As with the inclusion of the ABX, our primary concern is with correlation. In the case of the TABX, our immediate focus is on capturing the correlation within the CDO. For example, Moody's wants to make sure that any CLNs that reference TABX are classified as being correlated to one another and to other related single name or index exposures in the CDO.

The key to capturing intra-CDO correlation is that any TABX exposure be properly identified. In general, collateral managers have wide discretion in classifying instruments that are incorporated into ABS CDO collateral pools. TABX tranches might, for example, simply be classified by the name of the vehicle which issued the CLN. Such a designation would fail to recognize that there could be other CLNs from other shelves which reference the same risk or that the CDO's portfolio could already be exposed to the names in the TABX, either through single name CDS or through direct exposure to the ABX.

Given the novelty of TABX, neither existing CDO indentures, nor Moody's CDOROM™ software that is used to model ABS CDO asset correlations, provides for a "TABX" category to address Moody's concerns on correlation. Thus even the most conscientious collateral manager may not have an existing mechanism to accurately characterize the correlations associated with TABX tranches.

### **Treatment in CDOs**

In light of the potentially significant correlation impact of adding TABX tranches to ABS CDO collateral pools, Moody's will review such proposals on a case-by-case basis. The review will ensure that an appropriate set of asset correlations (e.g., 100% for TABX tranches based on the same collateral pools) is reflected in CDOROM. Therefore, Moody's asks that CDOs and other rated vehicles that wish to offer protection on the TABX either through a CLN or swap first come to Moody's to discuss the appropriate treatment within the CDO.

In the months ahead, we anticipate that we will modify CDOROM in order to facilitate the appropriate correlation treatment for TABX tranches. Until that time, we propose the following guidelines for existing and recent CDOs:

1. The aggregate exposure of the CDO to the TABX and the ABX should not exceed 2% for High Grade deals and 5% for Mezzanine deals. Additionally, the exposure to any vintage should not exceed 2%. The determination of vintage for the TABX should be on a look through basis. For example, a 2% exposure to the current TABX would imply a 1% exposure to each of the ABX 06-2 and the ABX 07-1.
2. To measure the correlation within the purchasing CDO:
  - a. The TABX may be entered into CDOROM as a bespoke CDO (i.e., using a look-through approach in which each underlying HE tranche is entered into CDOROM individually) if such a CDO has the ability to add bespoke CDOs, or
  - b. All products related to the ABX (TABX CLNs and swaps, ABX, single name CDS referenced in the various ABX) should use the term "ABX" in the "Transaction Name" field in CDOROM. (The Issue Date and the Key Agent fields may have to adjust to a single value in order for the CDOROM to function properly.)
3. All other indenture restrictions/rules, such as the discount purchase rules must apply.

**Inter-CDO Correlations**

In addition to intra-CDO correlations, Moody's is also concerned about the impact of the ABX and TABX on correlations between ABS CDOs (e.g., in a CDO squared or the CDO basket of an ABS CDO). The asset correlations assumed in CDOROM between ABS CDOs were developed using the data that was available at the time we performed the original correlation analysis - i.e., based on transactions backed by cash collateral, which is not easily replicated across deals.<sup>2</sup> More recently, with the growth of synthetics in ABS CDOs, it has become easier for multiple deals to have exposure to the same reference obligation. With the popularity of the ABX index, it comes as no surprise that Moody's has found that many recent transactions have exposure to the ABX in both index and single name form. Essentially, this means that inter-CDO correlations are increasing.

While intra-CDO correlation concerns can be treated using a look-through approach as mentioned earlier, addressing correlations between ABS CDOs is more difficult. When an ABS CDO contains both ABS-related positions as well as tranches of other actively managed CDOs, it is difficult to perform a look-through analysis on an ongoing basis because of the dynamic nature of each underlying CDO's portfolio. Moody's is currently undergoing a research project to study the overlaps in ABS CDOs and will adjust our ABS CDO correlations accordingly. Until the research project is completed, Moody's may consider look-through correlations for ABS CDOs in the initial rating process.

**CONCLUSION**

Moody's believes that the proliferation of standardized index products may increase the correlation within and between CDOs. Because the models currently used by Moody's do not contemplate products such as the ABX and TABX that may be infinitely replicated, we will shortly introduce refinements to our correlation framework and will solicit market comment on the proposal.

<sup>2</sup> "Moody's Revisits its Assumptions Regarding Structured Finance Default (and Asset) Correlations for CDOs" June 27, 2005

Doc ID# SF95049

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**From:** Salem, Deeb  
**Sent:** Sunday, April 29, 2007 2:33 PM  
**To:** Swenson, Michael  
**Subject:** Fw: AIG FP ABX basis trade

So annoying...its our book not his

-----  
 Sent from my BlackBerry Wireless Device

----- Original Message -----

**From:** Tourre, Fabrice  
**To:** Swenson, Michael; Salem, Deeb; Chin, Edwin  
**Cc:** ficc-mtgcorr-desk  
**Sent:** Sun Apr 29 11:46:43 2007  
**Subject:** RE: AIG FP ABX basis trade

Deeb/Ed/Mike: do you guys have any thought on this ? would like to be able to get back to AIG FP first thing Monday morning if possible. I think offering this trade at 1/2 point makes sense (can't imagine people would do a lot of work/go through this brain damage for less than that), and just as an FYI, color from Andy Forster at AIG FP is the following (email that Neil forwarded to me on Friday, coming from Andy Forster and I quote):

"i think this is the basic version where you pay us like 50bps. the issue though is that this has some real risk and i wantto understand what the risks are. for example i think some bonds can step up but the index does not? also the single names all trade at different spreads so if a high spread name defaults we lose more in income than we stop paying on teh index etc etc . also something about delivery with the index only allowing one method?"

-----  
**From:** Tourre, Fabrice  
**Sent:** Friday, April 27, 2007 5:40 PM  
**To:** Swenson, Michael; Salem, Deeb; Chin, Edwin  
**Cc:** ficc-mtgcorr-desk  
**Subject:** AIG FP ABX basis trade

See attached the trade we could show to AIG FP to close the Hudson Mezz account. This account is long ABX and short single-name CDS. On a running basis, the account is net positive carry by 3bps -- however when looking closely at the combination of trades, the account is positive carry on 06-1 index and negative carry on 06-2 index. Question is at what price do we sell this position to remove the MtM vol risk of that account, as well as the basis risk -- the basis risks are the following:

-- positive basis: the single-name CDS are cancellable individually by the protection buyer at the step-up date  
 -- negative/positive basis: if 06-1 index amortizes / suffers writedowns faster than 06-2 index, the trade can become negative carry

I am suggesting we offer this trade to AIG at an upfront payment of \$6mm to have AIG FP take the MtM risk (and we know it is a pretty big risk) as well as the amortization differential risk (pretty small in my mind).

**From:** Herrick, Darryl K  
**Sent:** Thursday, September 21, 2006 8:41 AM  
**To:** Salem, Deeb; Swenson, Michael; Birnbaum, Josh; Ostrem, Peter L; Chin, Edwin  
**Subject:** Locked Levels

We are close in talks with our counterparty on the super senior for the ABX CDO  
Before we get execution, we need to show them levels on where we expect to lock in asset levels

So far we have levels from CMBS at +112

On ABX we want to show 1bp inside mids  
ABX 2006-1 BBB @ +137  
ABX 2006-1 BBB- @+250  
ABX 2006-2 BBB @ +149  
ABX 2006-2 BBB- @ +271

For the CDS given spread widening this week, we want to go with +120 for BBB flat and +220 for BBB-

Can you confirm we are good on the above levels?  
This is key to complete our work today on the Super Senior tranche

DH

**Darryl K. Herrick**  
*CDO Structuring, Marketing and Principal Investments*  
**Goldman, Sachs & Co.**  
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Tel: 212-902-9305  
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[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

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*Wall Street & The Financial Crisis*  
Report Footnote #2241

*Handwritten initials/signature*

**From:** Herrick, Darryl K  
**Sent:** Monday, October 02, 2006 2:15 PM  
**To:** Swenson, Michael; Birnbaum, Josh; Salem, Deeb  
**Cc:** Ostrem, Peter L; Sparks, Daniel L  
**Subject:** RE: Hudson Mezz CDO: Agreed Upon Portfolio and Levels

That works

Given even composition between ABX 1 and 2, will get to the same spot from CDO investor's viewpoint

**From:** Swenson, Michael  
**Sent:** Monday, October 02, 2006 1:53 PM  
**To:** Herrick, Darryl K; Birnbaum, Josh; Salem, Deeb  
**Cc:** Ostrem, Peter L; Sparks, Daniel L  
**Subject:** RE: Hudson Mezz CDO: Agreed Upon Portfolio and Levels

Darryl we should use the 265 and 245 spread for ABX2 and ABX1 triple-B minus spreads and 145 and 130 for triple-B ABX2 and ABX1 triple-B spreads

**From:** Herrick, Darryl K  
**Sent:** Monday, October 02, 2006 1:49 PM  
**To:** Swenson, Michael; Birnbaum, Josh; Salem, Deeb  
**Cc:** Ostrem, Peter L; Sparks, Daniel L  
**Subject:** Hudson Mezz CDO: Agreed Upon Portfolio and Levels

<< File: Asset Portfolio 2006-10-2.xls >>

We plan to announce Hudson Mezzanine Funding tomorrow in the am for Europe, Asia and the US I'm circulating around to everyone the CDO portfolio and spreads we will be showing investors and agencies, based on our agreed upon amounts and levels from last week  
Please let me know if you have questions or comments  
Darryl

**Darryl K. Herrick**

*CDO Structuring, Marketing and Principal Investments*

**Goldman, Sachs & Co.**

85 Broad Street

New York, NY 10004

Tel: 212-902-9305

Mobile: 646- [REDACTED]

E-mail: darryl.herrick@gs.com

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

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**Report Footnote #2242**

**From:** Swenson, Michael  
**Sent:** Tuesday, September 19, 2006 9:31 PM  
**To:** Cornacchia, Thomas  
**Cc:** Birnbaum, Josh; Swenson, Michael  
**Subject:** RE: Abx

Here are the points for your discussion:

On the ABX Side

1. Very crowded trade - guys talking their position in the media (ie Grants, NY Post). Could be very violent short covering rally because most of the shorts facing non-market to market vehicles (ie CDOs).
2. Expensive break-evens. Despite the recent sell-off most macro players are at best flat given the carry hurdle.
3. Relative Value - Underperform stocks, and corporate credit by 2 points/65bp in the past 6 weeks. Also, CMBX is 5bp tighter over the same period. The Philadelphia Housing Index is up approx 10% over this period.
4. Basis - Index to single-name basis is at the widest (ie 40bp at BBB- level). Index to cash is even more extreme at 70bp. Bids for cash deals remain strong and have barely widened.
5. CDO - we are going to price an innovative full capital structure \$1+bb CDO deal with 60% of the risk in ABX (no one has done this before). At the current levels we produce equity at levels that are approximately 10% (in return) cheaper than a typical CDO.
6. Property Derivatives - press release tomorrow. More direct way for the macro community to express their negative views on house prices. We expect existing shorts to explore swapping out of ABX shorts into Prop Derivatives

Natural Buyers of Property Derivatives

1. Pension Funds
2. REITS
3. Insurance Companies
4. CDOs - we are going to create rated CDS-like contracts and do a CDO using these contracts - similar structure to CRISP

-----Original Message-----

**From:** Cornacchia, Thomas  
**Sent:** Tuesday, September 19, 2006 5:20 PM  
**To:** Swenson, Michael  
**Subject:** Re: Abx

He wants to know who we believe will be natural buyer of new product

----- Original Message -----

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2243**

From: Swenson, Michael  
To: Cornacchia, Thomas; Birnbaum, Josh  
Sent: Tue Sep 19 17:15:32 2006  
Subject: RE: Abx

We are ready

-----Original Message-----

From: Cornacchia, Thomas  
Sent: Tuesday, September 19, 2006 4:43 PM  
To: Swenson, Michael; Birnbaum, Josh  
Subject: Abx

I had conversation today - we have a 10 am call tomorrow morning - need to prep ahead of time

**From:** Herrick, Darryl K  
**Sent:** Sunday, October 08, 2006 1:12 PM  
**To:** Shimonov, Roman; Chaudhary, Omar  
**Cc:** Lee, Jay; Sugioka, Hirotaka; Mishra, Deva R.; Ganapathy, Mahesh; West, Ariane; Lee, Jung H.  
**Subject:** RE: Hudson Mezz- VERBAL ONLY

Omar, I realize lack of manager may be tough hurdle for them. May be helpful to let Deeb and I get on a call with the investor and discuss our asset selection criteria and I can go through asset sale criteria. Let me know if that would be useful

**From:** Shimonov, Roman  
**Sent:** Sunday, October 08, 2006 1:09 PM  
**To:** Chaudhary, Omar  
**Cc:** Lee, Jay; Sugioka, Hirotaka; Mishra, Deva R.; Herrick, Darryl K; Ganapathy, Mahesh; West, Ariane; Lee, Jung H.  
**Subject:** Hudson Mezz- VERBAL ONLY

### VERBAL ONLY

If we have not already responded to the inquiry below, the dollar price of the BBs assuming a spread of 600bps and a DM of 650bps is 98.30.

**From:** Chaudhary, Omar  
**Sent:** Thursday, October 05, 2006 3:03 AM  
**To:** Mishra, Deva R.; Herrick, Darryl K; Shimonov, Roman  
**Cc:** Lee, Jay; Sugioka, Hirotaka  
**Subject:** RE: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (internal)

What is the approximate discount dollar price that equates to a par value coupon of L+600 on the Class E's with a DM of L+650?

Low delta chance we have interest from a private bank in Taiwan for this sort of security (though lack of manager is a big issue for them)...

**From:** GS Syndicate  
**Sent:** Tuesday, October 03, 2006 10:54 AM  
**To:** ficc-spgasia  
**Cc:** ficc-spgsyn; Ostrem, Peter L; Herrick, Darryl K; Mishra, Deva R.  
**Subject:** Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external)

Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS)  
 (external)

Lead Manager & Sole Bookrunner: Goldman Sachs  
 Liquidation Agent: Goldman, Sachs & Co.  
 \$2.0bn Static Mezzanine Structured Product CDO

| Class   | Size (\$mm) | %Deal | Mdy/S&P   | WAL(y) | Init OC | Guidance      |
|---------|-------------|-------|-----------|--------|---------|---------------|
| S       | [ ]         | N/A   | Aaa/AAA   | [2.8]  | N/A     | N/A           |
| Sen Swp | 1,200       | 60.0% | Aaa/AAA   | [3.7]  | 166.7%  | N/A           |
| A1      | 150         | 7.5%  | Aaa/AAA   | [2.0]  | 133.3%  | 1mL+TBD       |
| A2      | 150         | 7.5%  | Aaa/AAA   | [6.0]  | 133.3%  | 1mL+TBD       |
| B       | 160         | 8.0%  | Aa2/AA    | [5.1]  | 120.5%  | 1mL+TBD       |
| C       | 100         | 5.0%  | A2/A      | [5.2]  | 113.6%  | 1mL+TBD       |
| D       | 150         | 7.5%  | Baa2/BBB  | [5.2]  | 104.7%  | 1mL+TBD       |
| E       | 30          | 1.5%  | Ba1/BB+   | [5.3]  | 103.1%  | 1ML+TBD       |
| PS      | 60          | 3.0%  | Not Rated | N/A    | N/A     | **CALL DESK** |

Termsheet, Debt Marketing Book & Warehouse Portfolio - Attached

1

**Permanent Subcommittee on Investigations**  
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**Report Footnote #2244**

<< File: Hudson Mezz Debt Book Announcement.pdf >> << File: Hudson Mezz Termsheet Announcement.pdf >> << File: Hudson Mezz Funding 2006-1 WH Asset Portfolio.xls >>

Expected Timing:  
Price Guidance & Red - w/o Oct 16  
Pricing - w/o Oct 23

GS Structured Products Global Syndicate  
Asia: Omar Chaudhary, Jay Lee, & Hirotaka Sugioka +81 (3) 6437-7198  
Europe: Mitch Resnick & Tets Ishikawa +44 (0)20 7774-3068  
N. America: Bunty Bohra, Scott Wisenbaker, Scott Walter, Tony Kim & Malcolm Mui +1 (212) 902-7645

Structured Product CDO Desk:  
Peter Ostrem +1 (212) 357-4617 // Darryl Herrick +1 (212) 902-9305

Risk Factors: An investment in the securities presents certain risks, please see the Preliminary Offering Circular for a description of certain risk factors.

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**From:** Herrick, Darryl K  
**Sent:** Tuesday, September 19, 2006 9:53 PM  
**To:** Salem, Deeb; Ostrem, Peter L  
**Cc:** Swenson, Michael; Birnbaum, Josh; Chin, Edwin; Kamilla, Rajiv; Lehman, David A.  
**Subject:** Re: Ref Obs for Prop CDO

Deeb, we'll take a look at these. On adding Alt A, I would suggest an initial bucket of around 10 - 15 names to start. We could add some more later on depending on appetite, but that will be a good start.  
Thanks, Darryl

----- Original Message -----

**From:** Salem, Deeb  
**To:** Ostrem, Peter L; Herrick, Darryl K  
**Cc:** Swenson, Michael; Birnbaum, Josh; Chin, Edwin; Salem, Deeb; Kamilla, Rajiv; Lehman, David A.  
**Sent:** Tue Sep 19 21:31:47 2006  
**Subject:** Ref Obs for Prop CDO

<<Book6.xls>> Pete/Darryl,  
Attached are 60 RMBS Ref Obs and 5 CMBS/CRE CDO ref obs for the CDO we're discussing. On the RMBS side, we chose 30 Baa2 and 30 Baa3 CUSIPs evenly split btw 2005 and 2006 vintage. We can add a few alt-a names as well. How many of those would you like?

Let us know what else you need

**RMBS**

| Ref Ob             | CUSIP     | Size       | Moody | S&P  | Fitch | Spread |
|--------------------|-----------|------------|-------|------|-------|--------|
| ABSHE 2005-HE6 M8  | 04541GTS1 | 10,000,000 | Baa2  | BBB  | BBB   | 110    |
| ABSHE 2006-HE5 M8  | 04544PAN9 | 10,000,000 | Baa2  | BBB  | BBB   | 110    |
| AMIT 2005-2 M8     | 126673L75 | 10,000,000 | Baa2  | -    | A     | 110    |
| AMSI 2005-R3 M8    | 03072SA62 | 10,000,000 | Baa2  | BBB  | BBB   | 110    |
| BSABS 2006-EC1 M7  | 07387UAK7 | 10,000,000 | Baa2  | -    | BBB   | 110    |
| CARR 2005-FRE1 M8  | 144531EN6 | 10,000,000 | Baa2  | -    | BBB+  | 110    |
| CARR 2006-RFC1 M8  | 14453EAM4 | 10,000,000 | Baa2  | BBB+ | A     | 110    |
| CWL 2005-10 MV8    | 126670BC1 | 10,000,000 | Baa2  | -    | BBB   | 110    |
| FFML 2005-FF7 M8   | 32027NUT6 | 10,000,000 | Baa2  | BBB+ | BBB+  | 110    |
| FHLT 2006-1 M7     | 35729PPJ3 | 10,000,000 | Baa2  | -    | BBB+  | 110    |
| FHLT 2006-2 M7     | 35729PQF0 | 10,000,000 | Baa2  | -    | BBB+  | 110    |
| GSAMP 2005-AHL M5  | 36242D2E2 | 10,000,000 | Baa2  | -    | BBB   | 110    |
| GSAMP 2005-AHL2 B1 | 362341D30 | 10,000,000 | Baa2  | -    | BBB+  | 110    |
| GSAMP 2005-HE6 M8  | 362341H36 | 10,000,000 | Baa2  | -    | A-    | 110    |
| GSAMP 2006-HE1 M8  | 3623415A3 | 10,000,000 | Baa2  | -    | A-    | 110    |
| HASC 2006-OPT4 M7  | 40430KAP6 | 10,000,000 | Baa2  | BBB+ | BBB   | 110    |
| JPMAC 2006-ACC1 M8 | 46628RAN5 | 10,000,000 | Baa2  | BBB  | BBB   | 110    |
| JPMAC 2006-HE1 M8  | 46626LGP9 | 10,000,000 | Baa2  | BBB  | BBB   | 110    |
| MSHEL 2006-2 B2    | 61744CYX8 | 10,000,000 | Baa2  | BBB+ | BBB+  | 110    |
| NCHET 2005-C M8    | 64352VPG0 | 10,000,000 | Baa2  | -    | BBB+  | 110    |
| NHEL 2005-2 M8     | 66987WCU9 | 10,000,000 | Baa2  | A    | BBB+  | 110    |
| NHEL 2006-2 M7     | 66988VAM0 | 10,000,000 | Baa2  | A    | A     | 110    |
| OOMLT 2006-2 M8    | 68402CAN4 | 10,000,000 | Baa2  | -    | BBB   | 110    |
| OWNIT 2006-2 B2    | 69121PDP5 | 10,000,000 | Baa2  | -    | A-    | 110    |
| RASC 2006-EMX2 M8  | 75406AAL3 | 10,000,000 | Baa2  | -    | A-    | 110    |
| SABR 2005-EC1 B2   | 81375WDJ2 | 10,000,000 | Baa2  | -    | BBB+  | 110    |
| SABR 2005-OP1 B2   | 81375WCX2 | 10,000,000 | Baa2  | BBB+ | BBB   | 110    |
| SASC 2005-WMC1 M4  | 86359B6K2 | 10,000,000 | Baa2  | BBB  | BBB   | 110    |
| SAST 2005-2 B2     | 805564SK8 | 10,000,000 | Baa2  | BBB  | BBB   | 110    |
| SURF 2006-BC1 B2A  | 84751PKL2 | 10,000,000 | Baa2  | -    | BBB+  | 110    |
| ABSHE 2005-HE3 M9  | 04541GRC8 | 10,000,000 | Baa3  | BBB- | BBB-  | 210    |
| ACCR 2006-2 M9     | 00437NAN2 | 10,000,000 | Baa3  | -    | BBB-  | 210    |
| ACE 2006-ASP2 M9   | 004421XQ1 | 10,000,000 | Baa3  | -    | A     | 210    |
| AMSI 2005-R8 M9    | 03072SM85 | 10,000,000 | Baa3  | BBB+ | BBB   | 210    |
| ARSI 2005-W3 M9    | 040104PL9 | 10,000,000 | Baa3  | BBB+ | BBB+  | 210    |
| BSABS 2005-EC1 M8  | 0738795K0 | 10,000,000 | Baa3  | -    | BBB-  | 210    |
| BSABS 2006-PC1 M8  | 07387UBE0 | 10,000,000 | Baa3  | -    | BBB+  | 210    |
| CARR 2005-OPT2 M8  | 144531CR9 | 10,000,000 | Baa3  | BBB+ | BBB   | 210    |
| CARR 2006-NC2 M9   | 14453FAN9 | 10,000,000 | Baa3  | BBB- | BBB-  | 210    |
| CBASS 2006-CB4 B3  | 12498QAN6 | 10,000,000 | Baa3  | BBB- | BBB   | 210    |
| CMLT1 2005-OPT4 M9 | 17307GUZ9 | 10,000,000 | Baa3  | BBB  | BBB   | 210    |
| ECR 2005-2 B       | 126673J94 | 10,000,000 | Baa3  | -    | BBB-  | 210    |
| EMLT 2005-1 M9     | 29445FCW6 | 10,000,000 | Baa3  | BBB- | BBB-  | 210    |
| FFML 2005-FF3 M9   | 86359DBT3 | 10,000,000 | Baa3  | BBB  | BBB   | 210    |
| FFML 2006-FF8 M9   | 320278AN4 | 10,000,000 | Baa3  | -    | BBB   | 210    |
| FHLT 2005-B M10    | 35729PKE9 | 10,000,000 | Baa3  | -    | BBB-  | 210    |
| FMIC 2006-1 M9     | 31659TFJ9 | 10,000,000 | Baa3  | -    | BBB   | 210    |
| FMIC 2006-2 M9     | 31659EAN8 | 10,000,000 | Baa3  | -    | BBB   | 210    |
| GEWMC 2005-1 B3    | 367910AN6 | 10,000,000 | Baa3  | BBB+ | BBB+  | 210    |
| GSAMP 2006-NC2 M9  | 362463AP6 | 10,000,000 | Baa3  | -    | BBB-  | 210    |
| JPMAC 2005-FRE1 M9 | 46626LCL2 | 10,000,000 | Baa3  | BBB- | BBB-  | 210    |
| JPMAC 2006-CW2 MV9 | 46629BBB4 | 10,000,000 | Baa3  | BBB- | BBB-  | 210    |
| OOMLT 2006-1 M9    | 68389FKZ6 | 10,000,000 | Baa3  | A-   | A     | 210    |
| POPLR 2006-A M6    | 73316PKB5 | 10,000,000 | Baa3  | -    | BBB   | 210    |
| RAMP 2005-EFC2 M9  | 76112BVX5 | 10,000,000 | Baa3  | -    | BBB   | 210    |
| RAMP 2006-RZ2 M9   | 75156UAM9 | 10,000,000 | Baa3  | -    | BBB+  | 210    |
| RASC 2005-EMX2 M9  | 76110W2Q8 | 10,000,000 | Baa3  | -    | BBB-  | 210    |
| SASC 2006-WF2 M9   | 86360LAN6 | 10,000,000 | Baa3  | -    | BBB-  | 210    |
| SVHE 2006-OPT2 M8  | 83611MMU9 | 10,000,000 | Baa3  | -    | BBB+  | 210    |
| WFHET 2006-1 M9    | 9497EUAR8 | 10,000,000 | Baa3  | -    | BBB+  | 210    |

**CMBS**

| Ref Ob            | CUSIP     | Size       | Moody | S&P | Fitch | Spread | WAL   |
|-------------------|-----------|------------|-------|-----|-------|--------|-------|
| GSMS 2006-RR2 J   | 36298JAU7 | 20,000,000 | Baa2  | BBB |       | 105    | 11.71 |
| JPMCC 2006-RR1A F | 48123HAG8 | 20,000,000 | Baa2  | BBB |       | 115    | 10.63 |
| LNR 2006-1A FFX   | 53944MAT6 | 20,000,000 | Baa2  | BBB | BBB   | 185    | 9.42  |
| MARRE 2006-1A G   | 565853AQ1 | 20,000,000 | Baa2  | BBB | BBB   | 115    | 7.7   |
| RREF 2006-1A F    | 76122VAG9 | 20,000,000 | Baa2  | BBB | BBB   | 140    | 7.93  |

74-3

**From:** Young, Crystal D.  
**Sent:** Wednesday, September 27, 2006 3:03 PM  
**To:** Swenson, Michael  
**Subject:** RE:

I you would like to stay on the 26th floor, There is 1hr available from 1-2pm... Maybe I can switch Ego's review and switch the meeting at from 1-2pm.e.

---

**From:** Young, Crystal D.  
**Sent:** Wednesday, September 27, 2006 2:58 PM  
**To:** Swenson, Michael  
**Subject:** RE:

Unfortunately, the large conf room is booked most of the day.  
The only time it is available tomorrow is, from 11 -11:30am, or 2- 2:45pm: I can check the 27<sup>th</sup> will that work?

---

**From:** Swenson, Michael  
**Sent:** Wednesday, September 27, 2006 2:46 PM  
**To:** Young, Crystal D.  
**Subject:**

Can set up a meeting for tomorrow at 10am in the 26th floor conference room?  
The meeting should be titled the "Marketing Strategy for the ABX CDO Trade"

The invitees are:

- Sparks
- Sobel
- Harvey Schwartz
- Stacy Bash
- Tom Cornacchia
- Sarah Recktenwald
- Scloim Raz
- Kyle Nagel
- Steve Pinkos
- Lorin Radtke
- Bunty Bohra
- Scott Wisenbaker
- Steve Ricciardi
- Josh Birnbaum
- Pete Ostrem
- David Rosenblum
- Darryl Herrick
- Deeb Salem

— = Redacted by the Permanent  
Subcommittee on Investigations

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Goldman, Sachs & Co.  
85 Broad Street | New York, NY 10004  
tel: +1 212 902 5090 | mobile: +1 917 [REDACTED] fax: +1 212 902 1691  
e-mail: michael.swenson@gs.com

Goldman  
Sachs

Michael J. Swenson  
Fixed Income, Currency & Commodities

---

This material has been prepared specifically for you by the Fixed Income Trading Department and is not the product of Fixed Income

Permanent Subcommittee on Investigations  
Wall Street & The Financial Crisis  
Report Footnote #2251

*John S*

**From:** Herrick, Darryl K  
**Sent:** Thursday, September 28, 2006 10:04 AM  
**To:** Swenson, Michael; Sparks, Daniel L; Sobel, Jonathan; Schwartz, Harvey; Bash-Polley, Stacy; Cornacchia, Thomas; Raz, Shlomi; Nagel, Kyle; Pinkos, Steve; Radtke, Lorin; Bohra, Bunty; Wisenbaker, Scott; Ricciardi, Steven; Birnbaum, Josh; Ostrem, Peter L; Rosenblum, David J.; Salem, Deeb; Siegel, Mike  
**Subject:** HUDSON - INTERNAL ONLY  
**Attachments:** Hudson Mezz Termsheet 2006-09-27 Sales.doc; Hudson Mezz Overview.ppt



Hudson Mezz  
 Termsheet 2006-09-



Hudson Mezz  
 Overview.ppt

**INTERNAL ONLY**

Please find the Term Sheet and Marketing Points for today's call at 10am. Please let me know if you have any questions

**From:** Young, Crystal D. **On Behalf Of** Swenson, Michael  
**Sent:** Thursday, September 28, 2006 8:41 AM  
**To:** Sparks, Daniel L; Sobel, Jonathan; Schwartz, Harvey; Bash-Polley, Stacy; Cornacchia, Thomas; Raz, Shlomi; Nagel, Kyle; Pinkos, Steve; Radtke, Lorin; Bohra, Bunty; Wisenbaker, Scott; Ricciardi, Steven; Birnbaum, Josh; Ostrem, Peter L; Rosenblum, David J.; Herrick, Darryl K; Salem, Deeb; Siegel, Mike  
**Subject:** Updated: Marketing Strategy for the ABX CDO Trade  
**When:** Thursday, September 28, 2006 10:00 AM-10:30 AM (GMT-05:00) Eastern Time (US & Canada).  
**Where:** 26L/Call in details

**Conference Details:**

Moderator Name: Michael Swenson  
 Company Name: Goldman Sachs & Co./#58062 (Main)  
 Client ID: 347235

**Conference Passcodes:**

Moderator Passcode: 7488558  
 Passcode: 748855

**Conference Access:**

Toll free: 1-866-319-4553 International  
 Toll: 1-212-902-4079 Domestic

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## Preliminary Termsheet

September [ ], 2006



# Hudson Mezzanine Funding 2006-1, LTD.

## \$2.0 Billion Static Mezzanine Structured Product CDO

Note: The Class S, Senior Swap, A, B, C, D and E Notes (the "Notes") have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being sold (a) in the United States only to qualified institutional buyers ("QIBs") in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A who are also qualified purchasers as defined in the Investment Company Act of 1940, and (b) outside the United States to non-U.S. persons in reliance on Regulation S.

| Security     | Expected Par Amount | % of Par | Initial Over-Collateralization | Expected Ratings (Moody's/S&P) | Coupon      | Expected Avg Life |
|--------------|---------------------|----------|--------------------------------|--------------------------------|-------------|-------------------|
| Class S      | [ ]                 | N/A      | N/A                            | Aaa/AAA                        | Not Offered | [2.8]             |
| Senior Swap  | \$1,200.0 MM        | 60.00%   | 166.7%                         | Aaa/AAA                        | Not Offered | [3.7]             |
| Class A1     | \$150.0 MM          | 7.50%    | 133.3%                         | Aaa/AAA                        | 1mL+[ ] bps | [2.0]             |
| Class A2     | \$150.0 MM          | 7.50%    | 133.3%                         | Aaa/AAA                        | 1mL+[ ] bps | [6.0]             |
| Class B      | \$160.0 MM          | 8.00%    | 120.5%                         | Aa2/AA                         | 1mL+[ ] bps | [5.1]             |
| Class C      | \$100.0 MM          | 5.00%    | 113.6%                         | A2/A                           | 1mL+[ ] bps | [5.3]             |
| Class D      | \$150.0 MM          | 7.50%    | 104.7%                         | Baa2/BBB                       | 1mL+[ ] bps | [5.1]             |
| Class E      | \$30.0 MM           | 1.50%    | 103.1%                         | Ba1/BB+                        | 1mL+[ ] bps | [5.3]             |
| Income Notes | \$60.0 MM           | 3.00%    | N/A                            | NR                             | N/A         | N/A               |

## Transaction Overview

- Hudson Mezzanine Funding 2006-1 will be a static \$2.0 billion cashflow CDO consisting of a diversified portfolio of single-name credit default swaps on RMBS securities.
- Goldman Sachs, & Co. ("Goldman") selects the assets.
- 60% of the assets will be single name CDS referencing all forty obligors in ABX 2006-1 and ABX 2006-2.
- The portfolio consists of collateral which is rated at least Baa3 and BBB- with an average rating of Baa2/Baa3. 100% will be real-estate related securities.
- Low fee structure and less "bar-belled" portfolio than other mezzanine CDOs in the current market.
- Goldman, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" within 12 months of said determination. Credit Risk assets will include:
  - Any asset downgraded by Moody's or S&P below Baa3 or BB-
  - Any asset that is defaulted or would be experiencing a credit event as defined by the PAUG confirm
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" will be sold by the Liquidation Agent within one year of such determination.
- Goldman will invest in a portion of the Income Notes at closing.

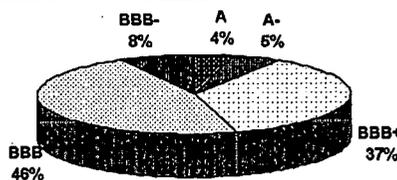
## Structural Highlights

- Pure static structure eliminates reinvestment risk and shortens expected weighted average lives on liabilities
  - No reinvestment, substitution, or discretionary trading
  - Proceeds from credit-risk sales will be treated as principal paydowns or notional reduction of the Senior Swap
- Liquidation Agent Fees: 10 bps per annum
- 100% ramped at closing and 100% certainty of all assets in collateral portfolio to be included in transaction
- No fixed rate assets in the portfolio eliminates possibility of an interest rate swap hedge mismatch

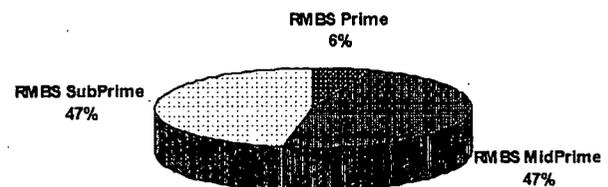
## Current Portfolio Characteristics

|                                        |             |
|----------------------------------------|-------------|
| Par Value of Collateral (\$MM)         | \$2,000     |
| Total Expected Portfolio Size (\$MM)   | \$2,000     |
| % Ramped                               | 100%        |
| Moody's Weighted Average Rating Factor | 485         |
| Weighted Average Life                  | [4.0] years |
| Number of Positions                    | 140         |
| Distinct Obligor                       | 100         |
| Duration Weighted DM                   | [184] bps   |

## Ratings Composition of Target Warehouse Portfolio (1)



## Sector Composition of Target Warehouse Portfolio



(1) Based on S&amp;P Ratings

## CDO Structuring, Marketing and Principal Investments

Peter Ostrem +1 (212) 357-4617  
Darryl Herrick +1 (212) 902-9305

## Syndicate

Bunty Bohra +1 (212) 357 4617  
Scott Wisenbaker +1 (212) 902 2858  
Mitch Resnick +44 20 7774 3068  
Omar Chaudhary +81 3 6437 7198

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All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in the final Offering Circular for any securities actually sold to you. The securities have not been and will not be registered under the Securities Act of 1933, as amended, and the issuers will not be registered under the Investment Company Act of 1940, as amended. This Term Sheet is furnished to prospective investors on a confidential basis solely for the purposes of evaluating the investment offered hereby. The information contained herein may not be reproduced or used in whole or in part for any other purposes.

### Transaction Details

**Issuer:** Hudson Mezzanine Funding 2006-1, LTD, incorporated with limited liability in the Cayman Islands  
**Co-Issuer:** Hudson Mezzanine Funding 2006-1, Corp, corporation organized under the laws of the State of Delaware  
**Liquidation Agent:** Goldman, Sachs & Co.  
**Trustee:** []  
**Initial Purchaser:** Goldman Sachs & Co.  
**Offering Type:** Reg S (Non-U.S. Persons only), Rule 144A. Rule 144A purchasers must be qualified purchasers under the Investment Company Act of 1940  
**Listing, Clearing & Settlement:** Application may be made to admit the securities on a stock exchange at the Issuer's choice, if practicable. There can be no assurance that any such application will be made and that any such admission will be granted. The Class S, A, B, C, D and E Notes will settle through Euroclear/Clearstream/DTC. Notes will settle with accrued interest, if any, from the Closing Date. The initial LIBOR Rate on the S, A, B, C, D and E Notes will be set two business days prior to the Closing Date  
**Reinvestment Period:** None  
**Non-Call Period:** Approximately three years. Callable in whole on or after April 2010 by a majority vote of the Income Notes  
**Auction Call Date:** Starting April 2015 and annually in April thereafter  
**Minimum Call Price:** Class S, A, B, C, D and E Notes (if issued) at par plus accrued interest. There is no call premium to the Income Notes  
**Legal Final Maturity:** April 2042 for the [Senior Swap], Class A, B, C, D and E Notes. April [2015] for the Class S  
**Payment Frequency:** The Senior Swap, Class S, A, B, C, D and E Notes will receive premium and interest payments monthly, commencing April 2007. The Senior Swap, Class S, A, B, C, D and E Notes will receive principal payments and reduce outstanding principal amounts monthly, commencing April 2007. Income Notes will receive distributions according to the payment waterfall quarterly, commencing April 2007  
**Liquidation Agent Fee:** 10 bps per annum, payable senior to premium on the Senior Swap and payable monthly, commencing April 2007  
**ERISA Eligible:** The Class S, A, B, C, and D Notes are expected to be ERISA eligible, assuming that the purchase is not a prohibited transaction for the purchaser  
**Tax Treatment:** Class S, Senior Swap, A, B, C, and D Notes will be treated as debt  
**Controlling Class:** The Class S, Senior Swap and A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, Class D and Class E Notes in that order until each Class is paid in full  
**Collateral:** Single name credit default swaps referencing RMBS securities

### Coverage Tests

| Coverage Test                                   | Expected Closing Date Values | Target OC Coverage Required | Minimum Ongoing OC Coverage Requirement |
|-------------------------------------------------|------------------------------|-----------------------------|-----------------------------------------|
| Senior Overcollateralization Ratio <sup>1</sup> | [ 120.5]%                    | [ 122.5]%                   | [ 114.0]%                               |
| Class C Note Overcollateralization Ratio        | [ 113.6]%                    | [ 115.0]%                   | [ 108.0]%                               |
| Class D Note Overcollateralization Ratio        | [ 104.7]%                    | [ 106.1]%                   | [ 101.6]%                               |
| Class E Note Overcollateralization Ratio        | [ 103.1]%                    | [ 104.3]%                   | [ 101.0]% <sup>2</sup>                  |

<sup>1</sup> The Senior Swap, Class A and Class B ratios will be combined and known as Senior OC ratios

<sup>2</sup> Class E Interest Diversion Test set at 101.0%. After regular payments of premium, interest, amortization and principal to the Senior Swap, Class S, A, B, C, D and E Notes but before any payment to the Income Notes, if the Class E Note Overcollateralization Ratio is less than [101.0]%, then all excess interest proceeds will be paid to amortize the principal balance of the Class E Notes

### Synthetic Securities

**Synthetic Securities:** Pay-As-You-Go ("PAUG") ISDA  
**Interest Shortfall Basis:** Fixed Cap Applicable  
**Credit Events:** Writedown  
 Failure to Pay Principal  
 Distressed Ratings Downgrade  
**Default Swap Collateral:** Proceeds from the issuance of the securities deposited with Goldman Sachs in exchange for Default Swap Collateral. Default Swap Collateral will be delivered to Goldman, (i) to settle any Credit Events, (ii) to pay Physical Settlement Amounts, (iii) to pay certain Synthetic Security Termination Payments and in exchange for Synthetic Security Counterparty Principal Payments. If the Default Swap Collateral is not sufficient to settle any Credit Event, pay any Physical Settlement Amount, or to pay any such Synthetic Security Termination Payment, generally, the Senior Swap Counterparty will pay such amounts.

No securities are being offered by these summary materials. If the securities described herein or other securities are ultimately offered, they will be offered only pursuant to a definitive Offering Circular, and prospective investors who consider purchasing any such securities should make their investment decisions based only upon the information provided therein (including the "Risk Factors" section contained therein) and consultation with their own advisers. This material is for your private information and we are not soliciting any action based upon it. This material is not to be construed as an offer to sell or the solicitation of any offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This material is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. By accepting this material the recipient agrees that it will not distribute or provide the material to any other person. The information contained in this material may not pertain to any securities that will actually be sold. The information contained in this material may be based on assumptions regarding market conditions and other matters as reflected therein. We make no representations regarding the reasonableness of such assumptions or the likelihood that any of such assumptions will coincide with actual market conditions or events, and this material should not be relied upon for such purposes. We and our affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this material may, from time to time, have long or short positions in, and buy and sell, the securities mentioned therein or derivatives thereof (including options). Information contained in this material is current as of the date appearing on this material only. Information in this material regarding any assets backing any securities discussed herein supersedes all prior information regarding such assets. All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in any final Offering Circular for any securities actually sold to you. Goldman Sachs does not provide accounting, tax or legal advice. In addition, we mutually agree that, subject to applicable law, you may disclose any and all aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits expected to be claimed with respect to such transactions, and all materials of any kind (including tax opinions and other tax analyses) relating to those benefits, without Goldman Sachs imposing limitation of any kind.



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## Hudson Mezzanine Funding 2006-1

### Transaction Overview

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- Hudson CDO program was developed by the CDO Desk in 2006 to create a consistent, programmatic approach to invest in attractive relative value opportunities in the RMBS and structured product market
  - We successfully launched Hudson High Grade which is in the market now. This is a continuation of this program with mezzanine quality RMBS
- The CDO is an Alpha Generator / Term Non-recourse with other non-ABX names. 60% of the portfolio will consist of single name CDS from the ABX 2006-1 and ABX 2006-2 index to pass through the relative value pickup between the Index vs. single name CDS. Term non-recourse execution of Hudson will lock in the arbitrage for the benefit of debt and equity investors
- Goldman will buy equity and is long this risk via warehouse: 100% ramped
- This is not a tranching Index CDO. CDO will utilize a cashflow waterfall with traditional O/C tests
- Super Seniors are done with one large sophisticated Wall Street CDO buyer
- Focus will be on the BBBs and BBs
  - No CDOs
  - No negative convexity (fixed rate)
  - No BBs

*Handwritten signature*

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**From:** Herrick, Darryl K  
**Sent:** Saturday, September 30, 2006 11:54 AM  
**To:** Ostrem, Peter L; Case, Benjamin; Bieber, Matthew G.  
**Subject:** Hudson Mezz

**Attachments:** Hudson Mezz Debt Book 2006-09-283.ppt; Hudson Mezz Termsheet 2006-09-27 Sales.doc



Hudson Mezz Debt Book 2006-09-...  
Hudson Mezz Termsheet 2006-09-...

Team, We are planning to begin marketing Hudson Mezz this week

I have attached is the marketing book and term sheet as it currently stands (still updating stress runs)

Would appreciate any feedback/comments you have on this because it discusses the current CDO and more importantly what our desk's strategy is with Hudson program for the future. Be interested in getting everyone's color

I am in the office tomorrow so can talk then or whenever you get a chance can reach me on my cell (646) 526-8256  
Darryl

Permanent Subcommittee on Investigations  
*Wall Street & The Financial Crisis*  
Report Footnote #2253

7/10/07 - 5



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## **Hudson Mezzanine Funding 2006-1, LTD.**

**A \$2.0 Billion Static Mezzanine Structured Product CDO**  
**Goldman, Sachs & Co. – Liquidation, Structuring, and Placement Agent**

**September [ ], 2006**

*The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular.*

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### Disclaimer and Risk Factors

- I. Transaction Overview
- II. Transaction Details
- III. Portfolio Growth and Composition
- IV. Scenario Analysis and Modeling Assumptions

### Appendix

- Portfolio Asset List
- Goldman Sachs Contact Information



## Disclaimer

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## Disclaimer

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### HYPOTHETICAL ILLUSTRATIONS AND PRO FORMA INFORMATION

These materials contain statements that are not purely historical in nature. These include, among other things, hypothetical illustrations, sample or pro forma portfolio structures or portfolio composition, scenario analysis of returns and proposed or pro forma levels of diversification or sector investment. These hypothetical illustrations of returns illustrate a range of potential outcomes based upon certain assumptions. Such potential outcomes are not a prediction by the Issuer, Goldman Sachs or their respective affiliates of the performance of the securities described herein. Actual events are difficult to predict and are beyond the control of the Issuer, Goldman Sachs, or their respective affiliates. Actual events may differ from those assumed and such differences may be material. There can be no assurance that illustrated returns will be realized or materialized or that actual returns or results will not be materially lower than those presented. All statements included are based on information available on the date hereof, and none of the Issuer, Goldman Sachs or their respective affiliates assumes any duty to update any such statement. Some important factors which could cause actual results to differ materially from those in any statements contained herein include the actual composition of the collateral and the price at which such collateral is actually purchased by the Issuer, any defaults on the collateral, the timing of any defaults and subsequent recoveries, changes in interest rates, and any weakening of the specific credits included in the collateral, among others. The Offering Circular will contain other risk factors, which an investor should also consider in connection with an investment in the securities described herein.

### PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer. Because of portfolio restrictions that apply to the Issuer and differences in market conditions, the investments selected by Goldman Sachs on behalf of the Issuer may differ substantially from prior investments made by Goldman Sachs. The Issuer has no operating history.



## Risk Factors

*Note: The Offering Circular will include more extensive descriptions of the risks described herein as well as additional risks relating to, among other things, conflicts of interest. Any decision to invest in the securities described herein should be made after reviewing such Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Offering Circular will supersede this document in its entirety.*

- Limited Liquidity, Restrictions on Transfer and Limited Recourse
  - There is currently no market for the Secured Notes or Income Notes and it is unlikely that any secondary market will develop. The Secured Notes and the Income Notes should be viewed as a long-term investment, not as a trading vehicle. The value of the Secured Notes and the Income Notes may vary and the Secured Notes and the Income Notes, if sold, may be worth less than their original cost.
  - In addition, as the Secured Notes and the Income Notes will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to the Section 3(c)(7). Related restrictions, as well as other restrictions on transfer of the Income Notes will apply.
  - All liabilities are payable solely from the cash flow available from the collateral pledged by the Issuer to secure all classes of Notes. No other assets will be available for payment in the event of any deficiency. The Income Notes represent equity in the Issuer and as such are subordinated to the Secured Notes. The Income Notes are payable from the collateral (which represent the only assets of the Issuer) only after payment in full of amounts due on the Secured Notes.
- Leveraged Credit Risk
  - The Income Notes are in a first loss position with respect to defaults on the underlying collateral. The leveraged nature of the Income Notes magnifies the adverse impact of any collateral defaults.
- Subordination
  - The Income Notes are subordinated to the Class A, Class B, Class C, Class D and Class E Notes and certain payments of expenses. The Class E Notes are subordinated to the Class A, Class B, Class C and Class D Notes and certain payments of expenses. The Class D Notes are subordinated to the Class A, Class B and Class C Notes and certain payments of expenses. The Class C Notes are subordinated by the Class A and Class B Notes and certain payments of expenses. The Class B Notes are subordinated to the Class A Notes and certain payments of expenses. No distributions of interest proceeds received on the collateral will be made to the Income Notes until interest on the Secured Notes and certain other expenses have been paid. In addition, in the event of a default, holders of the most senior class of Secured Notes will generally be entitled to determine the remedies to be exercised; such remedies could include the sale and the liquidation of the collateral and have an adverse effect on the Income Notes. The Income Notes will not be able to exercise any remedies following an event of default and will not receive payments after an event of default until the Secured Notes are paid in full.




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## Risk Factors

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- **Volatility of Collateral and of Secured Notes' and Income Notes' Market Value**
  - The Income Notes represent a leveraged investment in the Collateral Assets. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Secured Notes and the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.
  - Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.
- **Collateral Risk**
  - Collateral Assets inherently bear significant credit risks because issuers are primarily private entities.
  - The structure of Collateral Assets and the terms of the Issuer's interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements.
  - Adverse changes in the financial condition of the collateral obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt.
- **Illiquidity of Collateral Assets**
  - Some of the Collateral Assets purchased by the Issuer will have no, or only a limited, trading market. This illiquidity may restrict the Issuer's ability to dispose of investments in a timely fashion or for a fair price.
  - Illiquid debt securities may also trade at a discount to comparable, more liquid investments. In addition, the Issuer may invest in privately placed Collateral Assets that are non-transferable or are transferable only at prices less than the fair value or the original purchase price of the securities.
- **Nature of Collateral**
  - The Collateral Assets are subject to credit, liquidity and interest rate risk. In addition, the financial performance of the Issuer may be affected by the price and availability of Collateral Assets to be purchased.
  - Some or all of the Collateral Assets may be subordinated securities which may be subject to leveraged credit risk.
  - The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions and limitations under the Indenture.

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## Risk Factors

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- No Collateral Manager
  - The Issuer will not engage a Collateral Manager. As a result, (i) the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the holders of the Income Notes and Secured Notes to dispose of certain Collateral Assets unless the Collateral Assets are required to be sold by the Liquidation Agent as described in the previous paragraph and (ii) the Indenture will eliminate the ability of the Issuer to exercise discretion in contexts where a collateral manager in a managed or static collateralized debt obligation transaction typically would have discretion to exercise such discretion on behalf of the Issuer and holders of Income Notes and Secured Notes. The inability of the Issuer to exercise discretion in these contexts could adversely impact the Issuer and the holders of the Income Notes and Secured Notes.
- Timing and Amount of Recoveries
  - Only Collateral Assets that meet the liquidation criteria (see page 12) may be sold. If a Collateral Asset meets the liquidation criteria, the Liquidation Agent is required to sell such affected collateral in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance as to the timing of the Liquidation Agent's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Income Notes and Secured Notes as compared to the returns generated using the Modeling Assumptions.
- Impairment of Credit Quality and/or Defaults on the Collateral
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Income Notes and Secured Notes. The Collateral Assets are expected to have a Moody's weighted average rating of at least Aa3/A1 at the Closing Date.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.



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## Risk Factors

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- **Timing of Receipt of Accrued Interest Income**
  - On an ongoing basis, the receipt by the Issuer of accrued interest income may affect the availability of cash which may be distributed to the Holders of Secured Notes and Income Notes.
- **International Investing**
  - Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk.
  - A portion of the Collateral Assets may consist of obligations of an issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.
- **Tax Treatment of Income Notes**
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Income Notes will be treated as equity for tax purposes.
  - Income Notes holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies, controlled foreign corporations and foreign personal holding companies.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisors regarding the tax implications of their investments.
- **Material Tax Considerations**
  - There is a possibility that the Issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.



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## Risk Factors

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- **Hypothetical Illustrations and Estimates**
  - Estimates of the weighted average lives of the Class S, A, B, C, D and E Notes and the returns and duration of the Income Notes included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Class S, A, B, C, D and, E Notes, are forward-looking statements. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
  - The hypothetical illustrations are only estimates. Actual results may vary, and the variations may be material. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
- **Yield Due to Prepayments**
  - The yield to maturity on the Income Notes could be affected by the rate of prepayment of the Collateral Assets. Payments to the Income Notes at a rate slower than the rate anticipated by investors purchasing the Income Notes at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Income Notes at a rate faster than the rate anticipated by investors purchasing the Income Notes at a premium will result in an actual yield that is lower than anticipated by such investors.
- **Changes in Tax Laws**
  - The Collateral Assets are not permitted to be subject to withholding tax at the time of purchase, unless the issuer thereof is required to make "gross-up" payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Income Notes and Secured Notes.
  - In case of a Withholding Tax Event (as defined in the Offering Circular), holders of more than 50% of any affected Note may require the issuer to liquidate the collateral on any Payment Date, and redeem the Class S, A, B, C, D and E Notes, prior to any distributions to holders of Income Notes.



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## I. Transaction Overview

Note: The information in this section is preliminary and subject to change

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## Hudson Mezzanine Funding 2006-1

### Transaction Overview

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- Hudson CDO program was developed by Goldman Sachs in 2006 to create a consistent, programmatic approach to invest in attractive relative value opportunities in the RMBS and structured product market
  - We successfully launched Hudson High Grade in September. This is a continuation of the program using mezzanine quality RMBS
- Hudson CDOs are non-managed and static in nature and provide term non-recourse funding where Goldman Sachs acts as Liquidation Agent on an ongoing basis
- The portfolio composition of Hudson Mezzanine Funding 2006-1 will consist of 100% CDS on RMBS.
  - 60% of the RMBS will be single name CDS on all 40 obligors in ABX 2006-1 and ABX 2006-2
  - 40% of the will consist of single name CDS on 2005 and 2006 vintage RMBS
- ABX Baa2 and Baa3 tranches trade approximately 30bps wider than the single name CDS on the 40 obligors representing the ABX
  - Hudson Funding will capture this basis arbitrage and the single name CDS will be put in at current ABX market levels. Term non-recourse execution of Hudson will lock in the arbitrage for the benefit of debt and equity investors
- Goldman Sachs has aligned incentives with the Hudson program by investing in a portion of equity and playing the ongoing role of Liquidation Agent. The Liquidation Agent will be responsible for efficiently selling credit risk assets



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## Hudson Mezzanine Funding 2006-1, LTD

### Transaction Overview

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- Super Seniors have been executed with one large, sophisticated Wall Street investor in unfunded form
- This is a typical CASHFLOW CDO with O/C triggers. This is NOT a tranching Index CDO
- Goldman Sachs, in the role of Liquidation Agent, will:
  - Warehouse assets during the portfolio aggregation phase prior to closing
  - Liquidate any asset within one year after such asset performs below certain threshold levels determined prior to closing
- Goldman Sachs expects to invest in a portion of the Income Notes
- Goldman Sachs' objective is to develop a long term association with selected partners that can adapt to and take advantage of market opportunities
  - The goal is to create attractive proprietary investments by leveraging expertise of both Goldman Sachs CDO and Mortgage Desks while maintaining a consistent approach and creating a unified issuance program across multiple transactions



## Hudson Mezzanine Funding 2006-1, LTD

### Transaction Overview

- Hudson Funding is a “static” mezzanine structured product CDO with the following features:
  - No exposure to reinvestment spread risk or reliance on reinvestment to generate excess interest to cover debt
  - No fixed rate assets
  - 100% RMBS
  - No assets without an initial rating of at least Baa3 by Moody's or BBB- by S&P. Average WARF in the portfolio is expected to be 485
  - Overall transaction cost structure is significantly less than comparable mezzanine structured product CDOs in the market
  
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be “credit risk” securities will be sold by the Liquidation Agent within one year of such determination
  
- Goldman Sachs will act as Structuring, Placement and Liquidation Agent for Hudson Funding and will warehouse the portfolio prior to closing
  - Goldman Sachs will charge 10 bps ongoing fee for its role as Liquidation Agent
  
- Goldman Sachs' portfolio selection process:
  - Assets sourced from the Street. Hudson Funding is **NOT** a Balance Sheet CDO
  - Goldman Sachs CDO desk pre-screens and evaluates non ABX related assets for portfolio suitability
  - Goldman Sachs CDO desk reviews individual assets in conjunction with respective mortgage trading desks (Subprime, Midprime, Prime, etc.) and makes decision to add or decline
  - All CDS use rating agency approved confirms (pay as you go)



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## Hudson Mezzanine Funding 2006-1, LTD

### Transaction Overview - Asset Selection / Asset Liquidation

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- Portfolio Aggregation Strategy:
  - 60% of portfolio will consist of the 40 obligors in ABX 2006-1 and ABX 2006-2
  - Select only assets rated explicitly Baa3/BBB- (Moody's / S&P) and above. No notched rating of below Baa3 in the portfolio
  - No Fixed rate assets allowed decreasing interest rate swap basis mismatch
  - Maximum obligor concentrations is 1.5% creating a very granular portfolio with 100 distinct obligors
  - Target portfolio with Weighted Average Rating Factor of 485 and duration weighted average spread of 184 bps
  
- Goldman Sachs, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" asset within 12 months of such determination. "Credit risk" assets will include:
  - Any asset downgraded by Moody's or S&P to below Ba3 or BB-
  - Any asset that is defaulted or would be experiencing a credit event as defined by the PAUG confirm
  
- Expected collateral quality statistics at closing
  - WARF: 485
  - Moody's Asset Correlation ("MAC") at closing: [23]
  - Duration weighted average portfolio spread: 184 bps
  - Weighted Average Duration: 4.0 years



## Hudson Mezzanine Funding 2006-1, LTD

### Transaction Overview – Preliminary Capital Structure

| Classes      | Ratings (M/S) | Expected Principal Balance | % of Capital Structure | Coupon          | Expected AL | Initial OC |
|--------------|---------------|----------------------------|------------------------|-----------------|-------------|------------|
| Class S      | Aaa/AAA       | \$12.10 MM                 | N/A                    | Not Offered     | 2.8 yrs     | N/A        |
| Senior Swap  | Aaa/AAA       | \$1,200 MM                 | 60.00%                 | Not Offered     | 3.9 yrs     | 166.7%     |
| Class A-1    | Aaa/AAA       | \$150 MM                   | 7.5%                   | 1M LIBOR + [ ]% | 5.0 yrs     | 133.3%     |
| Class A-2    | Aaa/AAA       | \$150 MM                   | 7.5%                   | 1M LIBOR + [ ]% | 5.1 yrs     | 133.3%     |
| Class B      | Aa2/AA        | \$160 MM                   | 7.5%                   | 1M LIBOR + [ ]% | 5.1 yrs     | 120.5%     |
| Class C      | A2/A          | \$100 MM                   | 8.0%                   | 1M LIBOR + [ ]% | 5.2 yrs     | 113.6%     |
| Class D      | Baa2/BBB      | \$150 MM                   | 5.0%                   | 1M LIBOR + [ ]% | 5.1 yrs     | 104.7%     |
| Class E      | Ba1/BB+       | \$30 MM                    | 7.5%                   | 1M LIBOR + [ ]% | 5.3 yrs     | 103.1%     |
| Income Notes | N/A           | \$60 MM                    | 1.5%                   | N/A             | N/A         | N/A        |



## Hudson Mezzanine Funding 2006-1

### Transaction Overview

- Hudson Mezzanine CDO is a pure RMBS CDO and will look very different than most mezzanine deals currently in the market. Hudson will have none of the following:
  - CDO bucket
  - Negative convexity product (fixed rate RMBS)
  - BB bucket

|                             | Cairn Mezz<br>ABS CDO II | Octans CDO II | Gemstone VI | Longwood | Hudson<br>Mezz CDO |
|-----------------------------|--------------------------|---------------|-------------|----------|--------------------|
| Ongoing Fees (bps)          | 25                       | 15            |             | 40       | 10                 |
| Max CDO bucket              | 10%                      | 10%           | 5%          | 5%       | NONE               |
| Fixed rate bucket           | 5%                       | NONE          | 10%         | 10%      | NONE               |
| BB bucket                   | NONE                     | 3%            | 8%          | 5%       | NONE               |
| Covenant/Expected<br>WARF   | 525                      | 500           | 520         | 450      | 485                |
| Covenant/Expected<br>Spread | 1.64%                    | 1.46%         | 1.80%       | 1.75%    | 1.84%              |

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## II. Transaction Details

Note: The information in this section is preliminary and subject to change

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## Transaction Details

### General Information

|                                                            |                                                                                                                                                                                                   |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuers:</b>                                            | Hudson Mezzanine Funding 2006-1, LTD, and Hudson Mezzanine Funding 2006-1, Corp.                                                                                                                  |
| <b>Liquidation Agent, Structuring and Placement Agent:</b> | Goldman, Sachs & Co.                                                                                                                                                                              |
| <b>Trustee:</b>                                            | [ ]                                                                                                                                                                                               |
| <b>Liquidation Agent Fee:</b>                              | 10 bps per annum payable senior to all the Notes                                                                                                                                                  |
| <b>Reinvestment Period:</b>                                | None                                                                                                                                                                                              |
| <b>Discretionary Trading:</b>                              | None. Liquidation Agent will sell credit-risk assets based on pre-determined rules and the clean proceeds will be treated as principal paydowns                                                   |
| <b>Ramp-Up Period:</b>                                     | None                                                                                                                                                                                              |
| <b>Non-Call Period:</b>                                    | Approximately 3 years. Callable in whole on or after April 2010 by a majority vote of the Income Notes                                                                                            |
| <b>Auction Call:</b>                                       | Commences on April 2015. Conducted annually thereafter                                                                                                                                            |
| <b>Call Price:</b>                                         | Par plus all accrued for Secured Notes and unpaid principal balance of the equity. There is no call premium to the Income Notes                                                                   |
| <b>Payment Frequency:</b>                                  | Monthly on Class S, Senior Swap, Class A, B, C, D and Class E Notes, Quarterly for Income Notes                                                                                                   |
| <b>Controlling Class:</b>                                  | Class S, Senior Swap and Class A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, D and Class E Notes in that order until each Class is paid in full |



## Transaction Details

### Collateral Profile

|                                             |                                                                                                                                                                                                                                                                   |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Moody's WARF</b>                         | 485                                                                                                                                                                                                                                                               |
| <b>Purchased Collateral</b>                 | All collateral assets can be classified as RMBS, CDO or CLO Securities                                                                                                                                                                                            |
| <b>Ratings Profile</b>                      | <ul style="list-style-type: none"> <li>■ 100% of the assets are rated at least Baa3 and BBB- by Moody's and S&amp;P</li> </ul>                                                                                                                                    |
| <b>Target Obligor Concentration Profile</b> | <ul style="list-style-type: none"> <li>■ Maximum Obligor concentration: 1.5%</li> </ul>                                                                                                                                                                           |
| <b>Collateral Haircuts:</b>                 | <ul style="list-style-type: none"> <li>■ 20% applied to Double-B Assets prior to sale</li> <li>■ 40% applied to Single-B Assets prior to sale</li> <li>■ 75% applied to Triple-C Assets prior to sale</li> <li>■ 100% applied to Defaulted Obligations</li> </ul> |



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### III. Portfolio Composition

Note: The information in this section is preliminary and subject to change

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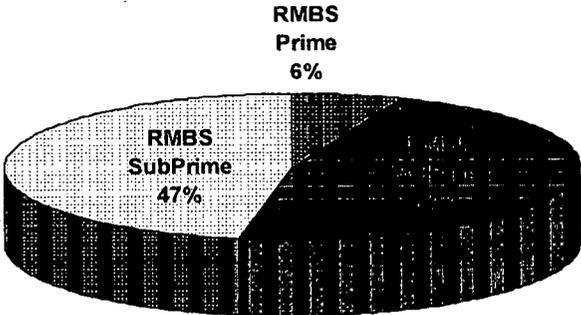
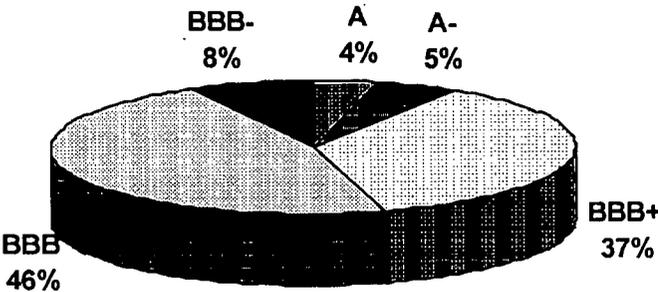


# Portfolio Composition

## Target Portfolio

Collateral<sup>[2]</sup>

Credit Ratings<sup>(1)[2]</sup>



<sup>1</sup> Based on higher of S&P and Moody's rating for each asset.  
<sup>2</sup> Represents the Current Portfolio as of September 26 2006. Please refer to the final Offering Circular for final portfolio details.



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## Portfolio Highlights

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- Portfolio WARF is 485
- No CDOs
- All investment grade rated RMBS. No BBs
- No fixed rate assets
- No Option ARM assets



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## IV. Scenario Analysis and Modeling Assumptions

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## Scenario Analysis

### Debt Breakeven Analysis

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- REVISING

*Note: Default Rate is assumed to be a percentage of outstanding collateral. Defaults begin occurring beginning of month 18 through the life of the transaction. See the "Modeling Assumptions" page in the marketing book for further details.*

*Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.*

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## Scenario Analysis

### Modeled CDO Paydown Structure

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- REVISING

*Note: Assumes no losses. See "Modeling Assumptions." Actual paydown may vary significantly from that shown. Assumes Auction call in year 8.*

*Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.*

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## Modeling Assumptions [Revising]

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

| Liability Structure | Par %  | Initial OC | Target OC |
|---------------------|--------|------------|-----------|
| Class S Notes       | NA     | NA         | NA        |
| Senior Swap         | 60.00% |            |           |
| Class A-1 Notes     | 7.50%  |            |           |
| Class A-2 Notes     | 7.50%  |            |           |
| Class B Notes       | 4.05%  |            |           |
| Class C Notes       | 1.35%  |            |           |
| Class D Notes       | 60.00% |            |           |
| Class E Notes       | 8.25%  |            |           |
| Income Notes        | 4.05%  |            |           |

- LIBOR rates are based on the forward curve as of September 1, 2006.
- The deal's amortizing interest rate swap is put into place on the Closing Date.
- The Closing Date is November 1, 2006, and the first Payment Date on the Class S, A and B Notes is February 2, 2007 and the first Payment Date on the Class C and D Notes and Income Notes is March 2, 2007.
- The CDO is 100% invested on the Closing Date.
- Collateral average coupon and spread in each period are calculated based on the weighted average expected coupon and spread on each Collateral Asset outstanding during such period
- Coupon, margin over LIBOR, and fixed and floating rate percentages listed above are based on composition of actual warehouse assets as of September 5, 2006.

*Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.*



## Modeling Assumptions

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

- Expenses are paid at the end of each period at 0.01% per annum of the outstanding collateral balance. Analysis also includes, among other things, structuring fees, surveillance fees, underwriting fees and upfront legal plus other expenses totaling approximately [ ]% of the total collateral pool payable upfront and [ ]% of the outstanding collateral pool payable ongoing
- Asset payments received in CDO payment month are paid in that same applicable payment period
- Any sale proceeds and scheduled and unscheduled Principal Proceeds will be used, first, to redeem the Class A Notes until the Class A Note Target Overcollateralization Ratio is met, second, to redeem the Class B Notes until the Class B Note Target Overcollateralization Ratio is met, third, to redeem the Class C Notes until the Class C Note Target Overcollateralization Ratio is met and then will be paid to the Class D Notes
- Pro-rata payment among classes is assumed once the Target Overcollateralization levels are met unless defaults reduce Overcollateralization Ratios below Target Overcollateralization levels or if the collateral balance falls below \$450mm
- After current interest (including interest on deferred and capitalized interest) is paid, the Class D Notes receive a scheduled principal payment (the "Class D Amortizing Principal Payment") equal to \$[75,000] per quarter for the first 12 months and \$[50,000] per quarter thereafter
- OC Test Levels: Class A/B – 101.5[ ] made on the 2nd of each month, and all collateral payments are assumed to be received 7.5 days prior to each payment
- While held in cash, all interest and principal receipts are assumed to earn a per annum rate of 1m LIBOR minus 0.25%
- No trading gains or call premiums are assumed
- Defaults, if applicable, start 18 months after issuance and default rate is assumed to be a percentage of outstanding collateral, unless otherwise specified
- Recoveries are realized immediately upon default at a 60% recovery rate

*Potential investors should review the definitive Offering Circular relating to the Notes, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Notes. The definitive Offering Circular will supersede this document in its entirety.*

7/20/08  
7:50 PM



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## Appendix A – Portfolio Asset List

Note: The information in this section is preliminary and subject to change

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## Portfolio Composition

Comprehensive CDO Collateral Asset List:

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## Portfolio Composition

Comprehensive CDO Collateral Asset List:

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7/1/09



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## Portfolio Composition

Comprehensive CDO Collateral Asset List:

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*[Handwritten scribbles]*



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## Portfolio Composition

Comprehensive CDO Collateral Asset List:

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7



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## Appendix B – Goldman Sachs Contact Information

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7-22-5



## Hudson High Grade Funding 2006-1, LTD

Team Contact Information [TO REVISE]

### Goldman, Sachs & Co. – Structuring, Placement and Liquidation Agent

#### Structured Product CDOs – Structuring, Marketing and Principal Investments

|                   |                |
|-------------------|----------------|
| Peter Ostrem      | (212) 357-4617 |
| Darryl K. Herrick | (212) 902-9305 |
| Deva Mishra       | (212) 902-1376 |
| Roman Shimonov    | (212) 902-2592 |

#### Syndication

|                           |                    |
|---------------------------|--------------------|
| Bunty Bohra               | (212) 902-7645     |
| Scott Wisenbaker          | (212) 902-2858     |
| Mitchell Resnick (London) | +44 (20) 7774-3068 |
| Omar Chaudhary (Tokyo)    | +81 (3) 6437-7198  |
| Scott Walter              | (212) 357-8910     |
| Tetsuya Ishikawa(London)  | +44 (20) 7774-1025 |

All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in the final Offering Circular for any securities actually sold to you. The securities have not been and will not be registered under the Securities Act of 1933, as amended, and the issuers will not be registered under the Investment Company Act of 1940, as amended. This Term Sheet is furnished to prospective investors on a confidential basis solely for the purposes of evaluating the investment offered hereby. The information contained herein may not be reproduced or used in whole or in part for any other purposes.

## Preliminary Termsheet

September [ ], 2006



# Hudson Mezzanine Funding 2006-1, LTD.

## \$2.0 Billion Static Mezzanine Structured Product CDO

Note: The Class S, Senior Swap, A, B, C, D and E Notes (the "Notes") have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being sold (a) in the United States only to qualified institutional buyers ("QIBs") in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A who are also qualified purchasers as defined in the Investment Company Act of 1940, and (b) outside the United States to non-U.S. persons in reliance on Regulation S.

| Security     | Expected Par Amount | % of Par | Initial Over-Collateralization | Expected Ratings (Moody's/S&P) | Coupon      | Expected Avg Life |
|--------------|---------------------|----------|--------------------------------|--------------------------------|-------------|-------------------|
| Class S      | [ ]                 | N/A      | N/A                            | Aaa/AAA                        | Not Offered | [2.8]             |
| Senior Swap  | \$1,200.0 MM        | 60.00%   | 166.7%                         | Aaa/AAA                        | Not Offered | [3.7]             |
| Class A1     | \$150.0 MM          | 7.50%    | 133.3%                         | Aaa/AAA                        | 1mL+[ ] bps | [2.0]             |
| Class A2     | \$150.0 MM          | 7.50%    | 133.3%                         | Aaa/AAA                        | 1mL+[ ] bps | [6.0]             |
| Class B      | \$160.0 MM          | 8.00%    | 120.5%                         | Aa2/AA                         | 1mL+[ ] bps | [5.1]             |
| Class C      | \$100.0 MM          | 5.00%    | 113.6%                         | A2/A                           | 1mL+[ ] bps | [5.3]             |
| Class D      | \$150.0 MM          | 7.50%    | 104.7%                         | Baa2/BBB                       | 1mL+[ ] bps | [5.1]             |
| Class E      | \$30.0 MM           | 1.50%    | 103.1%                         | Ba1/BB+                        | 1mL+[ ] bps | [5.3]             |
| Income Notes | \$60.0 MM           | 3.00%    | N/A                            | NR                             | N/A         | N/A               |

## Transaction Overview

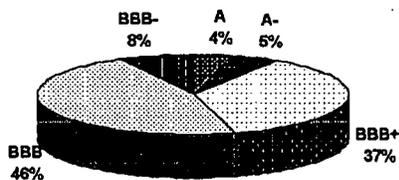
- Hudson Mezzanine Funding 2006-1 will be a static \$2.0 billion cashflow CDO consisting of a diversified portfolio of single-name credit default swaps on RMBS securities.
- Goldman Sachs, & Co. ("Goldman") selects the assets.
- 60% of the assets will be single name CDS referencing all forty obligors in ABX 2006-1 and ABX 2006-2.
- The portfolio consists of collateral which is rated at least Baa3 and BBB- with an average rating of Baa2/Baa3. 100% will be real-estate related securities.
- Low fee structure and less "bar-belled" portfolio than other mezzanine CDOs in the current market
- Goldman, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" within 12 months of said determination. Credit Risk assets will include:
  - Any asset downgraded by Moody's or S&P below Baa3 or BB-
  - Any asset that is defaulted or would be experiencing a credit event as defined by the PAUG confirm
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" will be sold by the Liquidation Agent within one year of such determination.
- Goldman will invest in a portion of the Income Notes at closing.

## Structural Highlights

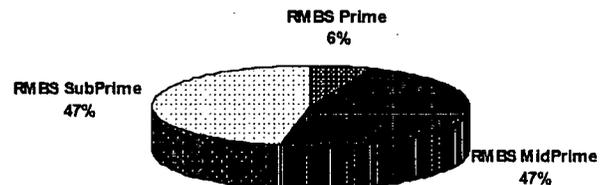
- Pure static structure eliminates reinvestment risk and shortens expected weighted average lives on liabilities
  - No reinvestment, substitution, or discretionary trading
  - Proceeds from credit-risk sales will be treated as principal paydowns or notional reduction of the Senior Swap
- Liquidation Agent Fees: 10 bps per annum
- 100% ramped at closing and 100% certainty of all assets in collateral portfolio to be included in transaction
- No fixed rate assets in the portfolio eliminates possibility of an interest rate swap hedge mismatch

## Current Portfolio Characteristics

|                                        |             |
|----------------------------------------|-------------|
| Par Value of Collateral (\$MM)         | \$2,000     |
| Total Expected Portfolio Size (\$MM)   | \$2,000     |
| % Ramped                               | 100%        |
| Moody's Weighted Average Rating Factor | 485         |
| Weighted Average Life                  | [4.0] years |
| Number of Positions                    | 140         |
| Distinct Obligors                      | 100         |
| Duration Weighted DM                   | [184] bps   |

Ratings Composition of Target Warehouse Portfolio <sup>(1)</sup>

## Sector Composition of Target Warehouse Portfolio



(1) Based on S&amp;P Ratings

## CDO Structuring, Marketing and Principal Investments

Peter Ostrem +1 (212) 357-4617  
Darryl Herrick +1 (212) 902-9305

## Syndicate

Burly Bohra +1 (212) 357 4617  
Scott Wisenbaker +1 (212) 902 2858  
Mitch Resnick +44 20 7774 3068  
Omar Chaudhary +81 3 6437 7198

No securities are being offered by these summary materials. If the securities described herein or other securities are ultimately offered, they will be offered only pursuant to a definitive Offering Circular, and prospective investors who consider purchasing any such securities should make their investment decisions based only upon the information provided therein (including the "Risk Factors" section contained therein) and consultation with their own advisers. This material is for your private information and we are not soliciting any action based upon it. This material is not to be construed as an offer to sell or the solicitation of any offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This material is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. By accepting this material the recipient agrees that it will not distribute or provide the material to any other person. The information contained in this material may not pertain to any securities that will actually be sold. The information contained in this material may be based on assumptions regarding market conditions and other matters as reflected therein. We make no representations regarding the reasonableness of such assumptions or the likelihood that any of such assumptions will coincide with actual market conditions or events, and this material should not be relied upon for such purposes. We and our affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this material may, from time to time, have long or short positions in, and buy and sell, the securities mentioned therein or derivatives thereof (including options). Information contained in this material is current as of the date appearing on this material only. Information in this material regarding any assets backing any securities discussed herein supersedes all prior information regarding such assets. All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in any final Offering Circular for any securities actually sold to you. Goldman Sachs does not provide accounting, tax or legal advice. In addition, we mutually agree that, subject to applicable law, you may disclose any and all aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits expected to be claimed with respect to such transactions, and all materials of any kind (including tax opinions and other tax analyses) relating to those benefits, without Goldman Sachs imposing limitation of any kind.

All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in the final Offering Circular for any securities actually sold to you. The securities have not been and will not be registered under the Securities Act of 1933, as amended, and the issuers will not be registered under the Investment Company Act of 1940, as amended. This Term Sheet is furnished to prospective investors on a confidential basis solely for the purposes of evaluating the investment offered hereby. The information contained herein may not be reproduced or used in whole or in part for any other purposes.

### Transaction Details

**Issuer:** Hudson Mezzanine Funding 2006-1, LTD, incorporated with limited liability in the Cayman Islands

**Co-Issuer:** Hudson Mezzanine Funding 2006-1, Corp, corporation organized under the laws of the State of Delaware

**Liquidation Agent:** Goldman, Sachs & Co.

**Trustee:** [ ]

**Initial Purchaser:** Goldman Sachs & Co.

**Offering Type:** Reg S (Non-U.S. Persons only), Rule 144A. Rule 144A purchasers must be qualified purchasers under the Investment Company Act of 1940

**Listing, Clearing & Settlement:** Application may be made to admit the securities on a stock exchange at the Issuer's choice, if practicable. There can be no assurance that any such application will be made and that any such admission will be granted. The Class S, A, B, C, D and E Notes will settle through Euroclear/Clearstream/DTC. Notes will settle with accrued interest, if any, from the Closing Date. The initial LIBOR Rate on the S, A, B, C, D and E Notes will be set two business days prior to the Closing Date

**Reinvestment Period:** None

**Non-Call Period:** Approximately three years. Callable in whole on or after April 2010 by a majority vote of the Income Notes

**Auction Call Date:** Starting April 2015 and annually in April thereafter

**Minimum Call Price:** Class S, A, B, C, D and E Notes (if issued) at par plus accrued interest. There is no call premium to the Income Notes

**Legal Final Maturity:** April 2042 for the [Senior Swap], Class A, B, C, D and E Notes. April [2015] for the Class S

**Payment Frequency:** The Senior Swap, Class S, A, B, C, D and E Notes will receive premium and interest payments monthly, commencing April 2007. The Senior Swap, Class S, A, B, C, D and E Notes will receive principal payments and reduce outstanding principal amounts monthly, commencing April 2007. Income Notes will receive distributions according to the payment waterfall quarterly, commencing April 2007

**Liquidation Agent Fee:** 10 bps per annum, payable senior to premium on the Senior Swap and payable monthly, commencing April 2007

**ERISA Eligible:** The Class S, A, B, C, and D Notes are expected to be ERISA eligible, assuming that the purchase is not a prohibited transaction for the purchaser

**Tax Treatment:** Class S, Senior Swap, A, B, C, and D Notes will be treated as debt

**Controlling Class:** The Class S, Senior Swap and A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, Class D and Class E Notes in that order until each Class is paid in full

**Collateral:** Single name credit default swaps referencing RMBS securities

### Coverage Tests

| Coverage Test                                   | Expected Closing Date Values | Target OC Coverage Required | Minimum Ongoing OC Coverage Requirement |
|-------------------------------------------------|------------------------------|-----------------------------|-----------------------------------------|
| Senior Overcollateralization Ratio <sup>1</sup> | [ 120.5]%                    | [ 122.5]%                   | [ 114.0]%                               |
| Class C Note Overcollateralization Ratio        | [ 113.6]%                    | [ 115.0]%                   | [ 108.0]%                               |
| Class D Note Overcollateralization Ratio        | [ 104.7]%                    | [ 106.1]%                   | [ 101.6]%                               |
| Class E Note Overcollateralization Ratio        | [ 103.1]%                    | [ 104.3]%                   | [ 101.0%] <sup>2</sup>                  |

<sup>1</sup> The Senior Swap, Class A and Class B ratios will be combined and known as Senior OC ratios

<sup>2</sup> Class E Interest Diversion Test set at 101.0%. After regular payments of premium, interest, amortization and principal to the Senior Swap, Class S, A, B, C, D and E Notes but before any payment to the Income Notes, if the Class E Note Overcollateralization Ratio is less than 101.0%, then all excess interest proceeds will be paid to amortize the principal balance of the Class E Note

### Synthetic Securities

**Synthetic Securities:** Pay-As-You-Go ("PAUG") ISDA

**Interest Shortfall Basis:** Fixed Cap Applicable

**Credit Events:** Writedown  
Failure to Pay Principal  
Distressed Ratings Downgrade

**Default Swap Collateral:** Proceeds from the issuance of the securities deposited with Goldman Sachs in exchange for Default Swap Collateral. Default Swap Collateral will be delivered to Goldman, (i) to settle any Credit Events, (ii) to pay Physical Settlement Amounts, (iii) to pay certain Synthetic Security Termination Payments and in exchange for Synthetic Security Counterparty Principal Payments. If the Default Swap Collateral is not sufficient to settle any Credit Event, pay any Physical Settlement Amount, or to pay any such Synthetic Security Termination Payment, generally, the Senior Swap Counterparty will pay such amounts.

No securities are being offered by these summary materials. If the securities described herein or other securities are ultimately offered, they will be offered only pursuant to a definitive Offering Circular, and prospective investors who consider purchasing any such securities should make their investment decisions based only upon the information provided therein (including the "Risk Factors" section contained therein) and consultation with their own advisers. This material is for your private information and we are not soliciting any action based upon it. This material is not to be construed as an offer to sell or the solicitation of any offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This material is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. By accepting this material the recipient agrees that it will not distribute or provide the material to any other person. The information contained in this material may not pertain to any securities that will actually be sold. The information contained in this material may be based on assumptions regarding market conditions and other matters as reflected therein. We make no representations regarding the reasonableness of such assumptions or the likelihood that any of such assumptions will coincide with actual market conditions or events, and this material should not be relied upon for such purposes. We and our affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this material may, from time to time, have long or short positions in, and buy and sell, the securities mentioned therein or derivatives thereof (including options). Information contained in this material is current as of the date appearing on this material only. Information in this material regarding any assets backing any securities discussed herein supersedes all prior information regarding such assets. All information in this Term Sheet, whether regarding the assets backing any securities discussed herein or otherwise, will be superseded by the information contained in any final Offering Circular for any securities actually sold to you. Goldman Sachs does not provide accounting, tax or legal advice. In addition, we mutually agree that, subject to applicable law, you may disclose any and all aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits expected to be claimed with respect to such transactions, and all materials of any kind (including tax opinions and other tax analyses) relating to those benefits, without Goldman Sachs imposing limitation of any kind.

---

**From:** Herrick, Darryl K  
**Sent:** Saturday, September 30, 2006 7:17 PM  
**To:** Bieber, Matthew G.  
**Subject:** Re: Hudson Mezz

Thanks

----- Original Message -----  
**From:** Bieber, Matthew G.  
**To:** Herrick, Darryl K  
**Sent:** Sat Sep 30 19:13:55 2006  
**Subject:** RE: Hudson Mezz

Left some comments on your chair.

---

**From:** Herrick, Darryl K  
**Sent:** Saturday, September 30, 2006 11:54 AM  
**To:** Ostrem, Peter L; Case, Benjamin; Bieber, Matthew G.  
**Subject:** Hudson Mezz

<< File: Hudson Mezz Debt Book 2006-09-283.ppt >> << File: Hudson Mezz Termsheet 2006-09-27 Sales.doc >>

Team, We are planning to begin marketing Hudson Mezz this week

I have attached is the marketing book and term sheet as it currently stands (still updating stress runs)

Would appreciate any feedback/comments you have on this because it discusses the current CDO and more importantly what our desk's strategy is with Hudson program for the future. Be interested in getting everyone's color

I am in the office tomorrow so can talk then or whenever you get a chance can reach me on my cell (646) 526-8256  
Darryl

---

**From:** Swenson, Michael  
**Sent:** Wednesday, September 27, 2006 6:32 PM  
**To:** Birnbaum, Josh  
**Subject:** Abx cdo

I am concerned that the levels we put on the abx cdo for single-a and triple-bs do not compare favorably with the single-a off of a abx 1 + abx 2 trade.

We need a goog story as to why we think the risk is different.

(Multicurrency—Cross Border)

**ISDA®**

International Swap Dealers Association, Inc.

**MASTER AGREEMENT**

dated as of December 1, 2006

among

GOLDMAN SACHS INTERNATIONAL and HUDSON MEZZANINE FUNDING 2006-1, LTD.

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows: —

**1. Interpretation**

(a) **Definitions.** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

**2. Obligations****(a) General Conditions.**

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

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**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2267**

Confidential Treatment Requested by

GS MBS-E-021822056

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:—

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) **Deduction or Withholding for Tax.**

(i) **Gross-Up.** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

- (1) promptly notify the other party ("Y") of such requirement;
- (2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and
- (4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) **Liability.** If:—

- (1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);
- (2) X does not so deduct or withhold; and
- (3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. **Representations**

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:—

(a) **Basic Representations.**

- (i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
- (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
- (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) **Payer Tax Representation.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) **Payee Tax Representations.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

#### 4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) **Tax Agreement.** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) **Payment of Stamp Tax.** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated,

organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

#### 5. Events of Default and Termination Events

(a) *Events of Default.* The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:—

(i) *Failure to Pay or Deliver.* Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) *Breach of Agreement.* Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) *Credit Support Default.*

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) *Misrepresentation.* A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) *Default under Specified Transaction.* The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) *Cross Default.* If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however

described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) *Bankruptcy*. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party: —

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) *Merger Without Assumption*. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: —

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) *Termination Events*. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:—

- (i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party): —
- (1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or
  - (2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;
- (ii) **Tax Event.** Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));
- (iii) **Tax Event Upon Merger.** The party (the “Burdened Party”) on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);
- (iv) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or
- (v) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).
- (c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

## 6. Early Termination

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Transfer to Avoid Termination Event.** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) **Right to Terminate.** If: —

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then

continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) *Effect of Designation.*

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) *Calculations.*

(i) *Statement.* On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) *Payment Date.* An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) *Payments on Early Termination.* If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) *Events of Default.* If the Early Termination Date results from an Event of Default: —

(1) *First Method and Market Quotation.* If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) *First Method and Loss.* If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) *Second Method and Market Quotation.* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the

Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss*. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) *Termination Events*. If the Early Termination Date results from a Termination Event: —

(1) *One Affected Party*. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties*. If there are two Affected Parties: —

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) *Adjustment for Bankruptcy*. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) *Pre-Estimate*. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7/10/05

## 7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that: —

- (a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and
- (b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

## 8. Contractual Currency

(a) *Payment in the Contractual Currency.* Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) *Judgments.* To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) *Separate Indemnities.* To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) *Evidence of Loss.* For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

## 9. Miscellaneous

- (a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
- (b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
- (c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.
- (d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.
- (e) **Counterparts and Confirmations.**
- (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
- (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.
- (f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.
- (g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

## 10. Offices; Multibranch Parties

- (a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.
- (b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.
- (c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

## 11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document

to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

## 12. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;
- (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);
- (iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or
- (v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

## 13. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

- (i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and
- (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Service of Process.** Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any

reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) *Waiver of Immunities.* Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

#### 14. Definitions

As used in this Agreement:—

*"Additional Termination Event"* has the meaning specified in Section 5(b).

*"Affected Party"* has the meaning specified in Section 5(b).

*"Affected Transactions"* means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

*"Affiliate"* means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

*"Applicable Rate"* means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

*"Burdened Party"* has the meaning specified in Section 5(b).

*"Change in Tax Law"* means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

*"consent"* includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

*"Credit Event Upon Merger"* has the meaning specified in Section 5(b).

*"Credit Support Document"* means any agreement or instrument that is specified as such in this Agreement.

*"Credit Support Provider"* has the meaning specified in the Schedule.

*"Default Rate"* means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

**"Defaulting Party"** has the meaning specified in Section 6(a).

**"Early Termination Date"** means the date determined in accordance with Section 6(a) or 6(b)(iv).

**"Event of Default"** has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

**"Illegality"** has the meaning specified in Section 5(b).

**"Indemnifiable Tax"** means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

**"law"** includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and **"lawful"** and **"unlawful"** will be construed accordingly.

**"Local Business Day"** means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

**"Loss"** means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

**"Market Quotation"** means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have

been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

**"Non-default Rate"** means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

**"Non-defaulting Party"** has the meaning specified in Section 6(a).

**"Office"** means a branch or office of a party, which may be such party's head or home office.

**"Potential Event of Default"** means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

**"Reference Market-makers"** means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

**"Relevant Jurisdiction"** means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

**"Scheduled Payment Date"** means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

**"Set-off"** means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

**"Settlement Amount"** means, with respect to a party and any Early Termination Date, the sum of: —

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

**"Specified Entity"** has the meanings specified in the Schedule.

**"Specified Indebtedness"** means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

**"Specified Transaction"** means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

**"Stamp Tax"** means any stamp, registration, documentation or similar tax.

**"Tax"** means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

**"Tax Event"** has the meaning specified in Section 5(b).

**"Tax Event Upon Merger"** has the meaning specified in Section 5(b).

**"Terminated Transactions"** means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

**"Termination Currency"** has the meaning specified in the Schedule.

**"Termination Currency Equivalent"** means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

**"Termination Event"** means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

**"Termination Rate"** means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

**"Unpaid Amounts"** owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (h) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

Goldman Sachs International  
(Party A)

Hudson Mezzanine Funding 2006-1, Ltd.  
(Party B)

By:   
Name: \_\_\_\_\_  
Title: Matthew Flett  
Authorised Signatory

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

**Goldman Sachs International**  
*(Party A)*

**Hudson Mezzanine Funding 2006-1, Ltd.**  
*(Party B)*

By: \_\_\_\_\_  
Name:  
Title:

By:  \_\_\_\_\_  
Name: **Carrie Bunton**  
Title: **Director**

**SCHEDULE**

to the

**ISDA MASTER AGREEMENT**

dated as of

**December 1, 2006**

between

**GOLDMAN SACHS INTERNATIONAL,**

a company organized under the law of England and Wales

("GSI"),

and

**HUDSON MEZZANINE FUNDING 2006-1, LTD.,**

a corporation incorporated under the laws of the Cayman Islands

("Counterparty")

**Part 1. Termination Provisions**

## (a) "Specified Entity"

- (i) means, in relation to GSI, Goldman, Sachs & Co., Goldman Sachs Capital Markets, L.P., J. Aron & Company, Goldman Sachs (Japan) Ltd., Goldman Sachs International Bank, Goldman Sachs (Asia) Finance, Goldman Sachs Financial Markets, L.P., Goldman Sachs Paris Inc. et Cie, Goldman Sachs Mitsui Marine Derivative Products, L.P., Goldman, Sachs & Co. oHG, and J. Aron & Company (Singapore) Pte. for the purpose of Section 5(a)(v), and shall not apply for purposes of Sections 5(a)(vi), 5(a)(vii) and 5(b)(iv); and
- (ii) means, in relation to Counterparty, none for the purpose of Sections 5(a)(v), 5(a)(vi), 5(a)(vii) and 5(b)(iv).

## (b) "Specified Transaction". The term "Specified Transaction" in Section 14 of the Agreement is amended in its entirety as follows:

*"Specified Transaction"* means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such

party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, commodity spot transaction, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, weather swap, weather derivative, weather option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) that is currently, or in the future becomes, recurrently entered into the financial markets (including terms and conditions incorporated by reference in such agreement) and that is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, or economic indices or measures of economic risk or value, (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this agreement or the relevant confirmation.”

- (c) The “**Breach of Agreement**” provisions of Section 5(a)(ii) will not apply to GSI and will not apply to Counterparty
- (d) The “**Credit Support Default**” provisions of Section 5(a)(iii) will apply to GSI and will apply to Counterparty, but, in respect of Counterparty, shall be amended as follows:
  - (i) Section 5(a)(iii)(1) shall take effect with the words “relating to payment, delivery of collateral or the establishment or maintenance of, deposit to or withdrawal from the Collateral Account (as defined in the Indenture)” inserted after the words “any agreement or obligation” and by inserting the words “ and, for the avoidance of doubt, a default in the payment of any interest on a Class E Note while the Senior Swap or a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note is outstanding or, a default in the payment of any interest on a Class D Note while the Senior Swap or a Class S Note, Class A Note, Class B Note or Class C Note is outstanding or, a default in the payment of any interest on a Class C Note while the Senior Swap or a Class S Note, Class A Note or Class B Note is outstanding will not constitute a “Credit Support Default’ hereunder” at the end of such Section 5(a)(iii)(1).

- (ii) Section 5(a)(iii)(2) shall be replaced in its entirety by the following: “the expiration or termination of such Credit Support Document or the failure or ceasing of such Credit Support Document, or any security interest granted by such party or such Credit Support Provider to the other party pursuant to any such Credit Support Document, to be in full force and effect for the purpose of this Agreement (in each case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or”.
- (e) The “**Misrepresentation**” provisions of Section 5(a)(iv) will not apply to GSI and will not apply to the Counterparty.
- (f) The “**Default Under Specified Transaction**” provisions of Section 5(a)(v) will not apply to GSI and will not apply to the Counterparty.
- (g) The “**Cross Default**” provisions of Section 5(a)(vi) will not apply to GSI and will not apply to Counterparty.
- (h) The “**Bankruptcy**” provisions of Section 5(a)(vii) will apply to GSI and will apply to Counterparty, but, in respect of Counterparty, shall be amended as follows:
  - (i) Sections 5(a)(vii)(2) shall not apply,
  - (ii) Section 5(a)(vii)(3) shall take effect with the words “the Noteholders” substituted for “its creditors”,
  - (iii) The words “(which, for the avoidance of doubt, shall not be construed as meaning the Trustee appointed pursuant to the issue of the Notes)” shall be added after the word “trustee” in Section 5(a)(vii)(6),
  - (iv) Section 5(a)(vii)(6) and (7) shall take effect with the words “its assets comprised in the Pledged Assets (as defined in the Indenture)” substituted for “all or substantially all its assets”, and
  - (v) Section 5(a)(vii)(8) shall take effect with reference to the other clauses of Section 5(a)(vii) as amended by this Part 1(h) of the Schedule.
- (i) The “**Credit Event Upon Merger**” provisions of Section 5(b)(iv) will not apply to GSI and will not apply to Counterparty.
- (j) The “**Automatic Early Termination**” provision of Section 6(a) will not apply to GSI and will not apply to Counterparty.
- (k) **Payments on Early Termination.** For the purpose of Section 6(e):
  - (i) Market Quotation will apply.

- (ii) The Second Method will apply.
- (l) "Termination Currency" means United States Dollars.
- (m) The parties agree to amend the following subsections of Section 5(a) as follows:
  - (i) clause (i): in the third line of this clause, delete the word "third" and insert the word "first;"
  - (ii) clause (ii): in the fifth line of this clause, delete the word "thirtieth" and insert the word "fifth;" and
  - (iii) clause (vii)(4): delete, following the word "liquidation" in line 9, the clause beginning with "and, in the case of" and ending with the word "thereof" in line 13; and in Clause (vii)(7): delete, following the word "assets" in line 19, the clause beginning with "and such secured party" and ending with the word "thereafter" in line 21, to eliminate the 30-day grace period.
- (n) **Additional Termination Event** will apply.
  - (l) Each of the following shall constitute an Additional Termination Event with respect to Counterparty:
    - a. It shall be an Additional Termination if an Event of Default (as defined in the Indenture) with respect to the Notes occurs and is continuing and there has been a liquidation (in whole), or the commencement of a liquidation (in whole), of the assets of Counterparty as set forth in the Indenture.
    - b. It shall be an Additional Termination Event if Counterparty redeems the Secured Notes in full pursuant to the Indenture (from proceeds at least equal to the applicable Secured Redemption Price) or the outstanding principal balance of the Secured Notes amortizes down to zero.
    - c. It shall be an Additional Termination Event if, the Indenture is supplemented or amended without the consent of GSI and such supplement or amendment affects the provisions governing the rights of the Credit Protection Buyer (as such term is defined in the Indenture) and has, in the reasonable judgment of GSI, a material adverse effect on GSI, provided, however that such consent shall not be unreasonably withheld or delayed by GSI, provided further that GSI has notified the Counterparty that such supplement or amendment would have a material adverse effect on GSI after GSI has received notice of any such supplement or amendment in accordance with Section 8.1(g) of the Indenture.
    - d. It shall be an Additional Termination Event if GSI, in its capacity as Credit Protection Buyer is no longer a Secured Party under the Indenture

or if the Trustee's security interest in the Collateral and the Collateral Account is impaired or no longer existing.

For the purpose of each of the foregoing Additional Termination Events, the Affected Party shall be the Counterparty.

(II) The following shall constitute an Additional Termination Event with respect to GSI.

Failure by GSI to take any action required under the ratings downgrade provision set forth below, unless the Rating Agency Condition (as defined herein) has been satisfied notwithstanding such failure.

- (i) In the event that any Notes rated by S&P remain outstanding and the unsecured, unsubordinated debt rating of GSI or GSI's Credit Support Provider, whichever is higher, assigned by S&P at any time falls below "AA-" (or is on downgrade watch at "AA-") for its long term rating, and GSI shall fail to make the Expected Fixed Payment as set forth in the related Confirmation, GSI shall, or shall cause its Credit Support Provider to, within 30 days of the date of such downgrade:
  - (A) transfer all of its rights and obligations under this Agreement to another entity which has such required ratings; or
  - (B) cause an entity with such required ratings to guarantee or provide an indemnity in respect of GSI's or its Credit Support Provider's obligations under this Agreement in a manner which satisfies the Rating Agency Condition with respect to S&P.
- (ii) In the event that any Notes rated by Moody's remain outstanding and the unsecured, unsubordinated debt rating of GSI or GSI's Credit Support Provider, whichever is higher, assigned by Moody's at any time falls below "Aa3" for its long term rating (or is on downgrade watch at "Aa3"), and GSI shall fail to make the Expected Fixed Payment as set forth in the related Confirmation, GSI shall, or shall cause its Credit Support Provider to within 30 days of the date of such downgrade:
  - (A) transfer all of its rights and obligations under this Agreement to another entity which has such required ratings; or
  - (B) cause an entity with such required ratings to guarantee or provide an indemnity in respect of GSI's or its Credit Support Provider's obligations under this Agreement in a manner which satisfies the Rating Agency Condition with respect to Moody's.
- (iii) For the avoidance of doubt, GSI shall be responsible for:

- (i) locating a party with the required ratings to transfer (within 30 days and at its own cost) all its interest in and obligations under this Agreement or to guarantee or provide an indemnity in respect of, its obligations under this Agreement or to post collateral in accordance with the CSA; and
- (ii) any cost incurred by it in complying with its obligations under this Part 1(n).
- (iv) In the event that any Notes rated by S&P remain outstanding and the unsecured, unsubordinated debt rating of GSI or GSI's Credit Support Provider, whichever is higher, assigned by S&P at any time falls below "BBB+" for its long term rating and GSI or GSI's Credit Support Provider posts collateral under a CSA, GSI shall, or shall cause its Credit Support Provider to, within 30 days of the date of such downgrade to provide to Counterparty an opinion as to the enforceability of such CSA, subject to customary and usual assumptions, carveouts and exceptions.

For the purpose of each of the foregoing Additional Termination Events, the Affected Party shall be GSI and all Transactions shall be Affected Transactions.

- (o) **Early Termination.** Notwithstanding anything to the contrary in Section 6(a) or Section 6(b), the parties agree that, except with respect to Transactions (if any) that are subject to Automatic Early Termination under Section 6(a), the Non-defaulting Party or the party that is not the Affected Party (in a case where a Termination Event under Section 5(b)(iv) has occurred) is not required to terminate the Transactions on a single day, but rather may terminate the Transactions over a commercially reasonable period of time (not to exceed ten days) (the "Early Termination Period"). The last day of the Early Termination Period shall be the Early Termination Date for purposes of Section 6; provided, however, that interest shall accrue on the Transactions terminated during the Early Termination Period prior to the Early Termination Date at the Non-default Rate.

## Part 2. Tax Representations

- (a) **Payer Tax Representations.** For the purposes of Section 3(e), GSI and Counterparty make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii), or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement, and the accuracy and effectiveness of

any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement, and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

- (b) **Payee Tax Representations.** For the purpose of Section 3(f), GSI and Counterparty make the following representation: Not Applicable.

**Part 3. Agreement to Deliver Documents**

- (a) For the purpose of Section 4(a), Tax forms, documents, or certificates to be delivered are:

none

- (b) Other documents to be delivered are:

| Party required to deliver | Form/Document/Certificate                                                                    | Date by which to be delivered                           | Covered by Section 3(d) Representation |
|---------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------|
| GSI and Counterparty      | Evidence of authority of signatories                                                         | Upon or promptly following execution of this Agreement  | Yes                                    |
| GSI and Counterparty      | Any Credit Support Document specified in Part 4(f) herein                                    | Upon execution of this Agreement                        | No                                     |
| GSI                       | Most recent annual audited and quarterly financial statements of the Credit Support Provider | Promptly following reasonable demand by the other party | Yes                                    |
| Counterparty              | Certified resolutions of its board of directors or other governing body                      | Upon execution of this Agreement                        | Yes                                    |
| Counterparty              | Legal opinion with respect to Counterparty                                                   | Upon execution of this Agreement                        | No                                     |
| Counterparty              | A copy of the Note Valuation Report (as defined in the Indenture)                            | Upon request from GSI                                   | Yes                                    |

| Party required to deliver | Form/Document/Certificate                                                         | Date by which to be delivered                                | Covered by Section 3(d) Representation |
|---------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------|
| Counterparty              | A duly executed copy of the Indenture and a copy of the final Offering Memorandum | As soon as practicable after the execution of this Agreement | No                                     |

**Part 4. Miscellaneous**

(a) **Addresses for Notices.** For the purpose of Section 12(a):

(i) Address for notices or communications to GSI:

Address: Peterborough Court  
133 Fleet Street  
London EC4A 2BB

Fixed Income / Credit Derivatives: Facsimile No. 44-20-7774 5115  
Equity Derivatives: Facsimile No. 44-20-7774 1500  
Foreign Exchange: Facsimile No. 44-20-7774 1201  
Legal Department: Facsimile No. 44-20-7774 1313  
Telephone No. 44-20-7774-1000

(ii) Address for notices or communications to Counterparty:

Hudson Mezzanine Funding 2006-1, Ltd.  
Maples Finance Limited  
P.O. Box 1093 GT  
Queensgate House, South Church Street  
George Town, Grand Cayman  
Cayman Islands  
Tel: (345) 945-7099  
Fax: (345) 945-7100  
Attention: Directors

with a copy to:

The Bank of New York Trust Company, National Association  
601 Travis Street, 16<sup>th</sup> Floor  
Houston, Texas 77002  
Attention: Global Corporate Trust-Hudson  
Mezzanine Funding 2006-1, Ltd.  
Tel: (713) 483-6000  
Fax: (713) 483-6001

- (b) **Process Agent.** For the purpose of Section 13(c):  
GSI appoints as its Process Agent:  
Not applicable.  
Counterparty appoints as its Process Agent:  
CT Corporation, 111 Eighth Avenue, New York, New York 10011
- (c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.
- (d) **Multibranch Party.** For the purpose of Section 10(c):  
GSI is not a Multibranch Party.  
Counterparty is not a Multibranch Party.
- (e) **Calculation Agent.** The Calculation Agent is GSI.
- (f) **Credit Support Document.** The Indenture shall constitute a Credit Support Document with respect to the obligations of Counterparty. Details of any other Credit Support Document, each of which is incorporated by reference in, and made part of, this Agreement and each Confirmation (unless provided otherwise in a Confirmation) as if set forth in full in this Agreement or such Confirmation:
  - (i) Each of the Guaranty by The Goldman Sachs Group, Inc. (“Goldman Group”) in favor of Counterparty as beneficiary thereof, and, if a Credit Support Annex is entered into between Counterparty and GSI, such Credit Support Annex, shall constitute a Credit Support Document with respect to the obligations of GSI.
- (g) **Credit Support Provider.**  
Credit Support Provider means in relation to GSI, Goldman Group.  
Credit Support Provider means in relation Counterparty, none.
- (h) **Governing Law.** Section 13(a) is hereby replaced with the following:
  - (a) **Governing Law.** This Agreement and each Transaction entered into hereunder will be governed by, and construed and enforced in accordance with, the law of the State of New York.
- (i) **Jurisdiction.** Section 13(b) is hereby amended by:
  - (i) deleting in the second line of subparagraph (i) thereof the word “non-”;  
and

- (ii) deleting the final paragraph thereof.
- (j) **Netting of Payments.** Subparagraph (ii) of Section 2(c) will not apply to Transactions. Notwithstanding anything to the contrary in Section 2(c), unless otherwise expressly agreed by the parties, the netting provided for in Section 2(c) will not apply separately to any pairings of branches or Offices through which the parties make and receive payments or deliveries.
- (k) **"Affiliate"** will have the meaning specified in Section 14 of this Agreement; provided that Counterparty shall be deemed to have no Affiliates other than Hudson Mezzanine Funding 2006-1, Corp.
- (l) Notwithstanding any provision of this Agreement or any other existing or future agreement, each party irrevocably waives any and all rights it may have to set off, net, recoup or otherwise withhold or suspend or condition payment or performance of any obligation between it and the other party hereunder against any obligation between it and the other party under any other agreements.

**Part 5. Other Provisions**

- (a) **Accuracy of Specified Information.** Section 3(d) is hereby amended by adding in the third line thereof after the word "respect" and before the period, the phrase "or, in the case of audited or unaudited financial statements, a fair presentation of the financial condition of the relevant person."
- (b) **[Reserved].**
- (c) **Additional Representations.** The parties agree to amend Section 3 by adding new Sections 3(g), (h), and (i) as follows:
  - (g) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.
  - (h) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

- (i) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.
- (d) **Non-Petition.** GSI agrees that it will not, prior to the date following the payment in full of all of the Notes and the expiration of a period of one year and one day thereafter and any additional applicable preference periods then in effect under the United States Bankruptcy Code or other applicable law relating to any such payment, acquiesce, petition or otherwise invoke the process of any governmental authority for the purpose of commencing a case (whether voluntary or involuntary) against Counterparty under any bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Counterparty or any substantial part of its property or ordering the winding up or liquidation of the affairs of Counterparty; provided, however, that this shall not restrict or prohibit GSI from joining in any existing bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings or other analogous proceedings under applicable laws. This "Non-Petition" paragraph shall survive termination of this Agreement.

**Limited Recourse to Counterparty.** Notwithstanding anything to the contrary contained herein, the obligations of Counterparty under this Agreement will constitute limited recourse obligations of Counterparty payable solely from the Collateral in accordance with the Indenture and following realization of the Collateral any obligations of Counterparty and any claim against Counterparty under this Agreement shall be extinguished and shall not thereafter revive. None of the agents, partners, beneficiaries, officers, directors, employees, shareholders or any Affiliate of Counterparty or any of their respective successors or assigns shall be personally liable for any amounts payable, or performance due, under this Agreement. It is understood that the foregoing provisions of this paragraph shall not (i) prevent recourse to the Collateral for the sums due or to become due under any security, instrument or agreement which is part of the Collateral or (ii) constitute a waiver, release or discharge of any obligation under this Agreement until all such Collateral has been realized and applied in accordance with the Indenture, whereupon any outstanding obligation shall be extinguished and shall not thereafter revive. It is further understood that the foregoing provisions of this paragraph shall not limit the right of GSI to declare an Event of Default with respect to Counterparty or to name Counterparty as a party defendant in any action or suit or in the exercise of any other remedy under this Agreement, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against Counterparty. This "Limited Recourse to Counterparty" paragraph shall survive termination of this Agreement.

- (e) **No Transfer without Prior Satisfaction of the Rating Agency Condition.** Section 7 of this Agreement is hereby amended by inserting (i) the following immediately after the words "other party" and immediately before the words "except that:" "and unless the Rating Agency Condition (as defined herein) is satisfied with respect to such transfer," (ii) in clause (a) the words "or

reorganization, incorporation, reincorporation, reincorporation or reconstitution into or as,” immediately before the word “another.”

The last paragraph of Section 6(b)(ii) of this Agreement is hereby deleted in its entirety and replaced with the following paragraph:

“Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party and satisfaction of the Rating Agency Condition, which consent will not be withheld or delayed if such other party’s policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.”

- (f) **Counterparty Pledge.** Notwithstanding Section 7 of this Agreement to the contrary, GSI acknowledges that Counterparty will pledge its rights under this Agreement to the Trustee (as defined herein) for the benefit of the Secured Parties (as defined in the Indenture) pursuant to the Indenture, agrees to such pledge and acknowledges and agrees that the Trustee may directly enforce the rights of Counterparty hereunder. GSI shall be entitled to conclusively rely (without independent investigation) on any notice or communication from the Trustee.
- (g) **No Amendment without Prior Confirmation by Rating Agencies.** Section 9(b) of this Agreement is hereby amended by adding the following at the end of such Section: “, and the Rating Agency Condition is satisfied with respect to such amendment”.
- (h) **Additional Definitions.** All capitalized terms used but not otherwise defined in this Agreement shall have the means assigned to them in the Indenture.

“*Credit Support Annex*” or “*CSA*” means the credit support annex, if any, entered into between GSI and Counterparty pursuant to Part 1(n), which credit support annex shall satisfy the Rating Agency Condition.

“*Indenture*” means the Indenture dated as of December 5, 2006, among Hudson Mezzanine Funding 2006-1, Ltd., Hudson Mezzanine Funding 2006-1, Corp. and The Bank of New York Trust Company, National Association, as Trustee and Securities Intermediary, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

“*Moody’s*” means Moody’s Investors Service.

“*Notes*” means any Class of Notes issued pursuant to the Indenture rated by any Rating Agency.

“*Rating Agency Condition*” shall have the meaning assigned to it in the Indenture.

“*S&P*” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“*Trustee*” means The Bank of New York Trust Company, National Association, as trustee, pursuant to the Indenture.

- (i) **Consent to Recording.** Each party consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties, with or without the use of a warning tone, and their Affiliates in connection with this Agreement or any potential Transaction.
- (j) **Definitions.** The definition of “Termination Currency Equivalent” in Section 14 is hereby amended by deleting in its entirety the text after the first three lines thereof and replacing it with the following:

“by the party making the relevant determination in any commercially reasonable manner as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant amount determined in accordance with Section 6(e) is determined as of a later date, that later date, for value on the date the payment or settlement payment is due.”

The definition of “Affected Transactions” in Section 14 is hereby amended by deleting in its entirety the text after the word “means” in the first line thereof and replacing it with the following:

“with respect to any Termination Event, all Transactions which are Transactions under which such Termination Event occurs.”

DEC-04-2006 12:20 From:

To:Goldman Sachs Co P.2/2

IN WITNESS WHEREOF, the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

GOLDMAN SACHS INTERNATIONAL

HUDSON MEZZANINE FUNDING  
2006-1, LTD.



\_\_\_\_\_

Name:

Name:

Title:

Matthew Flett  
Authorised Signatory

Title

Date:

Date:



*Schedule to Credit Default Swap*

**IN WITNESS WHEREOF**, the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

GOLDMAN SACHS INTERNATIONAL

HUDSON MEZZANINE FUNDING  
2006-1, LTD.

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Name:



Title:

Title

**Carrie Bunton**  
**Director**

Date:

Date:

*Schedule to Credit Default Swap*



Execution Copy

- CONFIRMATION

DATE: December 1, 2006

TO: Hudson Mezzanine Funding 2006-1, Ltd.

FROM: Goldman Sachs International  
Credit Derivatives Middle Office  
Telephone No.: 1 212 357 2610  
Facsimile No.: 1 212 428 9189

RE: Credit Derivative Transaction on Asset-Backed Securities with Pay-As-You-Go  
or Physical Settlement (RMBS)

REF NO: See Annex C

The purpose of this letter (the "Confirmation") is to confirm the terms and conditions of the Credit Derivative Transactions entered into on the Trade Date specified below (each, a Component Transaction, and collectively, the "Transaction") by Goldman Sachs International ("GSI"), guaranteed by The Goldman Sachs Group, Inc. ("Goldman Group"), and Hudson Mezzanine Funding 2006-1, Ltd. ("Counterparty"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

This Confirmation is subject to, and incorporates by reference, the 2003 ISDA Credit Derivatives Definitions (the "Credit Derivatives Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA"). This Confirmation supplements, forms a part of and is subject to the ISDA Master Agreement dated as of December 1, 2006 (the "Agreement") between GSI and Counterparty. All provisions contained in, or incorporated by reference to, the Agreement shall govern this Confirmation except as expressly modified below. In the event of any inconsistency between this Confirmation, the Credit Derivatives Definitions, or the Agreement, as the case may be, this Confirmation will control for purposes of each Component Transaction to which this Confirmation relates.

References in this Confirmation to a "Reference Obligation" shall be to the terms of such Reference Obligation (as defined below) set out in the related Underlying Instruments (as defined below) as amended from time to time unless otherwise specified below.

GSI and Counterparty agree that, by entering into this Transaction, they have entered into a separate and independent Credit Derivative Transaction (a "Component Transaction") in respect of each Reference Obligation listed in Annex C attached hereto. A confirmation in the form of this Confirmation shall be deemed to be entered into in respect of each such Component Transaction evidencing the provision of credit default protection with respect to a Credit Event of each such Reference Entity and each such Reference Obligation and that accordingly there may be more than one Credit Event, more than one Physical Settlement amount and more than one Physical Settlement Date and that the Definitions (and in particular the definition of "Termination Date") should, for the purposes of this Confirmation, be interpreted accordingly. Thus relevant sections of the Definitions (including but not limited to Sections 1.8, 3.2 and 7.8)

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shall be construed to apply separately with respect to each Reference Entity or Reference Obligation, as applicable, except as otherwise provided in this Confirmation.

Each Component Transaction (a) constitutes a separate and independent Credit Derivative Transaction between GSI and Counterparty with respect to a Reference Obligation listed in Annex C attached hereto, (b) shall not be affected by any other Credit Derivative Transaction between GSI and Counterparty and (c) shall operate independently of each other Component Transaction in all respects.

The terms of the each Component Transaction to which this Confirmation relates are as follows:

**1. General Terms:**

|                             |                                                                                                                                                                                                                                                                                                        |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Trade Date:                 | December 1, 2006                                                                                                                                                                                                                                                                                       |
| Effective Date:             | December 5, 2006                                                                                                                                                                                                                                                                                       |
| Scheduled Termination Date: | Subject to paragraph 5, for each Reference Obligation, the Legal Final Maturity Date set forth in Annex C attached hereto, subject to adjustment in accordance with the Following Business Day Convention.                                                                                             |
| Termination Date:           | The last to occur of: <ul style="list-style-type: none"> <li>(a) the fifth Business Day following the Effective Maturity Date;</li> <li>(b) the last Floating Rate Payer Payment Date;</li> <li>(c) the last Delivery Date; and</li> <li>(d) the last Additional Fixed Amount Payment Date.</li> </ul> |
| Floating Rate Payer:        | Counterparty (the "Seller").                                                                                                                                                                                                                                                                           |
| Fixed Rate Payer:           | GSI (the "Buyer").                                                                                                                                                                                                                                                                                     |
| Calculation Agent:          | GSI                                                                                                                                                                                                                                                                                                    |
| Calculation Agent City:     | New York                                                                                                                                                                                                                                                                                               |
| Business Day:               | New York, Houston and London                                                                                                                                                                                                                                                                           |

**Business Day Convention:** Following (which, with the exception of the Effective Date, the Final Amortization Date, each Reference Obligation Payment Date and the period end date of each Reference Obligation Calculation Period, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).

**Reference Entity:** The relevant Reference Entity identified in Annex C attached hereto. References herein to "Issuer" shall mean the Reference Entity for the relevant Component Transaction.

**Reference Obligation:** The obligation identified in Annex C attached hereto for the relevant Reference Entity.

"Original Principal Amount" shall mean the amount set forth in Annex C hereto for the relevant Reference Obligation.

"Initial Factor" shall mean the amount set forth in Annex C hereto for the relevant Reference Obligation.

Insurer: Not Applicable.

Section 2.30 of the Credit Derivatives Definitions shall not apply.

**Reference Policy:** Not Applicable.

**Reference Price:** 100%

**Applicable Percentage:** On any day, a percentage equal to A divided by B.

"A" means the product of the Initial Face Amount and the Initial Factor as decreased on each Delivery Date by an amount equal to (a) the outstanding principal balance of Deliverable Obligations Delivered to Seller (as adjusted by the Relevant Amount, if any) divided by the Current Factor on such day multiplied by (b) the Initial Factor.

"B" means the product of the Original Principal Amount and the Initial Factor:

(a) as increased by the outstanding principal balance of any further issues by the Reference Entity that are fungible with and form part of

the same legal series as the Reference Obligation; and

- (b) as decreased by any cancellations of some or all of the Outstanding Principal Amount resulting from purchases of the Reference Obligation by or on behalf of the Reference Entity.

**Initial Face Amount:** For each Reference Obligation, the Initial Face Amount set forth in Annex C attached hereto.

**Reference Obligation Notional Amount:** On the Effective Date, the product of:

- (a) the Original Principal Amount;
- (b) the Initial Factor; and
- (c) the Applicable Percentage.

Following the Effective Date, the Reference Obligation Notional Amount will be:

- (i) decreased on each day on which a Principal Payment is made by the relevant Principal Payment Amount;
- (ii) decreased on each day on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount;
- (iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount;
- (iv) increased on each day on which a Writedown Reimbursement occurs by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of "Writedown Reimbursement"; and
- (v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount minus the amount determined pursuant to paragraph (b) of "Physical Settlement Amount" below, provided that if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such

Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is negative) with effect from such Delivery Date;

provided that if the Reference Obligation Notional Amount would be less than zero, it shall be deemed to be zero.

Initial Payment: Not applicable

**2. Fixed Payments:**

Fixed Rate Payer: Buyer

Fixed Rate: The relevant Fixed Rate (expressed on a per annum basis) set forth in Annex C attached hereto corresponding to the relevant Reference Obligation; subject to adjustment in accordance with paragraph 5 below.

Fixed Rate Payer Period End Date: The first day of each Reference Obligation Calculation Period.

Fixed Rate Payer Payment Dates: Each day falling five Business Days after a Reference Obligation Payment Date; provided that the final Fixed Rate Payer Payment Date shall fall on the fifth Business Day following the Effective Maturity Date.

Fixed Amount: (I) With respect to any Fixed Rate Payer Payment Date on which the senior unsecured debt ratings of GSI or the Goldman Group, whichever is higher, is at least "AA-" by S&P, (and, if rated "AA-" is not on downgrade watch) and at least "Aa3" by Moody's (and, if rated "Aa3", is not on downgrade watch), an amount equal to the product of:

(a) the Fixed Rate;

(b) an amount determined by the Calculation Agent equal to (i) the sum of the Reference Obligation Notional Amount at 5:00 p.m. in the Calculation Agent City on each day in the related Fixed Rate Payer Calculation Period divided by (ii) the actual number of days in the related Fixed Rate Payer Calculation Period; and

(c) the actual number of days in the related Fixed

Rate Payer Calculation Period divided by 360.

(II) With respect to any Fixed Rate Payer Payment Date on which the senior unsecured debt ratings of GSI or the Goldman Group, whichever is higher, is below "AA-" by S&P (or, if rated "AA-", is on downgrade watch) or below "Aa3" by Moody's (or, if rated "Aa3", is on downgrade watch), an amount equal to the greater of (a) zero and (b) the Expected Fixed Amount with respect to such Fixed Rate Payer Payment Date.

(III) With respect to the Fixed Rate Payer Payment Date immediately following the downgrade of the senior unsecured debt ratings of GSI or the Goldman Group, whichever is higher, to lower than "AA-" by S&P or "Aa3" by Moody's (or if rated "AA-" or "Aa3", the placement on watch for possible downgrade by S&P or Moody's, respectively), the sum of the amounts calculated pursuant to (I) and (II) above shall be payable with respect to such Fixed Rate Payer Payment Date only.

Expected Fixed Amount:

With respect to any Fixed Rate Payer Payment Date, an amount equal to (a) the Fixed Amount for the next succeeding Fixed Rate Payer Calculation Period as calculated pursuant to clause (I) under "Fixed Amount" above, assuming that the Reference Obligation Notional Amount on each day in such Fixed Rate Payer Calculation Period is equal to the Reference Obligation Notional Amount on the last day of the Fixed Rate Payer Calculation Period relating to the Fixed Rate Payer Payment Date on which the payment is being made, plus (b) the difference (which may be positive or negative) between the Expected Fixed Amount paid on the prior Fixed Rate Payer Payment Date, if any, over the Fixed Amount for such Fixed Rate Payer Payment Date as calculated pursuant to clause (I) under "Fixed Amount" above.

Additional Fixed Amount  
Payment Dates:

- (a) Each Fixed Rate Payer Payment Date; and
- (b) in relation to each Additional Fixed Payment Event occurring after the second Business Day prior to the last Fixed Rate Payer Payment Date, the fifth Business Day after Buyer has received notification

from Seller or the Calculation Agent of the occurrence of such Additional Fixed Payment Event.

**Additional Fixed Payments:** Following the occurrence of an Additional Fixed Payment Event in respect of the Reference Obligation, Buyer shall pay the relevant Additional Fixed Amount to Seller on the first Additional Fixed Amount Payment Date falling at least two Business Days (or in the case of an Additional Fixed Payment Event that occurs after the second Business Day prior to the last Fixed Rate Payer Payment Date, the fifth Business Day) after the delivery of a notice by the Calculation Agent to the parties or by Seller to Buyer stating that the related Additional Fixed Amount is due and showing in reasonable detail how such Additional Fixed Amount was determined; provided that any such notice must be given on or prior to the fifth Business Day following the day that is one calendar year after the Effective Maturity Date.

**Additional Fixed Payment Event:** The occurrence on or after the Effective Date and on or before the day that is one calendar year after the Effective Maturity Date of a Writedown Rcimbursement, Principal Shortfall Reimbursement or an Interest Shortfall Reimbursement.

**Additional Fixed Amount:** With respect to each Additional Fixed Amount Payment Date, an amount equal to the sum of:

- (a) the Writedown Reimbursement Payment Amount (if any);
- (b) the Principal Shortfall Reimbursement Payment Amount (if any); and
- (c) the Interest Shortfall Reimbursement Payment Amount (if any).

**Writedown Reserve Requirement:** Upon receipt of any Writedown Amount, if the long-term rating of Buyer or any guarantor of Buyer's obligations under this Confirmation (whichever is higher) is below "AA-" by S&P (or such rating has been withdrawn), Buyer shall reserve with Seller the related Writedown Reserve Amount, if any.

**Writedown Reserve Amounts:** With respect to any Writedown Amount received with respect to which there is a Writedown Reserve Requirement, the excess, if any, of (i) the product of

(1) the related Reference Obligation Amortized Amount of such Reference Obligation and (2) the Current Market Price of such Reference Obligation over (ii) the Reference Obligation Notional Amount. If on any date Buyer shall be obligated to pay to Seller any Additional Fixed Amount in respect of such Reference Obligation but Buyer fails to do so, the Writedown Reserve Amount, if any, reserved with Seller shall be applied to pay such Additional Fixed Amounts..

### 3. Floating Payments:

Floating Rate Payer: Seller

Floating Rate Payer Payment Dates: In relation to a Floating Amount Event, the first Fixed Rate Payer Payment Date falling at least two Business Days (or in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date, the fifth Business Day) after delivery of a notice by the Calculation Agent to the parties or a notice by Buyer to Seller that the related Floating Amount is due and showing in reasonable detail how such Floating Amount was determined; provided that in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date, such notice must be given on or prior to the fifth Business Day following the Legal Final Maturity Date or the Final Amortization Date, as applicable.

Floating Payments: If a Floating Amount Event occurs, then on the relevant Floating Rate Payer Payment Date, Seller will pay the relevant Floating Amount to Buyer. For the avoidance of doubt, the Conditions to Settlement are not required to be satisfied in respect of a Floating Payment.

Floating Amount Event: A Writedown, Failure to Pay Principal or an Interest Shortfall.

Floating Amount: With respect to each Floating Rate Payer Payment Date, an amount equal to the sum of:

- (a) the relevant Writedown Amount (if any);
- (b) the relevant Principal Shortfall Amount (if any); and

- (c) the relevant Interest Shortfall Payment Amount (if any).

For the avoidance of doubt, each Writedown Amount, Principal Shortfall Amount or Interest Shortfall Payment Amount (as applicable) shall be calculated using the Applicable Percentage which takes into account the aggregate adjustment made to the Applicable Percentage in respect of all Delivery Dates that have occurred prior to the date of such calculation.

Conditions to Settlement: Credit Event Notice  
Notifying Party: Buyer  
Notice of Physical Settlement  
Notice of Publicly Available Information: Applicable

Public Sources: The public sources listed in Section 3.7 of the Credit Derivatives Definitions; provided that Servicer Reports in respect of the Reference Obligation and, in respect of a Distressed Ratings Downgrade Credit Event only, any public communications by any of the Rating Agencies in respect of the Reference Obligation shall also be deemed Public Sources.

Specified Number: 1

provided that if the Calculation Agent has previously delivered a notice to the parties or Buyer has previously delivered a notice to Seller pursuant to the definition of "Floating Rate Payer Payment Dates" above in respect of a Writedown or a Failure to Pay Principal, the only Condition to Settlement with respect to any Credit Event shall be a Notice of Physical Settlement.

The parties agree that with respect to each Component Transaction and notwithstanding anything to the contrary in the Credit Derivatives Definitions:

- (a) the Conditions to Settlement may be satisfied on more than one occasion;

- (b) multiple Physical Settlement Amounts may be payable by Seller;
- (c) Buyer, when providing a Notice of Physical Settlement, must specify an Exercise Amount and an Exercise Percentage;
- (d) if Buyer has delivered a Notice of Physical Settlement that specifies an Exercise Amount that is less than the Reference Obligation Notional Amount as of the date on which such Notice of Physical Settlement is delivered (calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full), the rights and obligations of the parties under the Component Transaction shall continue and Buyer may deliver additional Notices of Physical Settlement with respect to the initial Credit Event or with respect to any additional Credit Event at any time thereafter; and
- (e) any Notice of Physical Settlement shall be delivered no later than 30 calendar days after the fifth Business Day following the earlier of the Effective Maturity Date and the Optional Step-up Early Termination Date.

Section 3.2(d) of the Credit Derivatives Definitions is amended to delete the words "that is effective no later than thirty calendar days after the Event Determination Date".

Credit Events:

The following Credit Events shall apply to each Component Transaction (and the first sentence of Section 4.1 of the Credit Derivatives Definition shall be amended accordingly):

Failure to Pay Principal

Writedown

Distressed Ratings Downgrade

Obligation:

Reference Obligation Only

#### 4. Interest Shortfall

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest Shortfall Payment Amount: | In respect of an Interest Shortfall, the relevant Interest Shortfall Amount; provided that, if Interest Shortfall Cap is applicable and the Interest Shortfall Amount exceeds the Interest Shortfall Cap Amount, the Interest Shortfall Payment Amount in respect of such Interest Shortfall shall be the Interest Shortfall Cap Amount.                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Interest Shortfall Cap:            | Interest Shortfall Cap shall apply only in respect of those Component Transactions, if any, for which Interest Shortfall Cap is specified as being applicable on Annex C attached hereto.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Interest Shortfall Cap Amount:     | As set out in Annex A attached hereto.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Actual Interest Amount:            | With respect to any Reference Obligation Payment Date, payment by or on behalf of the Issuer of an amount in respect of interest due under the Reference Obligation including, without limitation, any deferred interest or defaulted interest, but excluding payments in respect of prepayment penalties or principal (except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) paid to the holder(s) of the Reference Obligation in respect of the Reference Obligation.                                                                                                                                                                                                                                       |
| Expected Interest Amount:          | <p>With respect to any Reference Obligation Payment Date, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a principal balance of the Reference Obligation equal to:</p> <p>(a) the Outstanding Principal Amount taking into account any reductions due to a principal deficiency balance or realized loss amount (howsoever described in the Underlying Instruments) that are attributable to the Reference Obligation, minus</p> <p>(b) the Aggregate Implied Writedown Amount (if any),</p> <p>and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in</p> |

accordance with the Underlying Instruments.

Except as provided in (a) in the previous sentence, the Expected Interest Amount shall be determined without regard to (i) unpaid amounts in respect of accrued interest on prior Reference Obligation Payment Dates, or (ii) any prepayment penalties or yield maintenance provisions, and in any case without regard to the effect of any provisions (however described) of the Underlying Instruments that otherwise permit the limitation of due payments or distributions of funds available from proceeds of the Underlying Assets, or that provide for the capitalization or deferral of interest on the Reference Obligation, or that provide for the extinguishing or reduction of such payments or distributions (but, for the avoidance of doubt, taking account of any Writedown within paragraph (i) of the definition of "Writedown" occurring in accordance with the terms of the Underlying Instruments).

Interest Shortfall:

With respect to any Reference Obligation Payment Date, either (a) the non-payment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount.

For the avoidance of doubt, the occurrence of an event within (a) or (b) shall be determined taking into account any payment made under the Reference Policy, if applicable.

Interest Shortfall Amount:

With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

- (a) zero; and
- (b) the amount equal to the product of:
  - (i) (A) the Expected Interest Amount;
    - minus
    - (B) the Actual Interest Amount; and
  - (ii) the Applicable Percentage;

provided that, with respect to the first Reference Obligation Payment Date only, the Interest Shortfall Amount shall be the amount determined in accordance with (a) and (b) above multiplied by a fraction equal to:

- (x) the number of days in the first Fixed Rate Payer Calculation Period; over
- (y) the number of days in the first Reference Obligation Calculation Period.

Interest Shortfall Reimbursement: With respect to any Reference Obligation Payment Date, the payment by or on behalf of the Issuer of an Actual Interest Amount in respect of the Reference Obligation (including, for the avoidance of doubt, any payment of principal representing capitalized interest) that is greater than the Expected Interest Amount.

Interest Shortfall Reimbursement Amount: With respect to any Reference Obligation Payment Date, the product of (a) the amount of any Interest Shortfall Reimbursement on such day and (b) the Applicable Percentage.

Interest Shortfall Reimbursement Payment Amount: If Interest Shortfall Cap is not applicable, the relevant Interest Shortfall Reimbursement Amount. If Interest Shortfall Cap is applicable, the amount determined pursuant to Annex A attached hereto.

**5. Consequences of Step-up of the Reference Obligation Coupon**

Step-up provisions: The Step-up provisions shall apply only in respect of those Component Transactions, if any, for which the Step-up provisions are specified as being applicable on Annex C attached hereto.

If the Step-up provisions are applicable, then the following provisions of this paragraph 5 shall apply.

Step-up: On any day, an increase in the Reference Obligation Coupon due to the failure of the Issuer or a third party to redeem, cancel or terminate the Reference Obligation, as the case may be, in accordance with the Underlying Instruments.

Non-Call Notification Date: The date of delivery by the Calculation Agent to the parties or by Buyer to Seller of a Non-Call Notice.

Non-Call Notice: A notice given by the Calculation Agent to the parties or by Buyer to Seller that the Reference Obligation has not been purchased, redeemed, cancelled or terminated by the issuer or a third party, in accordance with the Underlying Instruments, pursuant to a "clean-up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation, which failure will result in the occurrence of a Step-up.

Increase of the Fixed Rate: Subject to "Optional Step-up Early Termination" below, upon the occurrence of a Step-up, the Fixed Rate will be increased by the number of basis points by which the Reference Obligation Coupon is increased due to the Step-up, such increase to take effect as of the Fixed Rate Payer Payment Date immediately following the fifth Business Day after the Non-Call Notification Date.

Optional Step-up Early Termination: No later than five Business Days after the Non-Call Notification Date, Buyer shall notify Seller (such notification, a "Buyer Step-up Notice") whether Buyer wishes to continue each affected Component Transaction at the increased Fixed Rate or to terminate such Component Transaction.

If Buyer elects to terminate a Component Transaction pursuant to the above, the date of delivery of the Buyer Step-up Notice shall be the Scheduled Termination Date (such date, the "Optional Step-up Early Termination Date") and in such case "Increase of the Fixed Rate" in this paragraph 5 shall not apply.

No amount shall be payable by either party in respect of the Optional Step-up Early Termination Date other than any Fixed Amount, Additional Fixed Amount, Floating Amount or Physical Settlement Amount due in respect of such date. For the avoidance of doubt, the obligation of a party to pay any amount that has become due and payable under a Component Transaction and remains unpaid as at the Optional Step-up Early Termination Date shall not be affected by the occurrence of the Optional Step-up Early Termination Date.

If Buyer fails to deliver the Buyer Step-up Notice by the fifth Business Day after the Non-Call Notification Date, Buyer shall be deemed to have elected to continue each affected Component Transaction at the increased Fixed Rate as described under "Increase of the Fixed Rate".

If Buyer elects, or is deemed to have elected, to continue a Component Transaction at the increased Fixed Rate, such Component Transaction shall continue.

## 6. Settlement Terms

- Settlement Method: Physical Settlement
- Terms Relating to Physical Settlement:
- Physical Settlement Period: Five Business Days
- Deliverable Obligations: Exclude Accrued Interest
- Deliverable Obligations: Deliverable Obligation Category: Reference Obligation Only
- Physical Settlement Amount: An amount equal to:
- (a) the product of the Exercise Amount and the Reference Price, minus
  - (b) the sum of:
    - (i) if the Aggregate Implied Writedown Amount is greater than zero, the product of (A) the Aggregate Implied Writedown Amount, (B) the Applicable Percentage, each as determined immediately prior to the relevant Delivery and (C) the Exercise Percentage; and
    - (ii) the product of (A) the aggregate of all Writedown Amounts in respect of Writedowns within paragraph (i)(B) of the definition of "Writedown", minus the aggregate of all Writedown Reimbursement Amounts in respect of

Writedown Reimbursements within paragraph (ii)(B) of the definition of "Writedown Reimbursement" and (B) the Exercise Percentage;

provided that if the Physical Settlement Amount would exceed the product of:

- (1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full; and
- (2) the Exercise Percentage;

then the Physical Settlement Amount shall be deemed to be equal to such product.

Delayed Payment:

With respect to a Delivery Date, if a Servicer Report that describes a Delayed Payment is delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date, Buyer will pay the applicable Delayed Payment Amount to Seller no later than five Business Days following such Delayed Payment.

Escrow:

Applicable

Non-delivery by Buyer:

If Buyer has delivered a Notice of Physical Settlement and

- (a) Buyer does not Deliver in full the Deliverable Obligations specified in that Notice of Physical Settlement on or prior to the Physical Settlement Date, or
- (b) the Effective Maturity Date occurs after delivery of the Notice of Physical Settlement but before Buyer Delivers the Deliverable Obligations specified in that Notice of Physical Settlement,

then such Notice of Physical Settlement shall be deemed not to have been delivered and any reference in this Confirmation to a previously delivered Notice of Physical Settlement shall exclude any Notice of Physical Settlement that is deemed not to have been

delivered. Sections 9.2(c)(ii) (except for the first sentence thereof), 9.3, 9.4, 9.5, 9.6, 9.9 and 9.10 of the Credit Derivatives Definitions shall not apply.

**7. Additional Provisions:**

(a) *Delivery of Servicer Report*

If either party makes a reasonable request in writing, the Calculation Agent agrees to provide such party with a copy of the most recent Servicer Report promptly following receipt of such request, if and to the extent such Servicer Report is reasonably available to the Calculation Agent (whether or not the Calculation Agent is a holder of the Reference Obligation). In addition, if a Floating Payment or an Additional Fixed Payment is due hereunder, then the Calculation Agent or the party that notifies the other party that the relevant Floating Payment or Additional Fixed Payment is due, as applicable, (the "Notifying Party") shall deliver a copy of any Servicer Report relevant to such payment that is requested by the party that is not the Notifying Party or by either party where the Notifying Party is the Calculation Agent, if and to the extent that such Servicer Report is reasonably available to the Notifying Party (whether or not the Notifying Party is a holder of the Reference Obligation).

(b) *Calculation Agent and Buyer and Seller Determinations*

The Calculation Agent shall be responsible for determining and calculating (i) the Fixed Amount payable on each Fixed Rate Payer Payment Date; (ii) the occurrence of a Floating Amount Event and the related Floating Amount and (iii) the occurrence of an Additional Fixed Payment Event and the related Additional Fixed Amount; provided that notwithstanding the above, each of Buyer and Seller shall be entitled to determine and calculate the above amounts to the extent that Buyer or Seller, as applicable, has the right to deliver a notice to the other party demanding payment of such amount. The Calculation Agent or Buyer or Seller, as applicable, shall make such determinations and calculations based solely on the basis of the Servicer Reports, to the extent such Servicer Reports are reasonably available to the Calculation Agent or such party. The Calculation Agent or Buyer or Seller, as applicable, shall, as soon as practicable after making any of the determinations or calculations specified in (i) and (ii) above, notify the parties or the other party, as applicable, of such determinations and calculations.

(c) *Adjustment of Calculation Agent Determinations*

To the extent that a Servicer furnishes any Servicer Reports correcting information contained in previously issued Servicer Reports, and such corrections impact calculations pursuant to any Component Transaction, the calculations relevant to such Component Transaction shall be adjusted retroactively by the Calculation Agent to reflect the corrected information (provided that, for the avoidance of doubt, no amounts in respect of interest shall be payable by either party and provided that the Calculation Agent in performing the calculations pursuant to this paragraph will assume that no interest has accrued on any adjusted amount), and the Calculation Agent shall promptly

notify both parties of any corrected payments required by either party. Any required corrected payments shall be made within five Business Days of the day on which such notification by the Calculation Agent is effective.

(d) *Collateral*

On the Effective Date, Counterparty shall deposit Collateral Securities and Eligible Investments with a face value equal to \$800,000,000 on the Effective Date to the Collateral Account. Counterparty hereby agrees to maintain any principal proceeds received with respect to the Collateral in the Collateral Account unless another disposition is otherwise authorized hereunder or under the Indenture.

The Counterparty agrees to pledge the Collateral (and the principal proceeds therefrom) deposited from time to time in the Collateral Account and its rights under the Senior Swap and the Collateral Put Agreement to GSI as security for its obligations under the Transaction and grants to GSI a first priority security interest in and lien on all Collateral (and the principal proceeds therefrom) in the Collateral Account in accordance with the Indenture. If at any time an Event of Default or Termination Event with respect to Counterparty has occurred and is continuing, GSI shall have all rights and remedies available to a secured party under applicable law with respect to the Collateral, including, without limitation, the right to direct the liquidation of Collateral and apply the proceeds from such liquidation to any amounts payable by Counterparty in respect of the Component Transactions hereunder.

Notwithstanding anything to the contrary in this Confirmation, GSI acknowledges and agrees that in accordance with the terms of the Indenture, Counterparty's obligations (other than any obligation of Counterparty to pay to GSI any Defaulted Swap Termination Payments) under each Component Transaction will be satisfied by the assets deposited to the Collateral Account. Amounts owing to the GSI will be due and payable in accordance with the terms of this Transaction and will be drawn (i) from the Collateral Account in accordance with the Collateral Liquidation Procedure, and with the benefit of Counterparty's rights under the Collateral Put Agreement, where applicable, and (ii) once the balance of the Collateral Account has been reduced to zero, by demanding payment under the Senior Swap in an amount equal to the lesser of Counterparty's obligations due and the Senior Swap Notional Amount. Counterparty's obligation to pay GSI any Defaulted Swap Termination Payment will not be paid in accordance with the foregoing, but instead will be satisfied only by Proceeds available therefor in accordance with the Priority of Payments. If the Collateral Assets and Counterparty's rights under the Senior Swap are insufficient to satisfy Counterparty's obligations in respect of any Component Transaction hereunder, any such residual obligations of Counterparty shall be extinguished and of no further force or effect.

(e) *Additional Tax Representations*

The parties hereto confirm that this Transaction is not intended to be and does not constitute a contract of surety, insurance, guarantee or indemnity. The parties acknowledge that the payments to be made by the Counterparty will be made

independently and are not conditional upon GSI sustaining or being exposed to risk or loss and that the rights and obligations of the parties hereunder are not dependent upon GSI owning or having (and do not effectively require GSI to have) any legal, equitable or other interest in the Reference Obligations.

It is the intention of the parties that this Transaction be characterized as a notional principal contract (and not a surety bond, guarantee, insurance or similar contract) for all legal, regulatory and tax purposes. The terms of this Transaction shall be interpreted to further this intention of the parties. Further, each of the parties shall treat this Transaction accordingly for all legal, regulatory and tax reporting purposes and each party waives any right to assert any claim or defense that is inconsistent with this intention of the parties.

(f) *Additional Termination Events*

Subclause (ii) of Part 1(k) of the Schedule to the Master Agreement shall be replaced with the following: "With respect to any Event of Default or Termination Event under the terms of this Transaction where GSI is the Defaulting or Affected Party, the Market Quotation and First Method shall apply, otherwise, the Second Method will apply.

(g) *Failure to Pay*

Section 5(a)(i) of the Master Agreement shall be replaced by the following:

"(i) *Failure to Pay or Deliver.* Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party; *provided however*, that any such failure by the Counterparty to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it shall not constitute an Event of Default under this Section 5(a)(i) if such failure is a result of the Senior Swap Counterparty's failure to pay to the Counterparty any amount due under the Senior Swap."

**8. Notice and Account Details:**

Telephone, Telex and/or  
Facsimile Numbers and  
Contact Details for Notices:

Goldman Sachs International  
Attention: Credit Derivatives Middle Office London  
Tel: 1 212 357 0167  
Fax: 1 212 428 9189

Hudson Mezzanine funding 2006-1, Ltd.  
 c/o The Bank of New York Trust  
 Company, National Association  
 Attention: Global Corporate Trust/Hudson Mezzanine  
 Funding 2006-1, Ltd.  
 Tel: 713-483-6000  
 Fax: 713-483-6001

**Account Details:**

|                                  |                                                                                                                                                                                                                                                                                                                               |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Account Details of GSI:          | For the Account of: Goldman Sachs International<br>Name of Bank: CITIBANK, NEW YORK<br>Account No: 40616408<br>Fed ABA No: 021000089<br>SWIFT Code: CITIUS33                                                                                                                                                                  |
| Account Details of Counterparty: | For the Account of:<br>Hudson Mezzanine Funding 2006-1, Ltd.<br>JPMorgan Chase Bank<br>ABA No.: 021000021<br>A/C: 00102619468<br>BNF Name: Asset Backed Structured #2<br>BNF Address: JPMorgan Chase Tower, Houston,<br>Texas<br>FC: HUDSON MEZZANINE FUNDING 2006-1, Ltd.<br>/A/C#: 10228527.2<br>OBI: Jose Rodriguez / Ref. |

**9. Additional Definitions and Amendments to the Credit Derivatives Definitions**

- (a) References in Sections 4.1, 8.2, 9.1 and 9.2(a) of the Credit Derivatives Definitions as well as Section 3(a)(iv) of the form of Novation Agreement set forth in Exhibit E to the Credit Derivatives Definitions to the Reference Entity shall be deemed to be references to both the Reference Entity and the Insurer in respect of the Reference Policy, if applicable.
- (b) (i) The definition of "Publicly Available Information" in Section 3.5 of the Credit Derivatives Definitions shall be amended by (i) inserting the words "the Insurer in respect of the Reference Policy, if applicable" at the end of subparagraph (a)(ii)(A) thereof, (ii) inserting the words "servicer, sub-servicer, master servicer" before the words "or paying agent" in subparagraph (a)(ii)(B) thereof and (iii) deleting the word "or" at the end of subparagraph (a)(iii) thereof and inserting at the end of subparagraph (a)(iv) thereof the following: "or (v) is information contained in a notice or on a website published by an internationally recognized rating agency that has at any time rated the Reference Obligation".

- (ii) The definition of "Physical Settlement" in Section 8.1 of the Credit Derivatives Definitions shall be amended by (i) deleting the words "Physical Settlement Amount" from the last line of the second paragraph thereof and (ii) inserting in lieu thereof the words "Exercise Amount".
  - (iii) The definition of "Physical Settlement Date" in Section 8.4 of the Credit Derivatives Definitions shall be amended by deleting the last sentence thereof.
- (c) For the purposes of each Component Transaction only, the following terms have the meanings given below:

"Actual Principal Amount" means, with respect to the Final Amortization Date or the Legal Final Maturity Date, payment on such day by or on behalf of the Issuer of an amount in respect of principal (excluding any capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Aggregate Implied Writedown Amount" means the greater of (i) zero and (ii) the aggregate of all Implied Writedown Amounts minus the aggregate of all Implied Writedown Reimbursement Amounts.

"Approved Dealer": Any of the Persons set forth below or their affiliates set forth below (including the successor to any such Person):

ABN AMRO Bank N.V.;

Banc of America Securities LLC;

Barclays Bank PLC;

Bear, Stearns & Co. Inc.;

BNP Paribas;

Canadian Imperial Bank of Commerce;

Citigroup, Inc.;

Commerzbank AG;

Countrywide Securities Corporation;

Credit Suisse Group;

Deutsche Bank AG;

Dresdner Bank AG;

First Tennessee Bank National Association;

Goldman, Sachs & Co.

Greenwich Capital Markets, Inc.;

HSBC Bank plc;

JP Morgan Chase & Co.;  
Legg Mason, Inc.;  
Lehman Brothers, Inc.;  
Merrill Lynch & Co., Inc.;  
Morgan Stanley & Co., Inc.;  
Nomura Securities Co., Ltd.;  
Raymond James Financial, Inc.;  
Société Generale Group;  
TD Bank Financial Group;  
UBS AG;  
United Capital Markets Inc.;  
Wachovia Securities, LLC;  
Washington Mutual, Inc; or  
WestLB AG.

“Collateral Account” has the meaning set forth in the Indenture.

“Collateral Liquidation Procedure” has the meaning set forth in the Indenture.

“Collateral Put Agreement” means the put agreement entered into by Counterparty and Goldman Sachs International on or prior to the Effective Date.

“Collateral Securities” has the meaning set forth in the Indenture.

“Collateral Securities Eligibility Criteria” has the meaning set forth in the Indenture.

“Current Factor” means the factor of the Reference Obligation as specified in the most recent Servicer Report; provided that if the Current Factor is not specified in the most recent Servicer Report, the Current Factor shall be the ratio equal to (i) the Outstanding Principal Amount as of such date, determined in accordance with the Servicer Report over (ii) the Original Principal Amount.

“Current Market Price” means, at any time of determination, with respect to a Reference Obligation, a percentage price determined by the Calculation Agent and confirmed by the Collateral Administrator by (a) using the pricing service used by the Collateral Administrator in its normal course of business for so long as the quote obtained from such pricing service has been provided by such pricing service within two Business Days of the time of such determination or (b) (1) if subclause (a) above is not applicable, asking five Approved Dealers to quote the offered-side price (excluding accrued interest) for such Reference Obligation (in an amount equal to its Reference Obligation Notional Amount) and (2) for so long as the Collateral Administrator is able to obtain one such quote from one such Approved Dealer, taking the arithmetic average of such quotation(s).

“Current Period Implied Writedown Amount” means, in respect of a Reference Obligation Calculation Period, an amount determined as of the last day of such Reference Obligation Calculation Period equal to the greater of:

- (i) zero; and
- (ii) the product of:
  - (A) the Implied Writedown Percentage; and
  - (B) the greater of:
    - (1) zero; and
    - (2) the Pari Passu Amount plus the Senior Amount minus the aggregate outstanding asset pool balance securing the payment obligations on the Reference Obligation (all such outstanding asset pool balances as obtained by the Calculation Agent from the most recently dated Servicer Report available as of such day), calculated based on the face amount of the assets in such pool, whether or not any such asset is performing

“Delayed Payment” means, with respect to a Delivery Date, a Principal Payment, Principal Shortfall Reimbursement or a Writedown Reimbursement within paragraph (i) of the definition of “Writedown Reimbursement” that is described in a Servicer Report delivered to holders of the Reference Obligation or to the Calculation Agent on or after such Delivery Date.

“Delayed Payment Amount” means, if persons who are holders of the Reference Obligation as of a date prior to a Delivery Date are paid a Delayed Payment on or after such Delivery Date, and amount equal to the product of (i) the sum of all such Delayed Payments, (ii) the Reference Price, (iii) the Applicable Percentage immediately prior to such Delivery Date and (iv) the Exercise Percentage.

“Distressed Ratings Downgrade” means that the Reference Obligation:

- (i) if publicly rated by Moody’s, (A) is downgraded to “Caa2” or below by Moody’s or (B) has the rating assigned to it by Moody’s withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of “Baa3” or higher by Moody’s immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least “Caa1” by Moody’s within three calendar months of such withdrawal; or
- (ii) if publicly rated by Standard & Poor’s, (A) is downgraded to “CCC” or below by Standard & Poor’s or (B) has the rating assigned to it by Standard & Poor’s withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such

Reference Obligation was assigned a public rating of “BBB-” or higher by Standard & Poor’s immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least “CCC+” by Standard & Poor’s within three calendar months of such withdrawal; or

- (iii) if publicly rated by Fitch, (A) is downgraded to “CCC” or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of “BBB-” or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least “CCC+” by Fitch within three calendar months of such withdrawal.

“Effective Maturity Date” means the earlier of (a) the Scheduled Termination Date and (b) the Final Amortization Date.

“Eligible Investments” has the meaning set forth in the Indenture.

“Exercise Amount” means, for purposes of a Component Transaction, an amount to which a Notice of Physical Settlement applies equal to the product of (i) the original face amount of the Reference Obligation to be Delivered by Buyer to Seller on the Physical Settlement Date; and (ii) the Current Factor. The Exercise Amount to which a Notice of Physical Settlement relates shall (A) be equal to or less than the Reference Obligation Notional Amount (determined, for this purpose, without regard to the effect of any Writedown or Writedown Reimbursement within paragraphs (i)(B) or (iii) of “Writedown” or paragraphs (ii)(B) or (iii) of “Writedown Reimbursement”, respectively) as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though the Physical Settlement of all previously delivered Notices of Physical Settlement has occurred in full and (B) not be less than the lesser of (1) the Reference Obligation Notional Amount as of the date on which the relevant Notice of Physical Settlement is delivered calculated as though Physical Settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full and (2) USD100,000. The cumulative original face amount of Deliverable Obligations specified in all Notices of Physical Settlement shall not at any time exceed the Initial Face Amount.

“Exercise Percentage” means, with respect to a Notice of Physical Settlement, a percentage equal to the original face amount of the Deliverable Obligations specified in such Notice of Physical Settlement divided by an amount equal to (i) the Initial Face Amount minus (ii) the aggregate of the original face amount of all Deliverable Obligations specified in all previously delivered Notices of Physical Settlement.

“Expected Principal Amount” means, with respect to the Final Amortization Date or the Legal Final Maturity Date, an amount equal to (i) the Outstanding Principal Amount of the Reference Obligation payable on such day assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the Underlying Instruments, minus (ii) the sum of (A) the Aggregate Implied Writedown Amount (if any) and

(B) the net aggregate principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) that are attributable to the Reference Obligation. The Expected Principal Amount shall be determined without regard to the effect of any limited recourse provisions (however described) of the Underlying Instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

“Failure to Pay Principal” means (i) a failure by the Reference Entity (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; provided that the failure by the Reference Entity (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the Underlying Instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

“Final Amortization Date” means the first to occur of (i) the date on which the Reference Obligation Notional Amount is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

“Fitch” means Fitch Ratings or any successor to the rating business thereof.

“Implied Writedown Amount” means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of “Writedown” to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Current Period Implied Writedown Amount over the Previous Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

“Implied Writedown Percentage” means (i) the Outstanding Principal Amount divided by (ii) the Pari Passu Amount.

“Implied Writedown Reimbursement Amount” means, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of “Writedown” to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Previous Period Implied Writedown Amount over the Current Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

“Legal Final Maturity Date” means the legal final maturity date for the relevant Reference Obligation set forth in Annex C attached hereto (subject, for the avoidance of doubt, to any business day convention applicable to the legal final maturity date of the Reference Obligation),

provided that if the legal final maturity date of the Reference Obligation is amended, the Legal Final Maturity Date shall be such date as amended.

“Moody’s” means Moody’s Investors Service, Inc. or any successor to the rating business thereof.

“Outstanding Principal Amount” means, as of any date of determination with respect to the Reference Obligation, the outstanding principal balance of the Reference Obligation as of such date, which shall take into account:

- (iv) all payments of principal;
- (v) all writedowns or applied losses (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal balance of the Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal);
- (vi) forgiveness of any amount by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal balance of the Reference Obligation;
- (vii) any payments reducing the amount of any reductions described in (ii) and (iii) of this definition; and
- (viii) any increase in the outstanding principal balance of the Reference Obligation that reflects a reversal of any prior reductions described in (ii) and (iii) of this definition).

“Pari Passu Amount” means, as of any date of determination, the aggregate of the Outstanding Principal Amount of the Reference Obligation and the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking pari passu in priority with the Reference Obligation.

“Previous Period Implied Writedown Amount” means, in respect of a Reference Obligation Calculation Period, the Current Period Implied Writedown Amount as determined in relation to the last day of the immediately preceding Reference Obligation Calculation Period.

“Principal Payment” means, with respect to any Reference Obligation Payment Date, the occurrence of a payment of an amount to the holders of the Reference Obligation in respect of principal (scheduled or unscheduled) in respect of the Reference Obligation other than a payment in respect of principal representing capitalized interest, excluding, for the avoidance of doubt, any Writedown Reimbursement or Interest Shortfall Reimbursement.

“Principal Payment Amount” means, with respect to any Reference Obligation Payment Date, an amount equal to the product of (i) the amount of any Principal Payment on such date and (ii) the Applicable Percentage.

“Principal Shortfall Amount” means, in respect of a Failure to Pay Principal, an amount equal to the greater of:

- (ix) zero; and
- (x) the amount equal to the product of:
  - (A) the Expected Principal Amount minus the Actual Principal Amount;
  - (B) the Applicable Percentage; and
  - (C) the Reference Price.

If the Principal Shortfall Amount would be greater than the Reference Obligation Notional Amount immediately prior to the occurrence of such Failure to Pay Principal, then the Principal Shortfall Amount shall be deemed to be equal to the Reference Obligation Notional Amount at such time.

“Principal Shortfall Reimbursement” means, with respect to any day, the payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

“Principal Shortfall Reimbursement Amount” means, with respect to any day, the product of (i) the amount of any Principal Shortfall Reimbursement on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

“Principal Shortfall Reimbursement Payment Amount” means, with respect to an Additional Fixed Amount Payment Date, the sum of the Principal Shortfall Reimbursement Amounts in respect of all Principal Shortfall Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of occurrences of Failure to Pay Principal prior to such Additional Fixed Amount Payment Date.

“Rating Agencies” means Fitch, Moody’s and Standard & Poor’s.

“Reference Obligation Amortized Amount” means, with respect to a Reference Obligation and any date of determination, (i) the product of (a) the Original Principal Amount, the Initial Factor and the Applicable Percentage minus (ii) the aggregate of Principal Payment Amounts with respect to such Reference Obligation on or prior to such date of determination.

“Reference Obligation Calculation Period” means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the Underlying Instruments.

“Reference Obligation Coupon” means the periodic interest rate applied in relation to each Reference Obligation Calculation Period on the related Reference Obligation Payment Date, as determined in accordance with the terms of the Underlying Instruments as at the Effective Date, without regard to any subsequent amendment.

“Reference Obligation Payment Date” means (i) each scheduled distribution date for the Reference Obligation occurring on or after the Effective Date and on or prior to the Scheduled Termination Date, determined in accordance with the Underlying Instruments and (ii) any day after the Effective Maturity Date on which a payment is made in respect of the Reference Obligation.

“Relevant Amount” means, with respect to any Reference Obligation, if a servicer report that described a Principal Payment, Writedown or Writedown Reimbursement (other than a Writedown Reimbursement within paragraph (i) of “Writedown Reimbursement”), in each case that has the effect of decreasing or increasing the interest-accruing principal balance of such Reference Obligation as of a date prior to a Delivery Date but such servicer report is delivered to holders of such Reference Obligation or to the Calculation Agent on or after such Delivery Date, an amount equal to the product of (i) the sum of any such Principal Payment (expressed as a positive amount), Writedown (expressed as a positive amount) or Writedown Reimbursement (expressed as a negative amount), as applicable; (ii) the Reference Price; (iii) the Applicable Percentage immediately prior to such Delivery Date; and (iv) the Exercise Percentage.

“Senior Amount” means, as of any day, the aggregate outstanding principal balance of all obligations of the Reference Entity secured by the Underlying Assets and ranking senior in priority to the Reference Obligation.

“Senior Swap” means the swap agreement entered into on the Effective Date between Counterparty and Goldman Sachs International with an initial notional amount of \$1,200,000,000.

“Senior Swap Notional Amount” has the meaning set forth in the Senior Swap.

“Servicer” means any trustee, servicer, sub servicer, master servicer, fiscal agent, paying agent or other similar entity responsible for calculating payment amounts or providing reports pursuant to the Underlying Instruments.

“Servicer Reports” means periodic statements or reports regarding the Reference Obligation provided by the Servicer to holders of the Reference Obligation.

“Standard & Poor’s” means Standard & Poor’s Rating Services, a division of McGraw-Hill Companies, Inc. or any successor to the rating business thereof.

“Underlying Assets” means the assets securing the Reference Obligation for the benefit of the holders of the Reference Obligation and which are expected to generate the cashflows required for the servicing and repayment (in whole or in part) of the Reference Obligation, or the assets to which a holder of such Reference Obligation is economically exposed where such exposure is created synthetically.

“Underlying Instruments” means the indenture, trust agreement, pooling and servicing agreement or other relevant agreement(s) setting forth the terms of the Reference Obligation.

“Writedown” means the occurrence at any time on or after the Effective Date of:

- (i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or
  - (B) the attribution of a principal deficiency or realized loss (howsoever described in the Underlying Instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation;
- (ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the Outstanding Principal Amount; or
- (iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount being determined in respect of the Reference Obligation by the Calculation Agent, as applicable.

“Writedown Amount” means, with respect to any day, the product of (i) the amount of any Writedown on such day, (ii) the Applicable Percentage and (iii) the Reference Price.

“Writedown Reimbursement” means, with respect to any day, the occurrence of either:

- (i) a payment by or on behalf of the Issuer of an amount in respect of the Reference Obligation in reduction of any prior Writedowns;
- (ii) (A) an increase by or on behalf of the Issuer of the Outstanding Principal Amount of the Reference Obligation to reflect the reversal of any prior Writedowns; or
  - (B) a decrease in the principal deficiency balance or realized loss amounts (howsoever described in the Underlying Instruments) attributable to the Reference Obligation; or
- (iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of the Reference Obligation, an Implied Writedown Reimbursement Amount being determined in respect of the Reference Obligation by the Calculation Agent.

“Writedown Reimbursement Amount” means, with respect to any day, an amount equal to the product of:

- (i) the sum of all Writedown Reimbursements on that day;
- (ii) the Applicable Percentage; and
- (iii) the Reference Price.

“Writedown Reimbursement Payment Amount” means, with respect to an Additional Fixed Amount Payment Date, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date, provided that the aggregate of all Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts paid by Seller in respect of Writedowns occurring prior to such Additional Fixed Amount Payment Date.

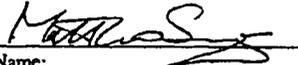
Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between GSI and Counterparty with respect to the Component Transactions to which this Confirmation relates, by manually signing this Confirmation and providing the other information requested herein and immediately returning an executed copy to Swap Administration, Facsimile No.: 1 212 428 9189.

[Remainder of Page Intentionally Left Blank]

Goldman Sachs International is authorized and regulated by The Financial Services Authority and has entered into this transaction as principal. The time at which the above transaction was executed will be notified to Counterparty on request.

Yours sincerely,

GOLDMAN SACHS INTERNATIONAL

By:   
Name:  
Title: **Matt Seager**  
Executive Director

Agreed and Accepted by:

HUDSON MEZZANINE FUNDING 2006-1, LTD.

By: \_\_\_\_\_  
Name:  
Title:

Goldman Sachs International is authorized and regulated by The Financial Services Authority and has entered into this transaction as principal. The time at which the above transaction was executed will be notified to Counterparty on request.

Yours sincerely,

**GOLDMAN SACHS INTERNATIONAL**

By: \_\_\_\_\_  
Name:  
Title:

Agreed and Accepted by:

**HUDSON MEZZANINE FUNDING 2006-1, LTD.**

By:  \_\_\_\_\_  
Name: **Carrie Bunton**  
Title: **Director**

*Confirmation for RMBS to Credit Default Swap*

## Annex A

If Interest Shortfall Cap is applicable, then the following provisions will apply:

Interest Shortfall Cap Basis: Fixed Cap

Interest Shortfall Cap Amount:

If the Interest Shortfall Cap Basis is Fixed Cap, the Interest Shortfall Cap Amount in respect of an Interest Shortfall shall be the Fixed Amount calculated in respect of the Fixed Rate Payer Payment Date immediately following the Reference Obligation Payment Date on which the relevant Interest Shortfall occurred.

If the Interest Shortfall Cap Basis is Variable Cap, the Interest Shortfall Cap Amount applicable in respect of a Floating Rate Payer Payment Date shall be an amount equal to the product of:

- (a) the sum of the Relevant Rate and the Fixed Rate applicable to the Fixed Rate Payer Calculation Period immediately preceding the Reference Obligation Payment Date on which the relevant Interest Shortfall occurs;
- (b) an amount determined by the Calculation Agent equal to:
  - (i) the sum of the Reference Obligation Notional Amount as at 5:00 p.m. in the Calculation Agent City on each day in such Fixed Rate Payer Calculation Period divided by
  - (ii) the actual number of days in such Fixed Rate Payer Calculation Period; and
- (c) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360.

Interest Shortfall Reimbursement Payment Amount:

If Interest Shortfall Cap is applicable, then with respect to the first Additional Fixed Amount Payment Date, zero, and with respect to any subsequent Additional Fixed Amount Payment Date and calculated as of the Reference Obligation Payment Date immediately preceding such Additional Fixed Amount Payment Date, as specified by the Calculation Agent in its notice to the parties or by Seller in its notice to Buyer of the existence of an Interest Shortfall Reimbursement, an amount equal to the greater

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of:

- (a) zero; and
- (b) the amount equal to:
  - (i) the product of:
    - (A) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Reference Obligation Payment Date; and
    - (B) the relevant Cumulative Interest Shortfall Payment Compounding Factor for the Fixed Rate Payer Calculation Period immediately preceding such Additional Fixed Amount Payment Date (or 1.0 in respect of any Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Payment Date);

minus

- (ii) the Cumulative Interest Shortfall Amount as of such Reference Obligation Payment Date;

provided that if the Interest Shortfall Reimbursement Payment Amount on an Additional Fixed Amount Payment Date would exceed the Interest Shortfall Reimbursement Amount in respect of the related Reference Obligation Payment Date, then such Interest Shortfall Reimbursement Payment Amount shall be deemed to be equal to such Interest Shortfall Reimbursement Amount.

Cumulative Interest Shortfall Amount:

With respect to any Reference Obligation Payment Date, an amount equal to the greater of:

- (a) zero; and
- (b) an amount equal to:
  - (i) the Cumulative Interest Shortfall Amount as of the Reference Obligation Payment Date

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- immediately preceding such Reference Obligation Payment Date or, in the case of the first Reference Obligation Payment Date, zero; plus
- (ii) the Interest Shortfall Amount (if any) in respect of such Reference Obligation Payment Date; plus
  - (iii) an amount determined by the Calculation Agent as the amount of interest that would accrue on the Cumulative Interest Shortfall Amount immediately preceding such Reference Obligation Payment Date during the related Reference Obligation Calculation Period pursuant to the Underlying Instruments or, in the case of the first Reference Obligation Payment Date, zero; minus
  - (iv) the Interest Shortfall Reimbursement Amount (if any) in respect of such Reference Obligation Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Amount shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following such Delivery divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery made during such Reference Obligation Calculation Period and (b) the Applicable Percentage immediately prior to the first Delivery made during such Reference Obligation Calculation Period.

Cumulative Interest Shortfall  
Payment Amount:

The Cumulative Interest Shortfall Payment Amount with respect to any Fixed Rate Payer Payment Date and any Additional Fixed Amount Payment Date falling on such Fixed Rate Payer Payment Date shall be an amount equal to the greater of:

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- (a) zero; and
- (b) the amount equal to:
  - (i) the sum of:
    - (A) the Interest Shortfall Payment Amount for the Reference Obligation Payment Date corresponding to such Fixed Rate Payer Payment Date; and
    - (B) the product of:
      - (1) the Cumulative Interest Shortfall Payment Amount as of the Fixed Rate Payer Payment Date immediately preceding such Fixed Rate Payer Payment Date (or zero in the case of the first Fixed Rate Payer Payment Date); and
      - (2) the relevant Cumulative Interest Shortfall Payment Compounding Factor;
  - minus
  - (ii) any Interest Shortfall Reimbursement Payment Amount paid on such Fixed Rate Payer Payment Date.

With respect to any Additional Fixed Amount Payment Date falling after the final Fixed Rate Payer Payment Date, the Cumulative Interest Shortfall Payment Amount shall be equal to:

- (x) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Additional Fixed Amount Payment Date (or as of the final Fixed Rate Payer Payment Date in the case of the first Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Payment Date); minus

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- (y) any Interest Shortfall Reimbursement Payment Amount paid on such Additional Fixed Amount Payment Date.

Upon the occurrence of each Delivery, the Cumulative Interest Shortfall Payment Amount shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following such Delivery divided by (b) the Applicable Percentage immediately prior to such Delivery; provided, however, that if more than one Delivery is made during a Reference Obligation Calculation Period, the Cumulative Interest Shortfall Payment Amount calculated as of the Reference Obligation Payment Date occurring immediately after such Reference Obligation Calculation Period shall be multiplied by a fraction equal to (a) the Applicable Percentage immediately following the final Delivery made during such Reference Obligation Calculation Period and (b) the Applicable Percentage immediately prior to the first Delivery made during such Reference Obligation Calculation Period.

Cumulative Interest Shortfall  
Payment Compounding  
Factor:

With respect to any Fixed Rate Payer Calculation Period, an amount equal to the sum of:

(a) 1.0;

plus

(b) the product of:

(i) the sum of (A) the Relevant Rate plus (B) the Fixed Rate; and

(ii) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360;

provided, however, that the Cumulative Interest Shortfall Payment Compounding Factor shall be deemed to be 1.0 during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Relevant Rate:

With respect to a Fixed Rate Payer Calculation Period, the Floating Rate, expressed as a decimal number with seven decimal places, that would be determined if:

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- (a) the 2000 ISDA Definitions (and not the 2003 ISDA Credit Derivatives Definitions) applied to this paragraph;
- (b) the Fixed Rate Payer Calculation Period were a "Calculation Period" for purposes of such determination; and
- (c) the following terms applied:
  - (i) the Floating Rate Option were the Rate Source;
  - (ii) the Designated Maturity were the period that corresponds to the usual length of a Fixed Rate Payer Calculation Period; and
  - (iii) the Reset Date were the first day of the Calculation Period;

provided, however, that the Relevant Rate shall be deemed to be zero during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Rate Source:

USD-LIBOR-BBA

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**Annex B – Additional Provisions**

1. Credit Support Documents:
  - (a) Standard Guaranty of The Goldman Sachs Group, Inc.

Annex B

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## Annex C

| CUSIP     | Bloomberg ID       | Reference Number | Legal Maturity Date | Fixed Rate | Reference Obligation Coupon | Original Outstanding Principal Amount | Initial Face Amount | Initial Factor | Payment Frequency | Payment Date | Step up provisions | Interest Shortfall Cap | WAC Cap Interest Provision |
|-----------|--------------------|------------------|---------------------|------------|-----------------------------|---------------------------------------|---------------------|----------------|-------------------|--------------|--------------------|------------------------|----------------------------|
| 04541GRC8 | ABSHE 2005-HE3 M9  | SDB980877972     | 4/25/2035           | 2.10%      | LIBOR01M + 1.85%            | 7,055,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 04541GTS1 | ABSHE 2005-HE6 M8  | SDB980877947     | 7/25/2035           | 1.15%      | LIBOR01M + 1.53%            | 15,759,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 04544PAN9 | ABSHE 2006-HE5 M8  | SDB980877948     | 7/25/2036           | 1.15%      | LIBOR01M + 1.00%            | 8,685,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 00437NAN2 | ACCR 2006-2 M9     | SDB980877973     | 9/25/2036           | 2.10%      | LIBOR01M + 1.90%            | 21,700,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 004421UK7 | ACE 2005-HE7 M8    | SDB980877866     | 11/25/2035          | 1.30%      | LIBOR01M + 1.70%            | 21,571,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 004421ULS | ACE 2005-HE7 M9    | SDB980877886     | 11/25/2035          | 2.45%      | LIBOR01M + 2.50%            | 19,774,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 004421XQ1 | ACE 2006-ASP2 M9   | SDB980877974     | 3/25/2036           | 2.10%      | LIBOR01M + 2.00%            | 5,618,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 004421VB6 | ACE 2006-NC1 M8    | SDB980877906     | 12/25/2035          | 1.45%      | LIBOR01M + 1.85%            | 16,553,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 004421VC4 | ACE 2006-NC1 M9    | SDB980877926     | 12/25/2035          | 2.65%      | LIBOR01M + 2.50%            | 13,243,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 126673L75 | AMIT 2005-2 M8     | SDB980877949     | 7/25/2035           | 1.15%      | LIBOR01M + 1.35%            | 14,479,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 03072SV85 | AMSI 2005-R11 M8   | SDB980877867     | 1/25/2036           | 1.30%      | LIBOR01M + 2.50%            | 15,560,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 03072SV93 | AMSI 2005-R11 M9   | SDB980877887     | 1/25/2036           | 2.45%      | LIBOR01M + 2.50%            | 14,640,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 03072SA62 | AMSI 2005-RJ M8    | SDB980877950     | 5/25/2035           | 1.15%      | LIBOR01M + 1.42%            | 10,000,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 03072SM85 | AMSI 2005-R2 M9    | SDB980877975     | 10/25/2035          | 2.10%      | LIBOR01M + 1.75%            | 10,620,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 040104NL1 | ARSI 2005-W2 M8    | SDB980877868     | 10/25/2035          | 1.30%      | LIBOR01M + 1.45%            | 27,500,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 040104NM9 | ARSI 2005-W2 M9    | SDB980877888     | 10/25/2035          | 2.45%      | LIBOR01M + 1.75%            | 16,500,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 040104RQ6 | ARSI 2006-W1 M8    | SDB980877907     | 3/25/2036           | 1.45%      | LIBOR01M + 1.50%            | 31,850,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 040104RR4 | ARSI 2006-W1 M9    | SDB980877927     | 3/25/2036           | 2.65%      | LIBOR01M + 2.50%            | 22,750,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 0738795K0 | BSABS 2005-EC1 M8  | SDB980877976     | 11/25/2035          | 2.10%      | LIBOR01M + 2.00%            | 8,802,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 0738793U0 | BSABS 2005-HE11 M7 | SDB980877869     | 11/25/2035          | 1.30%      | LIBOR01M + 1.50%            | 9,334,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 0738793V8 | BSABS 2005-HE11 M8 | SDB980877889     | 11/25/2035          | 2.45%      | LIBOR01M + 2.15%            | 7,052,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 07387UHZ7 | BSABS 2006-HE3 M8  | SDB980877908     | 4/25/2036           | 1.45%      | LIBOR01M + 1.40%            | 11,505,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 07387UJA0 | BSABS 2006-HE3 M9  | SDB980877928     | 4/25/2036           | 2.65%      | LIBOR01M + 2.25%            | 9,124,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 07387UBE0 | BSABS 2006-PC1 M8  | SDB980877977     | 12/25/2035          | 2.10%      | LIBOR01M + 1.75%            | 6,241,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 144531FF2 | CARR 2006-NC1 M8   | SDB980877909     | 1/25/2036           | 1.45%      | LIBOR01M + 1.55%            | 15,852,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 144531FG0 | CARR 2006-NC1 M9   | SDB980877929     | 1/25/2036           | 2.65%      | LIBOR01M + 2.65%            | 14,410,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 14453FAN9 | CARR 2006-NC2 M9   | SDB980877978     | 6/25/2036           | 2.10%      | LIBOR01M + 1.85%            | 8,473,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 14453EAM4 | CARR 2006-RFC1 M8  | SDB980877951     | 5/25/2036           | 1.15%      | LIBOR01M + 1.05%            | 10,758,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 12498QAN6 | CBASS 2006-CB4 B3  | SDB980877979     | 5/25/2036           | 2.10%      | 6.00%                       | 5,206,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 17307GUZ9 | CMLTI 2005-OPT4 M9 | SDB980877980     | 7/25/2035           | 2.10%      | LIBOR01M + 1.68%            | 7,776,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 126670BC1 | CWL 2005-10 MV8    | SDB980877952     | 2/25/2036           | 1.15%      | LIBOR01M + 1.32%            | 6,000,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 126670NN4 | CWL 2005-BC5 B     | SDB980877890     | 1/25/2036           | 2.45%      | LIBOR01M + 2.00%            | 11,875,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 126670NM6 | CWL 2005-BC5 M8    | SDB980877870     | 1/25/2036           | 1.30%      | LIBOR01M + 2.00%            | 11,400,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 045427AM3 | CWL 2006-8 M8      | SDB980877910     | 1/25/2046           | 1.45%      | LIBOR01M + 1.15%            | 22,000,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 045427AN1 | CWL 2006-8 M9      | SDB980877930     | 1/25/2046           | 2.65%      | LIBOR01M + 2.15%            | 17,000,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 126673J94 | ECR 2005-2 B       | SDB980877981     | 11/25/2035          | 2.10%      | LIBOR01M + 1.85%            | 14,000,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 29445PCW6 | EMLT 2005-1 M9     | SDB980877982     | 4/25/2035           | 2.10%      | LIBOR01M + 1.9%             | 7,675,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 32027NYD7 | FFML 2005-FF12 B2  | SDB980877871     | 11/25/2036          | 1.30%      | LIBOR01M + 1.75%            | 21,616,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 32027NYE5 | FFML 2005-FF12 B3  | SDB980877891     | 11/25/2036          | 2.45%      | LIBOR01M + 1.75%            | 19,651,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |

Annex C

| CUSIP     | Bloomberg ID       | Reference Number | Legal Maturity Date | Fixed Rate | Reference Obligation Coupon | Original Outstanding Principal Amount | Initial Face Amount | Initial Factor | Payment Frequency | Payment Date | Step up provisions | Interest Shortfall Cap | WAC Cap Interest Provision |
|-----------|--------------------|------------------|---------------------|------------|-----------------------------|---------------------------------------|---------------------|----------------|-------------------|--------------|--------------------|------------------------|----------------------------|
| 86359DBT3 | FFML 2005-FF3 M9   | SDB980877983     | 4/25/2035           | 2.10%      | LIBOR01M + 2.00%            | 7,703,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 32027NUT6 | FFML 2005-FF7 M8   | SDB980877953     | 7/25/2035           | 1.15%      | LIBOR01M + 1.30%            | 10,728,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 32027GAP1 | FFML 2006-FF12 M9  | SDB980877995     | 9/25/2036           | 2.10%      | LIBOR01M + 1.90%            | 6,823,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362334GJ7 | FFML 2006-FF4 B1   | SDB980877931     | 3/25/2036           | 2.65%      | LIBOR01M + 2.8%             | 12,961,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362334GC2 | FFML 2006-FF4 M8   | SDB980877911     | 3/25/2036           | 1.45%      | LIBOR01M + 1.35%            | 18,298,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 320278AN4 | FFML 2006-FF8 M9   | SDB980877984     | 7/25/2036           | 2.10%      | LIBOR01M + 1.85%            | 5,934,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 35729PKE9 | FHLT 2005-B M10    | SDB980877985     | 4/25/2035           | 2.10%      | LIBOR01M + 1.75%            | 13,269,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 35729PPJ3 | FHLT 2006-1 M7     | SDB980877954     | 4/25/2036           | 1.15%      | LIBOR01M + 1.25%            | 13,635,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 35729PQF0 | FHLT 2006-2 M7     | SDB980877955     | 2/25/2036           | 1.15%      | LIBOR01M + 1.15%            | 13,272,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 31659TFJ9 | FMIC 2006-1 M9     | SDB980877986     | 5/25/2036           | 2.10%      | LIBOR01M + 2.30%            | 9,330,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 31659EAN8 | FMIC 2006-2 M9     | SDB980877987     | 7/25/2036           | 2.10%      | LIBOR01M + 1.90%            | 8,000,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 367910AN6 | GEWMC 2005-1 B3    | SDB980877988     | 10/25/2035          | 2.10%      | LIBOR01M + 1.70%            | 11,823,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 36242DWY5 | GSAA 2005-3 B3     | SDB980878001     | 12/25/2034          | 2.10%      | LIBOR01M + 2.15%            | 1,918,000                             | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 36242D4C4 | GSAA 2005-6 B2     | SDB980877999     | 6/25/2035           | 1.15%      | LIBOR01M + 1.30%            | 5,376,000                             | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362341CZ0 | GSAA 2005-8 B2     | SDB980878000     | 6/25/2035           | 1.15%      | LIBOR01M + 1.33%            | 3,019,000                             | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362381AK1 | GSAA 2006-12 B2    | SDB980878004     | 8/25/2036           | 2.10%      | LIBOR01M + 1.85%            | 5,177,000                             | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 36298YAJ9 | GSAA 2006-14 B1    | SDB980878005     | 9/25/2036           | 1.15%      | LIBOR01M + 1.10%            | 12,661,000                            | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362256AL3 | GSAA 2006-16 B2    | SDB980878006     | 10/25/2036          | 2.10%      | LIBOR01M + 1.85%            | 7,262,000                             | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362334CB8 | GSAA 2006-3 B3     | SDB980878002     | 3/25/2036           | 2.10%      | LIBOR01M + 2.00%            | 5,038,000                             | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362348AJ3 | GSAA 2006-8 B1     | SDB980878003     | 5/25/2036           | 1.15%      | LIBOR01M + 1.10%            | 7,828,000                             | 15,500,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362341KK4 | GSAMP 2005-HE4 B2  | SDB980877872     | 8/25/2035           | 1.30%      | LIBOR01M + 1.30%            | 18,316,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362341KL2 | GSAMP 2005-HE4 B3  | SDB980877892     | 8/25/2035           | 2.45%      | LIBOR01M + 1.75%            | 19,782,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 3623415A3 | GSAMP 2006-HE1 M8  | SDB980877956     | 1/25/2036           | 1.15%      | LIBOR01M + 1.45%            | 13,528,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 36244KAN5 | GSAMP 2006-HE3 M8  | SDB980877912     | 5/25/2036           | 1.45%      | LIBOR01M + 1.10%            | 22,348,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 36244KAP0 | GSAMP 2006-HE3 M9  | SDB980877932     | 5/25/2036           | 2.65%      | LIBOR01M + 1.87%            | 19,156,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 362463AP6 | GSAMP 2006-NC2 M9  | SDB980877989     | 6/25/2036           | 2.10%      | LIBOR01M + 2.05%            | 7,052,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 40430KAP6 | HASC 2006-OPT4 M7  | SDB980877957     | 3/25/2036           | 1.15%      | LIBOR01M + 1.15%            | 13,435,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 437084QH2 | HEAT 2005-8 B1     | SDB980877893     | 2/25/2036           | 2.45%      | LIBOR01M + 1.70%            | 12,750,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 437084QG4 | HEAT 2005-8 M8     | SDB980877873     | 2/25/2036           | 1.30%      | LIBOR01M + 1.27%            | 15,000,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 437084VZ6 | HEAT 2006-4 B1     | SDB980877933     | 8/25/2036           | 2.65%      | LIBOR01M + 2.25%            | 11,200,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 437084VY9 | HEAT 2006-4 M8     | SDB980877913     | 8/25/2036           | 1.45%      | LIBOR01M + 1.20%            | 16,000,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 46626LAM2 | JPMAC 2005-OPT1 M8 | SDB980877874     | 6/25/2035           | 1.30%      | LIBOR01M + 1.40%            | 18,876,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 46626LAN0 | JPMAC 2005-OPT1 M9 | SDB980877894     | 6/25/2035           | 2.45%      | LIBOR01M + 1.85%            | 15,101,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 46628RAN5 | JPMAC 2006-ACC1 M8 | SDB980877958     | 5/25/2036           | 1.15%      | LIBOR01M + 1.05%            | 7,540,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 46629BBB4 | JPMAC 2006-CW2 MV9 | SDB980877990     | 8/25/2036           | 2.10%      | LIBOR01M + 1.80%            | 8,354,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 46626LFV7 | JPMAC 2006-FRE1 M8 | SDB980877914     | 5/25/2035           | 1.45%      | LIBOR01M + 1.45%            | 14,174,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 46626LFW5 | JPMAC 2006-FRE1 M9 | SDB980877934     | 5/25/2035           | 2.65%      | LIBOR01M + 2.35%            | 11,136,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 46626LGP9 | JPMAC 2006-HE1 M8  | SDB980877959     | 1/25/2036           | 1.15%      | LIBOR01M + 1.50%            | 7,123,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 542514NJ9 | LBMLT 2005-WL2 M8  | SDB980877875     | 8/25/2035           | 1.30%      | LIBOR01M + 1.40%            | 18,935,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 542514NK6 | LBMLT 2005-WL2 M9  | SDB980877895     | 8/25/2035           | 2.45%      | LIBOR01M + 1.80%            | 17,557,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 542514RV8 | LBMLT 2006-1 M8    | SDB980877915     | 2/25/2036           | 1.45%      | LIBOR01M + 1.45%            | 25,000,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 542514RW6 | LBMLT 2006-1 M9    | SDB980877935     | 2/25/2036           | 2.65%      | LIBOR01M + 2.50%            | 20,000,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |

Annex A-9

NY1 5962904v.11

| CUSIP     | Bloomberg ID      | Reference Number | Legal Maturity Date | Fixed Rate | Reference Obligation Coupon | Original Outstanding Principal Amount | Initial Face Amount | Initial Factor | Payment Frequency | Payment Date | Step up provisions | Interest Shortfall Cap | WAC Cap Interest Provision |
|-----------|-------------------|------------------|---------------------|------------|-----------------------------|---------------------------------------|---------------------|----------------|-------------------|--------------|--------------------|------------------------|----------------------------|
|           |                   |                  |                     |            |                             |                                       |                     |                |                   |              |                    |                        | Not Applicable             |
| 57643LMX1 | MABS 2005-NC2 M8  | SDB980877876     | 11/25/2035          | 1.30%      | LIBOR01M + 1.95%            | 8,576,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 57643LMY9 | MABS 2005-NC2 M9  | SDB980877896     | 11/25/2035          | 2.45%      | LIBOR01M + 2.50%            | 9,027,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 57643LNP7 | MABS 2006-NC1 M8  | SDB980877916     | 1/25/2036           | 1.45%      | LIBOR01M + 1.40%            | 11,897,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 57643LNQ5 | MABS 2006-NC1 M9  | SDB980877936     | 1/25/2036           | 2.65%      | LIBOR01M + 2.50%            | 7,778,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 59020UG58 | MLMI 2005-AR1 B2  | SDB980877877     | 6/25/2036           | 1.30%      | LIBOR01M + 1.45%            | 10,528,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 59020UG66 | MLMI 2005-AR1 B3  | SDB980877897     | 6/25/2036           | 2.45%      | LIBOR01M + 1.80%            | 11,082,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 59020UJN3 | MLMI 2006-HE1 B2A | SDB980877917     | 12/25/2036          | 1.45%      | LIBOR01M + 1.45%            | 6,251,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 59020UJQ6 | MLMI 2006-HE1 B3A | SDB980877937     | 12/25/2036          | 2.65%      | LIBOR01M + 2.25%            | 5,079,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 61744CUZ7 | MSAC 2005-HE5 B2  | SDB980877878     | 9/25/2035           | 1.30%      | LIBOR01M + 1.30%            | 19,333,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 61744CVA1 | MSAC 2005-HE5 B3  | SDB980877898     | 9/25/2035           | 2.45%      | LIBOR01M + 1.75%            | 15,616,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 61749KAP8 | MSAC 2006-WMC2 B2 | SDB980877918     | 7/25/2036           | 1.45%      | LIBOR01M + 1.05%            | 27,331,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 61749KAQ6 | MSAC 2006-WMC2 B3 | SDB980877938     | 7/25/2036           | 2.65%      | LIBOR01M + 2.00%            | 26,030,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 617451FD6 | MSC 2006-HE2 B2   | SDB980877919     | 3/25/2036           | 1.45%      | LIBOR01M + 1.20%            | 29,469,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 617451FE4 | MSC 2006-HE2 B3   | SDB980877939     | 3/25/2036           | 2.65%      | LIBOR01M + 2.15%            | 23,802,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 61744CYX8 | MSHEL 2006-2 B2   | SDB980877960     | 2/25/2036           | 1.15%      | LIBOR01M + 1.25%            | 14,446,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 64352VNB3 | NCHET 2005-4 M8   | SDB980877879     | 9/25/2035           | 1.30%      | LIBOR01M + 1.30%            | 22,900,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 64352VNC1 | NCHET 2005-4 M9   | SDB980877899     | 9/25/2035           | 2.45%      | LIBOR01M + 1.80%            | 22,900,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 64352VPG0 | NCHET 2005-C M8   | SDB980877961     | 12/25/2035          | 1.15%      | LIBOR01M + 2.35%            | 23,034,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 66987WCU9 | NHEL 2005-2 M8    | SDB980877962     | 10/25/2035          | 1.15%      | LIBOR01M + 1.27%            | 13,500,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 66988VAM0 | NHEL 2006-2 M7    | SDB980877963     | 6/25/2036           | 1.15%      | LIBOR01M + 1.05%            | 6,127,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 68389FKZ6 | OOMLT 2006-1 M9   | SDB980877991     | 1/25/2036           | 2.10%      | LIBOR01M + 2.30%            | 25,686,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 68402CAN4 | OOMLT 2006-2 M8   | SDB980877964     | 7/25/2036           | 1.15%      | LIBOR01M + 1.25%            | 12,000,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 69121PDP5 | OWNIT 2006-2 B2   | SDB980877965     | 1/25/2037           | 1.15%      | 6.00%                       | 9,961,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 73316PKB5 | POPLR 2006-A M6   | SDB980877992     | 2/25/2036           | 2.10%      | LIBOR01M + 2.25%            | 3,300,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76112BVX5 | RAMP 2005-EFC2 M9 | SDB980877993     | 7/25/2035           | 2.10%      | LIBOR01M + 1.80%            | 7,727,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76112BDJ1 | RAMP 2005-EFC4 M8 | SDB980877880     | 9/25/2035           | 1.30%      | LIBOR01M + 1.29%            | 8,797,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76112BD49 | RAMP 2005-EFC4 M9 | SDB980877900     | 9/25/2035           | 2.45%      | LIBOR01M + 1.75%            | 9,164,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 75156TAL4 | RAMP 2006-NC2 M8  | SDB980877920     | 2/25/2036           | 1.45%      | LIBOR01M + 1.40%            | 7,600,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 75156TAM2 | RAMP 2006-NC2 M9  | SDB980877941     | 2/25/2036           | 2.65%      | LIBOR01M + 2.45%            | 7,600,000                             | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 75156UAM9 | RAMP 2006-RZ2 M9  | SDB980877998     | 5/25/2036           | 2.10%      | LIBOR01M + 2.20%            | 3,375,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76110W2Q8 | RASC 2005-EMX2 M9 | SDB980877994     | 7/25/2035           | 2.10%      | LIBOR01M + 1.80%            | 6,419,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76110W7L4 | RASC 2005-KS11 M8 | SDB980877881     | 12/25/2035          | 1.30%      | LIBOR01M + 1.80%            | 16,560,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76110W7M2 | RASC 2005-KS11 M9 | SDB980877901     | 12/25/2035          | 2.45%      | LIBOR01M + 2.50%            | 15,180,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 75406AAL3 | RASC 2006-EMX1 M8 | SDB980877966     | 2/25/2036           | 1.15%      | LIBOR01M + 1.55%            | 8,550,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76113ABT7 | RASC 2006-KS3 M8  | SDB980877921     | 4/25/2036           | 1.45%      | LIBOR01M + 1.20%            | 12,650,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 76113ABU4 | RASC 2006-KS3 M9  | SDB980877942     | 4/25/2036           | 2.65%      | LIBOR01M + 2.15%            | 11,500,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 81375WDJ2 | SABR 2005-EC1 B2  | SDB980877967     | 1/25/2035           | 1.15%      | LIBOR01M + 1.35%            | 3,580,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 81375WGK6 | SABR 2005-HE1 B2  | SDB980877882     | 10/25/2035          | 1.30%      | LIBOR01M + 2.00%            | 14,925,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 81375WGL4 | SABR 2005-HE1 B3  | SDB980877902     | 10/25/2035          | 2.45%      | LIBOR01M + 2.25%            | 14,303,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 81375WCX2 | SABR 2005-OP1 B2  | SDB980877968     | 1/25/2035           | 1.15%      | LIBOR01M + 1.30%            | 11,213,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 81375WJN7 | SABR 2006-OP1 B2  | SDB980877922     | 10/25/2035          | 1.45%      | LIBOR01M + 1.40%            | 11,337,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 81375WJP2 | SABR 2006-OP1 B3  | SDB980877943     | 10/25/2035          | 2.65%      | LIBOR01M + 1.90%            | 12,597,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |

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| CUSIP     | Bloomberg ID      | Reference Number | Legal Maturity Date | Fixed Rate | Reference Obligation Coupon | Original Outstanding Principal Amount | Initial Face Amount | Initial Factor | Payment Frequency | Payment Date | Step up provisions | Interest Shortfall Cap | WAC Cap Interest Provision |
|-----------|-------------------|------------------|---------------------|------------|-----------------------------|---------------------------------------|---------------------|----------------|-------------------|--------------|--------------------|------------------------|----------------------------|
| 86358EXE1 | SAIL 2005-HE3 M8  | SDB980877883     | 9/25/2035           | 1.30%      | LIBOR01M + 1.40%            | 20,147,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 86358EXF8 | SAIL 2005-HE3 M9  | SDB980877903     | 9/25/2035           | 2.45%      | LIBOR01M + 1.80%            | 18,962,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 86360WAM4 | SAIL 2006-4 M7    | SDB980877923     | 7/25/2036           | 1.45%      | LIBOR01M + 1.20%            | 19,571,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 86360WAN2 | SAIL 2006-4 M8    | SDB980877944     | 7/25/2036           | 2.65%      | LIBOR01M + 2.00%            | 18,348,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 863576DN1 | SASC 2005-WF4 M8  | SDB980877884     | 11/25/2035          | 1.30%      | LIBOR01M + 1.75%            | 14,717,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 863576DP6 | SASC 2005-WF4 M9  | SDB980877904     | 11/25/2035          | 2.45%      | LIBOR01M + 2.50%            | 14,717,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 86359B6K2 | SASC 2005-WMC1 M4 | SDB980877969     | 1/25/2035           | 1.15%      | LIBOR01M + 1.35%            | 8,544,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 86360LAM8 | SASC 2006-WF2 M8  | SDB980877924     | 7/25/2036           | 1.45%      | LIBOR01M + 1.05%            | 12,342,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 86360LAN6 | SASC 2006-WF2 M9  | SDB980877945     | 7/25/2036           | 2.65%      | LIBOR01M + 1.90%            | 18,189,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 805564SK8 | SAST 2005-2 B2    | SDB980877970     | 10/25/2035          | 1.15%      | LIBOR01M + 1.30%            | 9,800,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 84751PKL2 | SURF 2006-BC1 B2A | SDB980877971     | 12/25/2036          | 1.15%      | LIBOR01M + 1.45%            | 12,000,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 83611MKM9 | SVHE 2005-4 M8    | SDB980877885     | 3/25/2036           | 1.30%      | LIBOR01M + 2.50%            | 11,921,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 83611MKN7 | SVHE 2005-4 M9    | SDB980877905     | 3/25/2036           | 2.45%      | LIBOR01M + 2.50%            | 10,155,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 83611MMU9 | SVHE 2006-OPT2 M8 | SDB980877996     | 5/25/2036           | 2.10%      | LIBOR01M + 2.15%            | 15,200,000                            | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 83612CAN9 | SVHE 2006-OPT5 M8 | SDB980877925     | 7/25/2036           | 1.45%      | LIBOR01M + 1.10%            | 38,750,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 83612CAP4 | SVHE 2006-OPT5 M9 | SDB980877946     | 7/25/2036           | 2.65%      | LIBOR01M + 2.00%            | 34,100,000                            | 15,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |
| 9497EUAR8 | WFHET 2006-1 M9   | SDB980877997     | 5/25/2036           | 2.10%      | LIBOR01M + 1.90%            | 5,481,000                             | 13,000,000          | 1.0000         | Monthly           | 25th         | Applicable         | Applicable             | Not Applicable             |

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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-021822132

| Reference Entity & Primary Obligor               | Cusip      | Reference Number |
|--------------------------------------------------|------------|------------------|
| ASSET BACKED SECURITIES CORP HOME EQUITY LN TRST | 04541GRC8  | SDB980877972     |
| ASSET BACKED SECURITIES CORP HOME EQUITY LN TRST | 04541GTS1  | SDB980877947     |
| ASSET BACKED SECURITIES CORP HOME EQUITY LN TRST | 04544PAN9  | SDB980877948     |
| ACCREDITED MORTGAGE LOAN TRUST                   | 00437NAN2  | SDB980877973     |
| ACE SECURITIES CORP.                             | 004421UK7  | SDB980877866     |
| ACE SECURITIES CORP.                             | 004421UL5  | SDB980877886     |
| ACE SECURITIES CORP.                             | 004421XQ1  | SDB980877974     |
| ACE SECURITIES CORP.                             | 004421VB6  | SDB980877906     |
| ACE SECURITIES CORP.                             | 004421VC4  | SDB980877926     |
| AAMES MORTGAGE INVESTMENT TRUST                  | 126673L75  | SDB980877949     |
| AMERIQUEST MORTGAGE SECURITIES INC.              | 03072SV85  | SDB980877867     |
| AMERIQUEST MORTGAGE SECURITIES INC.              | 03072SV93  | SDB980877887     |
| AMERIQUEST MORTGAGE SECURITIES INC.              | 03072SA62  | SDB980877950     |
| AMERIQUEST MORTGAGE SECURITIES INC.              | 03072SM85  | SDB980877975     |
| ARGENT SECURITIES INC.                           | 040104NLI  | SDB980877868     |
| ARGENT SECURITIES INC.                           | 040104NM9  | SDB980877888     |
| ARGENT SECURITIES INC.                           | 040104RQ6  | SDB980877907     |
| ARGENT SECURITIES INC.                           | 040104RR4  | SDB980877927     |
| BEAR STEARNS ASSET BACKED SECURITIES, INC.       | 0738795K0  | SDB980877976     |
| BEAR STEARNS ASSET BACKED SECURITIES, INC.       | 0738793U0  | SDB980877869     |
| BEAR STEARNS ASSET BACKED SECURITIES, INC.       | 0738793V8  | SDB980877889     |
| BEAR STEARNS ASSET BACKED SECURITIES, INC.       | 07387UHZ7  | SDB980877908     |
| BEAR STEARNS ASSET BACKED SECURITIES, INC.       | 07387UJA0  | SDB980877928     |
| BEAR STEARNS ASSET BACKED SECURITIES, INC.       | 07387UBE0  | SDB980877977     |
| CARRINGTON MORTGAGE LOAN TRUST                   | 144531FF2  | SDB980877909     |
| CARRINGTON MORTGAGE LOAN TRUST                   | 144531FG0  | SDB980877929     |
| CARRINGTON MORTGAGE LOAN TRUST                   | 14453FAN9  | SDB980877978     |
| CARRINGTON MORTGAGE LOAN TRUST                   | 14453EAM4  | SDB980877951     |
| CREDIT-BASED ASSET SERVICING AND SECURITIZATION  | 12498QAN6  | SDB980877979     |
| CITIGROUP MORTGAGE LOAN TRUST, INC.              | 17307G1I29 | SDB980877980     |
| COUNTRYWIDE ASSET-BACKED CERTIFICATES            | 126670BC1  | SDB980877952     |
| COUNTRYWIDE ASSET-BACKED CERTIFICATES            | 126670NN4  | SDB980877890     |
| COUNTRYWIDE ASSET-BACKED CERTIFICATES            | 126670NM6  | SDB980877870     |
| COUNTRYWIDE ASSET-BACKED CERTIFICATES            | 045427AM3  | SDB980877910     |
| COUNTRYWIDE ASSET-BACKED CERTIFICATES            | 045427AN1  | SDB980877930     |
| ENCORE CREDIT RECEIVABLES TRUST                  | 126673J94  | SDB980877981     |
| EQUIFIRST MORTGAGE LOAN TRUST                    | 29445FCW6  | SDB980877982     |

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| Reference Entity & Primary Obligor                | Cusip     | Reference Number |
|---------------------------------------------------|-----------|------------------|
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 32027NYD7 | SDB980877871     |
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 32027NYE5 | SDB980877891     |
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 86359DBT3 | SDB980877983     |
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 32027NUT6 | SDB980877953     |
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 32027GAP1 | SDB980877995     |
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 362334GJ7 | SDB980877931     |
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 362334GC2 | SDB980877911     |
| FIRST FRANKLIN MTG LOAN ASSET BACKED CERTIFICATES | 320278AN4 | SDB980877984     |
| FREMONT HOME LOAN TRUST                           | 35729PKE9 | SDB980877985     |
| FREMONT HOME LOAN TRUST                           | 35729PPJ3 | SDB980877954     |
| FREMONT HOME LOAN TRUST                           | 35729PQF0 | SDB980877955     |
| FIELDSTONE MORTGAGE INVESTMENT CORP.              | 31659TFJ9 | SDB980877986     |
| FIELDSTONE MORTGAGE INVESTMENT CORP.              | 31659EAN8 | SDB980877987     |
| GE-WMC MORTGAGE SECURITIES LLC                    | 367910AN6 | SDB980877988     |
| GSAA HOME EQUITY TRUST                            | 36242DWY5 | SDB980878001     |
| GSAA HOME EQUITY TRUST                            | 36242D4C4 | SDB980877999     |
| GSAA HOME EQUITY TRUST                            | 362341CZ0 | SDB980878000     |
| GSAA HOME EQUITY TRUST                            | 362381AK1 | SDB980878004     |
| GSAA HOME EQUITY TRUST                            | 36298YAJ9 | SDB980878005     |
| GSAA HOME EQUITY TRUST                            | 362256ALJ | SDB980878006     |
| GSAA HOME EQUITY TRUST                            | 362334CB8 | SDB980878002     |
| GSAA HOME EQUITY TRUST                            | 362348AJ3 | SDB980878003     |
| GSAMP TRUST                                       | 362341KK4 | SDB980877872     |
| GSAMP TRUST                                       | 362341KL2 | SDB980877892     |
| GSAMP TRUST                                       | 362341SA3 | SDB980877956     |
| GSAMP TRUST                                       | 36244KAN5 | SDB980877912     |
| GSAMP TRUST                                       | 36244KAP0 | SDB980877932     |
| GSAMP TRUST                                       | 362463AP6 | SDB980877989     |
| HSI ASSET SECURITIZATION CORPORATION TRUST        | 40430KAP6 | SDB980877957     |
| HOME EQUITY ASSET TRUST                           | 437084QH2 | SDB980877893     |
| HOME EQUITY ASSET TRUST                           | 437084QG4 | SDB980877873     |
| HOME EQUITY ASSET TRUST                           | 437084VZ6 | SDB980877933     |
| HOME EQUITY ASSET TRUST                           | 437084VY9 | SDB980877913     |
| JP MORGAN MORTGAGE ACQUISITION CORP               | 46626LAM2 | SDB980877874     |
| JP MORGAN MORTGAGE ACQUISITION CORP               | 46626LAN0 | SDB980877894     |
| JP MORGAN MORTGAGE ACQUISITION CORP               | 46628RAN5 | SDB980877958     |
| JP MORGAN MORTGAGE ACQUISITION CORP               | 46629BBB4 | SDB980877990     |
| JP MORGAN MORTGAGE ACQUISITION CORP               | 46626LFV7 | SDB980877914     |
| JP MORGAN MORTGAGE ACQUISITION CORP               | 46626LFW5 | SDB980877934     |

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| Reference Entity & Primary Obligor            | Cusip     | Reference Number |
|-----------------------------------------------|-----------|------------------|
| JP MORGAN MORTGAGE ACQUISITION CORP           | 46626LGP9 | SDB980877959     |
| LONG BEACH MORTGAGE LOAN TRUST                | 542514NJ9 | SDB980877875     |
| LONG BEACH MORTGAGE LOAN TRUST                | 542514NK6 | SDB980877895     |
| LONG BEACH MORTGAGE LOAN TRUST                | 542514RV8 | SDB980877915     |
| LONG BEACH MORTGAGE LOAN TRUST                | 542514RW6 | SDB980877935     |
| MASTR ASSET BACKED SECURITIES TRUST           | 57643LMX1 | SDB980877876     |
| MASTR ASSET BACKED SECURITIES TRUST           | 57643LMY9 | SDB980877896     |
| MASTR ASSET BACKED SECURITIES TRUST           | 57643LNP7 | SDB980877916     |
| MASTR ASSET BACKED SECURITIES TRUST           | 57643LNQ5 | SDB980877936     |
| MERRILL LYNCH MORTGAGE INVESTORS TRUST        | 59020UG58 | SDB980877877     |
| MERRILL LYNCH MORTGAGE INVESTORS TRUST        | 59020UG66 | SDB980877897     |
| MERRILL LYNCH MORTGAGE INVESTORS TRUST        | 59020UJN3 | SDB980877917     |
| MERRILL LYNCH MORTGAGE INVESTORS TRUST        | 59020UJQ6 | SDB980877937     |
| MORGAN STANLEY ABS CAPITAL I                  | 61744CUZ7 | SDB980877878     |
| MORGAN STANLEY ABS CAPITAL I                  | 61744CVA1 | SDB980877898     |
| MORGAN STANLEY ABS CAPITAL I                  | 61749KAP8 | SDB980877918     |
| MORGAN STANLEY ABS CAPITAL I                  | 61749KAQ6 | SDB980877938     |
| MORGAN STANLEY CAPITAL I                      | 617451FD6 | SDB980877919     |
| MORGAN STANLEY CAPITAL I                      | 617451FE4 | SDB980877939     |
| MORGAN STANLEY HOME EQUITY LOANS              | 61744CYX8 | SDB980877960     |
| NEW CENTURY HOME EQUITY LOAN TRUST            | 64352VNB3 | SDB980877879     |
| NEW CENTURY HOME EQUITY LOAN TRUST            | 64352VNC1 | SDB980877899     |
| NEW CENTURY HOME EQUITY LOAN TRUST            | 64352VPG0 | SDB980877961     |
| NOVASTAR HOME EQUITY LOAN                     | 66987WCU9 | SDB980877962     |
| NOVASTAR HOME EQUITY LOAN                     | 66988VAM0 | SDB980877963     |
| OPTION ONE MORTGAGE LOAN TRUST                | 68389FKZ6 | SDB980877991     |
| OPTION ONE MORTGAGE LOAN TRUST                | 68402CAN4 | SDB980877964     |
| OWNIT MORTGAGE LOAN ASSET-BACKED CERTIFICATES | 69121PDF5 | SDB980877965     |
| POPULAR ABS MORTGAGE PASS-THROUGH TRUST       | 73316PKB5 | SDB980877992     |
| RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.     | 76112BVX5 | SDB980877993     |
| RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.     | 76112BD31 | SDB980877880     |
| RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.     | 76112BD49 | SDB980877900     |
| RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.     | 75156TAL4 | SDB980877920     |
| RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.     | 75156TAM2 | SDB980877941     |
| RESIDENTIAL ASSET MORTGAGE PRODUCTS, INC.     | 75156UAM9 | SDB980877998     |
| RESIDENTIAL ASSET SECURITIES CORPORATION      | 76110W2Q8 | SDB980877994     |
| RESIDENTIAL ASSET SECURITIES CORPORATION      | 76110W7L4 | SDB980877881     |
| RESIDENTIAL ASSET SECURITIES CORPORATION      | 76110W7M2 | SDB980877901     |
| RESIDENTIAL ASSET SECURITIES CORPORATION      | 75406AAL3 | SDB980877966     |

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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-021822135

| Reference Entity & Primary Obligor             | Cusip     | Reference Number |
|------------------------------------------------|-----------|------------------|
| RESIDENTIAL ASSET SECURITIES CORPORATION       | 76113ABT7 | SDB980877921     |
| RESIDENTIAL ASSET SECURITIES CORPORATION       | 76113ABU4 | SDB980877942     |
| SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST | 81375WDJ2 | SDB980877967     |
| SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST | 81375WGK6 | SDB980877882     |
| SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST | 81375WGL4 | SDB980877902     |
| SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST | 81375WCX2 | SDB980877968     |
| SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST | 81375WJN7 | SDB980877922     |
| SECURITIZED ASSET BACKED RECEIVABLES LLC TRUST | 81375WJP2 | SDB980877943     |
| STRUCTURED ASSET INVESTMENT LOAN TRUST         | 86358EXE1 | SDB980877883     |
| STRUCTURED ASSET INVESTMENT LOAN TRUST         | 86358EXF8 | SDB980877903     |
| STRUCTURED ASSET INVESTMENT LOAN TRUST         | 86360WAM4 | SDB980877923     |
| STRUCTURED ASSET INVESTMENT LOAN TRUST         | 86360WAN2 | SDB980877944     |
| STRUCTURED ASSET SECURITIES CORPORATION        | 863576DN1 | SDB980877884     |
| STRUCTURED ASSET SECURITIES CORPORATION        | 863576DP6 | SDB980877904     |
| STRUCTURED ASSET SECURITIES CORPORATION        | 86359B6K2 | SDB980877969     |
| STRUCTURED ASSET SECURITIES CORPORATION        | 86360LAM8 | SDB980877924     |
| STRUCTURED ASSET SECURITIES CORPORATION        | 86360LAN6 | SDB980877945     |
| SAXON ASSET SECURITIES TRUST                   | 805564SK8 | SDB980877970     |
| SPECIALTY UNDERWRITING & RESIDENTIAL FINANCE   | 84751PKL2 | SDB980877971     |
| SOUNDVIEW HOME EQUITY LOAN TRUST               | 83611MKM9 | SDB980877885     |
| SOUNDVIEW HOME EQUITY LOAN TRUST               | 83611MKN7 | SDB980877905     |
| SOUNDVIEW HOME EQUITY LOAN TRUST               | 83611MMU9 | SDB980877996     |
| SOUNDVIEW HOME EQUITY LOAN TRUST               | 83612CAN9 | SDB980877925     |
| SOUNDVIEW HOME EQUITY LOAN TRUST               | 83612CAP4 | SDB980877946     |
| WELLS FARGO HOME EQUITY TRUST                  | 9497EUAR8 | SDB980877997     |

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The Goldman Sachs Group, Inc. | One New York Plaza | New York, New York 10004  
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December 5, 2006

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Queensgate House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

Ladies and Gentlemen:

For value received, The Goldman Sachs Group, Inc. (the "Guarantor"), a corporation duly organized under the laws of the State of Delaware, hereby unconditionally guarantees the prompt and complete payment when due, whether by acceleration or otherwise, of all obligations and liabilities, whether now in existence or hereafter arising, of Goldman Sachs International, a subsidiary of the Guarantor and an unlimited liability company duly organized under the laws of England (the "Company"), to Hudson Mezzanine Funding 2006-1, Ltd. (the "Counterparty") arising out of or under the ISDA Master Agreement between the Company and the Counterparty dated as of December 1, 2006 (the "Obligations"). This Guaranty is one of payment and not of collection.

The Guarantor hereby waives notice of acceptance of this Guaranty and notice of the Obligations, and waives presentment, demand for payment, protest, notice of dishonour or non-payment of the Obligations, suit or the taking of other action by Counterparty against, and any other notice to, the Company, the Guarantor or others.

The Counterparty may at any time and from time to time without notice to or consent of the Guarantor and without impairing or releasing the obligations of the Guarantor hereunder: (1) agree with the Company to make any change in the terms of the Obligations; (2) take or fail to take any action of any kind in respect of any security for the Obligations; (3) exercise or refrain from exercising any rights against the Company or others in respect of the Obligations; or (4) compromise or subordinate the Obligations, including any security therefor. Any other suretyship defenses are hereby waived by the Guarantor.

This Guaranty shall continue in full force and effect until the opening of business on the fifth business day after Counterparty receives written notice of termination from the Guarantor. It is understood and agreed, however, that notwithstanding any such termination this Guaranty shall continue in full force and effect with respect to all Obligations which shall have been incurred prior to such termination.

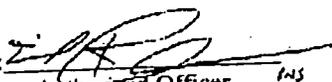
Hudson Mezzanine Funding 2006-1, Ltd.  
c/o Maples Finance Limited  
December 5, 2006  
Page 2

The Guarantor may not assign its rights nor delegate its obligations under this Guaranty, in whole or in part, without prior written consent of the Counterparty, and any purported assignment or delegation absent such consent is void, except for an assignment and delegation of all of the Guarantor's rights and obligations hereunder in whatever form the Guarantor determines may be appropriate to a partnership, corporation, trust or other organization in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise. Upon any such delegation and assumption of obligations, the Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

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Very truly yours,

THE GOLDMAN SACHS GROUP, INC.

By:   
Authorized Officer *INS*

c:\jimmy\2186629\Hudson Mezzanine Funding 2006-1 Ltd 12-05

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**From:** Sparks, Daniel L  
**Sent:** Monday, October 16, 2006 4:11 PM  
**To:** Ostrem, Peter L  
**Cc:** Rosenblum, David J.  
**Subject:** Re: Cambridge Place deal

Poor client mgmt

----- = Redacted by the Permanent  
Subcommittee on Investigations

----- Original Message -----

**From:** Ostrem, Peter L  
**To:** Sparks, Daniel L  
**Cc:** Rosenblum, David J.  
**Sent:** Mon Oct 16 14:20:28 2006  
**Subject:** Cambridge Place deal

Cambridge is upset that we are delaying their deal. They know that Hudson Mezz (GS prop deal) is pushing their deal back. We are calling the PM at Cambridge ( ) and ( ) today to discuss their deal and timing. Are you ok if we upsize their deal to \$800mm from \$600mm? This allows them to continue ramping and we take additional equity placement risk (beyond the 60% of equity going into ORCA). Deal is in good shape and we have pre-interest in the entire AA class and half the BBBs and a third of the super seniors. This will price in Dec. or January.



Date: September 27th, 2006

To: Firmwide Risk Committee

Re: September 27th FRC Minutes

The September 27th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar and Jerry Corrigan. Apologies were received from Isabelle Ealet, Raanan Agus, Mark McGoldrick, and Marc Spilker.

**Divisional Reports**

*Driss Ben-Brahim*

• [Redacted]  
• [Redacted]

*Rich Ruzika*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Jon Sobel*

- ABX stable since last week.
- Business progressing with synthetic ABX CDOs. Noted DB also working on synthetic ABX CDOs.
- Busy securitization calendar beginning tomorrow (e.g., several CDO deals, etc.).

• [Redacted]  
• [Redacted]

*Don Mullen*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Ed Eisler*

• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]

*Ed Wilson*

• [Redacted]  
• [Redacted]

— = Redacted by the Permanent Subcommittee on Investigations

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Requested by Goldman Sachs

GS MBS 000004474

Permanent Subcommittee on Investigations  
Wall Street & The Financial Crisis  
Report Footnote #2271

*Ken Eberts*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

*Jacob Rosengarten*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Any Other Business

Credit Risk management presented the quarterly Credit Risk Profile.

— = Redacted by the Permanent  
Subcommittee on Investigations



Date: October 4th, 2006

To: Firmwide Risk Committee

Re: October 4th FRC Minutes

— = Redacted by the Permanent Subcommittee on Investigations

The October 4th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by Jerry Corrigan. Apologies were received from Lloyd Blankfein and David Viniar.

**Divisional Reports**

The committee discussed the general decrease in Hedge Fund activity and the potential implications.

*Driss Ben-Brahim*

• [Redacted]

*Ed Eisler*

• [Redacted]

*Jon Sobel*

- Business continuing to work on ABX CDO structure.
- VaR up due to stickiness of ABX position and as actual volatility is higher than expected. Business in discussion with Divisional Risk on possibly altering risk limits.
- Securitization calendar robust over the next 6 weeks.

*Dave Heller*

• [Redacted]

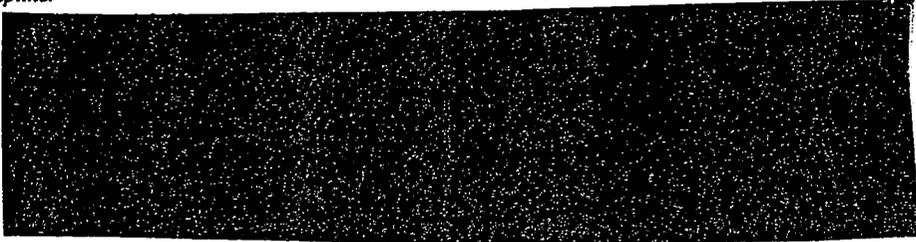
Confidential Treatment  
Requested by Goldman Sachs

GS MBS 000004476

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2271**

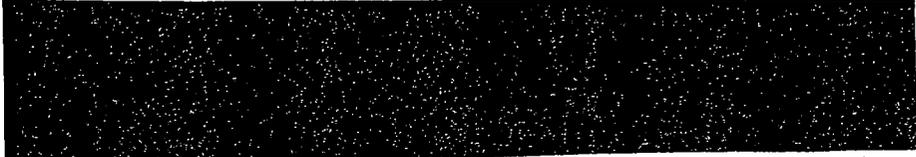
*Marc Spilker*

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*Raanan Agus*

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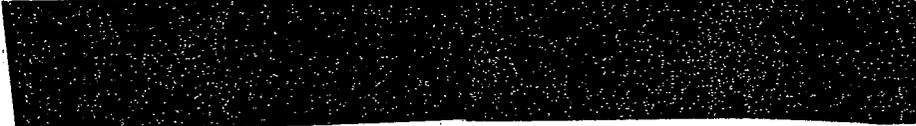
*Rich Ruzika*

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*Jacob Rosengarten*

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Any Other Business



— = Redacted by the Permanent  
Subcommittee on Investigations



Date: October 11th, 2006

To: Firmwide Risk Committee

Re: October 11th FRC Minutes

The October 11th Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by David Viniar. Apologies were received from Lloyd Blankfein, Jerry Corrigan, Dave Heller and Bob Litterman.

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Divisional Reports

*Driss Ben-Brahim*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Rich Ruzika*

• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]

*Justin Gmelich*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Jon Sobel*

- Noted Business has buyers line-up for various ABX CDO tranches.
- Cash deals will continue to do well over the next month.
- Noted diminished Hedge Fund activity.
- Business working on large commercial mortgage loan deal that may require increase in risk limit.

*Ed Eisler*

• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]

*Marc Spilker*

• [Redacted]

- [Redacted]
- [Redacted]

*Bob Howard*

- [Redacted]
- [Redacted]
- [Redacted]

*Jacob Rosengarten*

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Any Other Business

[Redacted]

— = Redacted by the Permanent  
Subcommittee on Investigations



Date: November 1st, 2006

To: Firmwide Risk Committee

Re: November 1st FRC Minutes

The November 1<sup>st</sup> Firmwide Risk Committee meeting commenced at 7:30am. The meeting was chaired by Jerry Corrigan. Apologies were received from David Viniar, Lloyd Blankfein, Mark McGoldrick, Bob Zoellick, and Liz Beshel

**Divisional Reports**

*Driss Ben-Brahim*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Ed Eisler*

• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]

*Isabelle Ealet*

• [Redacted]  
• [Redacted]  
• [Redacted]

*Jon Sobel*

- ABX CDO priced last week with \$1.6BN sold. Risks down from a high of \$2.0MM/bp to \$1.0MM/bp.
- Noted strong calendar over the next weeks as there is a demand for cash products.
- Noted risks to business if CDO market slows or if there is a material repricing of residuals.

*Don Mullen*

• [Redacted]  
• [Redacted]  
• [Redacted]  
• [Redacted]

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Permanent Subcommittee on Investigations  
*Wall Street & The Financial Crisis*  
Report Footnote #2271

GS MBS 000004484

SR

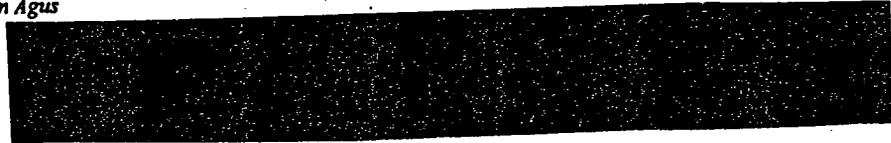
*Dave Heller*

- 
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*Raanan Agus*

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*Jacob Rosengarten*

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Any Other Business  
None.

— = Redacted by the Permanent  
Subcommittee on Investigations

**From:** Jha, Arbind  
**Sent:** Wednesday, October 11, 2006 9:14 AM  
**To:** Birnbaum, Josh  
**Subject:** RE: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external) [T-Mail]

Josh,

Tried calling. Sobel this morning in the firmwide risk committee mentioned that we have circled up the junior and some of the equity tranches.

Would like to get an update on this and have some follow up questions.

Please let me know when is a good time to call.

Thanks.

-----Original Message-----

**From:** Birnbaum, Josh  
**Sent:** Tuesday, October 03, 2006 9:22 AM  
**To:** Jha, Arbind  
**Subject:** FW: Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external) [T-Mail]

here is the info on the CDO

-----Original Message-----

**From:** GS Syndicate  
**Sent:** Tuesday, October 03, 2006 7:24 AM  
**To:** 'T-Mail Subscribers'  
**Subject:** Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external) [T-Mail]

Hudson Mezzanine Funding, 2006-1 Ltd. -- New Issue Announcement (144a/RegS) (external)  
Lead Manager & Sole Bookrunner: Goldman Sachs Liquidation Agent: Goldman, Sachs & Co.  
\$2.0bn Static Mezzanine Structured Product CDO

| Class   | Size(\$mm) | %Deal | Mdy/S&P   | WAL(y) | Init OC | Guidance      |
|---------|------------|-------|-----------|--------|---------|---------------|
| S       | [ ]        | N/A   | Aaa/AAA   | [2.8]  | N/A     | N/A           |
| Sen Swp | 1,200      | 60.0% | Aaa/AAA   | [3.7]  | 166.7%  | N/A           |
| A1      | 150        | 7.5%  | Aaa/AAA   | [2.0]  | 133.3%  | 1mL+TBD       |
| A2      | 150        | 7.5%  | Aaa/AAA   | [6.0]  | 133.3%  | 1mL+TBD       |
| B       | 160        | 8.0%  | Aa2/AA    | [5.1]  | 120.5%  | 1mL+TBD       |
| C       | 100        | 5.0%  | A2/A      | [5.2]  | 113.6%  | 1mL+TBD       |
| D       | 150        | 7.5%  | Baa2/BBB  | [5.2]  | 104.7%  | 1mL+TBD       |
| E       | 30         | 1.5%  | Ba1/BB+   | [5.3]  | 103.1%  | 1ML+TBD       |
| PS      | 60         | 3.0%  | Not Rated | N/A    | N/A     | **CALL DESK** |

Termsheet, Debt Marketing Book & Warehouse Portfolio - Attached

Expected Timing:

Price Guidance & Red - w/o Oct 16

Pricing - w/o Oct 23

GS Structured Products Global Syndicate

Asia: Omar Chaudhary, Jay Lee, & Hirotaka Sugioka +81 (3) 6437-7198

Europe: Mitch Resnick & Tets Ishikawa +44 (0)20 7774-3068 N. America: Bunty Bohra, Scott Wisenbaker, Scott Walter, Tony Kim & Malcolm Mui +1 (212) 902-7645

Structured Product CDO Desk:

Peter Ostrem +1 (212) 357-4617 // Darryl Herrick +1 (212) 902-9305

Risk Factors: An investment in the securities presents certain risks, please see the Preliminary Offering Circular for a description of certain risk factors.

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**From:** Sobel, Jonathan  
**Sent:** Wednesday, October 25, 2006 1:25 PM  
**To:** Viniar, David; Cohn, Gary (EO 85B30)  
**Subject:** ABX CDO will price this afternoon.

Gain today is \$8mm, with another \$16mm in various reserves (\$24mm total vs \$15mm total that we had discussed). \$1.6bn of the \$2bn sold, with the majority of the unsold bonds being investment grade. Equity more than 85% sold.

**From:** Swenson, Michael <Michael.Swenson@ny.email.gs.com>  
**Sent:** Thursday, October 12, 2006 11:06 AM  
**To:** Rosenblum, David J. <david.rosenblum@ny.email.gs.com>  
**Subject:** RE: Polygon

---

we sell this at 70-00, 80-00 or 85-00 . . . i need to go raise a fund and buy the other half

---

**From:** Rosenblum, David J.  
**Sent:** Thursday, October 12, 2006 11:04 AM  
**To:** Swenson, Michael; Bohra, Bunty; Wisenbaker, Scott; Birnbaum, Josh  
**Cc:** Sparks, Daniel L; Herrick, Darryl K; Ostrem, Peter L  
**Subject:** FW: Polygon

fyi

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**From:** Cornacchia, Thomas  
**Sent:** Thursday, October 12, 2006 10:38 AM  
**To:** Ostrem, Peter L; Rosenblum, David J.  
**Cc:** Herrick, Darryl K  
**Subject:** RE: Polygon

keep in mind the overall objective - this is not about one trade - having said that, i agree that 70 may be too low

---

**From:** Ostrem, Peter L  
**Sent:** Thursday, October 12, 2006 10:19 AM  
**To:** Cornacchia, Thomas; Rosenblum, David J.  
**Cc:** Herrick, Darryl K  
**Subject:** Polygon

70 is NOT going to work on Hudson Mezz equity. 90 would work.

100 is a no-loss yield of 22%  
95 is a no-loss yield of 24%  
90 is a no-loss yield of 26%.  
85 is a no-loss yield of 29%

We have a 6mm of firm equity orders at par and we have only been marketing this equity for two weeks (60mm of total equity).

We see value in a large 30mm order and can offer 90 dollar price to help achieve that. We are reasonable and will listen to levels around 90.

**From:** Swenson, Michael <Michael.Swenson@ny.email.gs.com>  
**Sent:** Thursday, October 26, 2006 10:54 AM  
**To:** McMahan, Bill <bill.mcmahan@ny.email.gs.com>  
**Cc:** Sobel, Jonathan <jonathan.sobel@ny.email.gs.com>; Sparks, Daniel L <dan.sparks@ny.email.gs.com>; Birnbaum, Josh <josh.birnbaum@ny.email.gs.com>; Swenson, Michael <Michael.Swenson@ny.email.gs.com>  
**Subject:** ABX Update

Bill-

Since the pricing of the CDO yesterday we have moved a significant amount of risk:

BBB- DV01 is now down to \$1.1mm/bp

In addition to \$2bb of risk that was placed into the CDO, we have sold to retail since 4pm yesterday \$2bb of BBB- risk.

Goldman, Sachs & Co.  
 85 Broad Street | New York, NY 10004  
 tel: +1 212 902 5090 | mobile: +1 917 [REDACTED] | fax: +1 212 902 1691  
 e-mail: michael.swenson@gs.com

**[REDACTED]** = Redacted by the Permanent Subcommittee on Investigations

**Goldman  
Sachs**

Michael J. Swenson  
 Fixed Income, Currency & Commodities

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**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2274**

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**From:** Egol, Jonathan  
**Sent:** Thursday, October 19, 2006 6:52 AM  
**To:** Toure, Fabrice; Williams, Geoffrey  
**Subject:** Fw: BBB RMBS

Pls get looped in in case they have anything

----- Original Message -----

**From:** Rosenblum, David J.  
**To:** Resnick, Mitchell R; Egol, Jonathan; Herrick, Darryl K  
**Cc:** Brazil, Alan; Marschoun, Michael; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Bieber, Matthew G.; Case, Benjamin; Ostrem, Peter L  
**Sent:** Thu Oct 19 06:42:24 2006  
**Subject:** Re: BBB RMBS

So amazing you should ask -- we had this convo for an hour last night-- brazil and marschoun and primer-- THIS IS WHAT WE'RE TALKING ABOUT! Can you come to the rescue here?

Thx  
D

----- Original Message -----

**From:** Resnick, Mitchell R  
**To:** Egol, Jonathan; Herrick, Darryl K  
**Cc:** Rosenblum, David J.  
**Sent:** Thu Oct 19 04:54:25 2006  
**Subject:** BBB RMBS

do we have anything talking about how great the BBB sector of RMBS is at this point in time... a common response I am hearing on both Hudson & HGS1 is a concern about the housing market and BBB in particular?

We need to arm sales with a bit more - do we have anything?

**From:** Carrett, Paul ( GSJBW )  
**Sent:** Friday, October 20, 2006 6:40 PM  
**To:** Herrick, Darryl K  
**Cc:** Chaudhary, Omar; Maltezos, George ( GSJBW )  
**Subject:** Hudson Mezz - arguments required

The guy at Schrodgers looking at this deal has one main issue has has to get over:

He is worried about how he is going to convince his boss to invest in a pool of sub prime mortgages with probably their greatest exposures in California and Florida. He is nervous on US house prices.

Pretty fundamental question, but do we have a couple of key messages I shuld prepare him with?

I have some background material on the mortgage market from Gasvoda's team, but anything specific material beyond this we can offer?

I have made the point repeatedly (to the point where he should be able to repeat it verbatim to his boss) that he has structural protencion underneath each BBB security in the pool, and same again in the CDO. Also discussed the value of diversity and the fact that most property price crashes and mass mortgage defaults tend to be localised, which should give him further comfort.

Anything else you would offer? He is not a big believer in the Moody's data and ratings system.

**I WANT THIS GUY THERE AND IN SIZE! Please help if you can – just three bullet points would help.**

Cheers  
Paul

**Paul Carrett**  
Executive Director  
Structured Asset Solutions  
**Telephone** 612 9320 1241  
**Facsimile** 612 9320 1222  
**Mobile** 61 [REDACTED]  
[paul.carrett@gsjbw.com](mailto:paul.carrett@gsjbw.com)  
[www.gsjbw.com](http://www.gsjbw.com)

**Fixed Income, Currency and Commodities**  
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1 Farrer Place  
Sydney NSW 2000  
Australia

**[REDACTED] = Redacted by the Permanent Subcommittee on Investigations**

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2277**

**From:** Rosenblum, David J. <david.rosenblum@ny.email.gs.com>  
**Sent:** Thursday, October 12, 2006 7:07 AM  
**To:** Swenson, Michael <Michael.Swenson@ny.email.gs.com>; Ostrem, Peter L <Peter.Ostrem@ny.email.gs.com>  
**Cc:** Herrick, Darryl K <Darryl.Herrick@ny.email.gs.com>  
**Subject:** RE: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

---

swennie/darryl can you come by this AM to walk through where we are on the whole cap structure and we can rope in pete by phone if he is avail

thanks  
d

-----Original Message-----

**From:** Swenson, Michael  
**Sent:** Thursday, October 12, 2006 7:05 AM  
**To:** Rosenblum, David J.; Ostrem, Peter L  
**Subject:** Fw: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

I am extremely impressed by darryl \*nd the rest of your team.

Thanks

----- Original Message -----

**From:** Herrick, Darryl K  
**To:** Swenson, Michael  
**Sent:** Thu Oct 12 01:11:59 2006  
**Subject:** RE: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Thanks Mike. This is an awesome challenge, but excited about getting to the goal line

-----Original Message-----

**From:** Swenson, Michael  
**Sent:** Wednesday, October 11, 2006 8:46 PM  
**To:** Herrick, Darryl K; Lehman, David A.; Birnbaum, Josh  
**Subject:** Re: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Darryl you are doing an awesome job keep it up

----- Original Message -----

**From:** Herrick, Darryl K  
**To:** Swenson, Michael; Lehman, David A.; Birnbaum, Josh  
**Sent:** Wed Oct 11 20:03:47 2006  
**Subject:** FW: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

This clears the team of majority the senior risk Equity and BBs we are hammering away on and hope to get traction tomorrow/Friday

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2278**

Confidential Treatment Requested

GS MBS-E-0000030518

-----Original Message-----

From: Kelly, Ryan  
Sent: Wednesday, October 11, 2006 7:58 PM  
To: Herrick, Darryl K  
Subject: Fw: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Darryl,  
Please see ubs' feedback below. By the A1's.....they mean the 2.6yr. Hopeful <<Legal Disclaimer>> ly this helps. It's a start.

RK

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Joseph.Shropshire@ubs.com <Joseph.Shropshire@ubs.com>  
To: Kelly, Ryan  
Sent: Wed Oct 11 17:54:22 2006  
Subject: RE: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Called you back. We are interested in the A1. Think the size will be half the tranche. We can discuss tomorrow.

---

From: Kelly, Ryan [<mailto:Ryan.Kelly@gs.com>]  
Sent: Wednesday, October 11, 2006 2:24 PM  
To: Meneret, David; Shropshire, Joseph  
Subject: Hudson Mezzanine Funding 2006-1 Ltd.: Computational Materials for UBS (144a/Reg S) (external)

Strictly Confidential and Proprietary

Attached is the portfolio with CUSIPs requested by UBS.

<<Hudson\_Mezz\_Investor\_Port.xls>>

**From:** Tourre, Fabrice  
**Sent:** Sunday, March 04, 2007 5:11 PM  
**To:** Maltezos, George ( GSJBW ); Carrett, Paul ( GSJBW ); Egol, Jonathan; Williams, Geoffrey  
**Cc:** Case, Benjamin  
**Subject:** RE: Hedging

We should discuss this live, but I think their likelihood of getting principal back is almost zero, given market implied pricings for ABX:

-- ABX.HE.BBB.06-1 @ 91 px  
-- ABX.HE.BBB-.06-1 @ 86 px  
-- ABX.HE.BBB.06-2 @ 81 px  
-- ABX.HE.BBB-.06-2 @ 71 px

The blended price of the ABX component of that portfolio (60% of the transaction) is approx 82, meaning that the equity has no NAV coverage. This piece of risk should trade like an IO, and the the main risk at this point is downgrade risk that could cause triggers to fail and cause their equity cashflows to shutoff for good.

Ben will give you more insight as to how the triggers are structured, and how much downgrades could cause those triggers to be activated...

-----Original Message-----

From: Maltezos, George ( GSJBW )  
Sent: Sunday, March 04, 2007 5:04 PM  
To: Tourre, Fabrice; Carrett, Paul ( GSJBW ); Egol, Jonathan; Williams, Geoffrey  
Subject: Re: Hedging

They own Hudson mezz 1 cdo equity.

George Maltezos  
Structured Asset Solutions  
Tel: 612 9320 1431  
Mob: [REDACTED]

**[REDACTED]** = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----

From: Tourre, Fabrice <Fabrice.Tourre@gs.com>  
To: Carrett, Paul; Egol, Jonathan M - GS; Williams, Geoffrey - GS  
Cc: Maltezos, George  
Sent: Mon Mar 05 08:56:01 2007  
Subject: RE: Hedging

can you remind us what they own ?

From: Carrett, Paul ( GSJBW )  
Sent: Sunday, March 04, 2007 4:36 PM  
To: Egol, Jonathan; Tourre, Fabrice; Williams, Geoffrey  
Cc: Maltezos, George ( GSJBW )  
Subject: Hedging

Team

Mariner is interested in ideas for hedging their Hudson exposure. Could you please provide

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2289**

some thoughts on the following:

1. Putting aside current pricing, I would have thought a form of delta hedging their exposures to either troublesome single names, or the ABX indices as a whole might work to some extent. In "normal" conditions, what sorts of strategies would you suggest?

2. In the context of current pricing, is there some compromise or variation on the above that might be helpful to them. Their main objective is ensuring recovery of principal. Presumably very challenging in the context of current markets.

I should have prefaced the above with the fact that I do not believe that they are about to hedge this position - the horse has bolted in pricing terms. They are no doubt getting questions from the company's board as to what could be done, as a learning exercise, and potentially as a complete downside case.

We will also point out that if they put on a hedge on the ABX and the index started screaming in they would have a very serious mark to market issue on their hands.

All thoughts welcome.

Cheers

Paul

Paul Carrett  
Executive Director  
Structured Asset Solutions

Fixed Income, Currency and Commodities  
Goldman Sachs JBWere Pty Ltd

Telephone 612 9320 1241  
Facsimile 612 9320 1222  
Mobile [REDACTED]

<mailto:paul.carrett@gsjbw.com> paul.carrett@gsjbw.com <blocked::http://www.gsjbw.com/>  
www.gsjbw.com

Level 48  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

November 21, 2008

Via Fax, E-mail and Courier

To: Morgan Stanley Capital Services, Inc.  
1585 Broadway  
New York, New York 10036  
Telephonic: 212-761-2996  
Facsimile: 212-507-4563  
E-mail: msnyccreditevent@morganstanley.com

Re: Senior Swap Confirmation (Reference Number SDB980892555), dated as of October 25, 2006 (the "Senior Swap Confirmation") between Goldman Sachs Capital Markets, LP ("GSCM") and Morgan Stanley Capital Services, Inc. ("Counterparty")

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Reference is made to the attached notice, dated November 21, 2008, from MSCS to GSCM. The Senior Swap Funding Payment was calculated by the Calculation Agent under the Senior Swap as the difference between (i) the payment due the Credit Protection Buyer under the Credit Default Swap of \$931,628,133.63 and (ii) the proceeds from the liquidation of the remaining collateral of \$627,883.65, resulting in the Senior Swap Funding Payment of \$931,000,249.98.

Capitalized terms used but not defined herein have the respective meanings ascribed thereto in the Senior Swap Confirmation.

GOLDMAN SACHS CAPITAL MARKETS, LP

NY1 6802168v.2

## MEMORANDUM



**To:** Mortgage Capital Committee  
**From:** Peter Ostrem  
 Matthew Bieber  
 Ariane West  
 Shelly Lin  
 Eric Siegel  
**Cc:** Jonathan Sobel  
 Dan Sparks  
 David Rosenblum  
 Tim Saunders  
 Pat Welch  
**Date:** September 25, 2006  
**Re:** Placing debt and equity on a static mezzanine structured product CDO with GSC Partners ("GSC")

**I. Introduction**

We have been asked to structure a \$500 million mezzanine structured product CDO backed by a portfolio of RMBS, CMBS, CDO and ABS with an average rating of Baa2/Baa3 ("Hudson Mezzanine Funding II"). Goldman will be engaged by Hudson Mezzanine Funding II as Liquidation Agent and in this role will have the responsibility of liquidating "Credit Risk Assets" (defined below in section III). Goldman and GSC Partners ("GSC") will co-select the portfolio that will collateralize the CDO. GSC Eliot Bridge, a CDO equity fund managed by GSC, has pre-committed to purchase 50% of the equity in the CDO (total equity will be approx. \$17.0 MM) upon closing of the transaction. GSC Eliot Bridge will share 50% of the warehouse risk on the first \$20 MM of potential loss exposure during the portfolio ramp-up and will initially post \$5.0 MM to collateralize this commitment, with additional posting up to \$10.0 MM as the portfolio ramps.

We do not expect to charge any upfront fee and similarly, GSC will not charge any ongoing management fee. Without fees, the equity yield is expected to be approximately 35%. We expect to retain a senior IO security which will reduce the CDO equity's yield to approximately 20%. This is the level we intend to offer equity to third parties.

In return for our role as Liquidation Agent, Goldman will receive an ongoing fee of 0.10% of the CDOs par portfolio balance. Total economics to Goldman are expected to be \$5.5 MM upfront (includes the premium sale on equity and net carry from the warehouse) and \$500k per annum over a 4 duration (the ongoing P&L of 0.10% for acting as liquidation agent which we cannot recognize upfront).

As Liquidation agent, Goldman will liquidate assets determined by the Trustee to be "Credit Risk Assets" based on specific guidelines. Goldman will have 12 months to sell these assets. Sales will be made under a competitive bidding process whereby we will solicit three outside bids and select the highest. Goldman's role in this transaction is comparable to the role we currently assume in the Hout Bay and Hudson HG transactions. Prior to executing Hout Bay I, in which we also played the Liquidation Agent role, we spoke with multiple counterparties as to our role as Liquidation Agent. We received approval for our role in this transaction from legal and accounting. We spoke with outside counsel, Orrick Herrington, and they were comfortable providing true sale and non-consolidation opinions for the transaction. We spoke with Mary Marr in Accounting Policy and John Little in Product Control, and they in collaboration with PricewaterhouseCoopers were comfortable that the Hout Bay transaction met true sale and non-consolidation conditions from an accounting perspective. Finally, we spoke with outside counsel, Wilmer Cutler, about potential issues related to the Investment Advisor Act. They are of the opinion that our role of Liquidation Agent does not cause us to be deemed an Investment Advisor based on an exception to

the Advisors Act for a "limited grant of discretion". For a more detailed account of Goldman's role as Liquidation Agent and related discussions with legal and accounting counterparts please see section III, "The Liquidation Agent: Goldman".

We expect to offer the subordinate triple-A, double-A, single-A and triple-B debt to the market through our syndicate. Goldman has no commitment on any of the offered notes, but Goldman may be subject to warehouse losses in the event the CDO does not close.

Goldman Sachs has a strong relationship with GSC. We closed a \$300 MM middle market CLO with GSC in January 2006 (equity in the CLO was purchased by GSC Capital Corp.), earning \$2.4 MM in structuring fees. We are currently marketing a high grade transaction with GSC and have a single-A focused structured product CDO ramping. In addition Goldman and GSC are working together on a CDO equity sponsorship vehicle, ORCA Funding. The head of the structured products team at GSC worked with us at [REDACTED] to moving to GSC, mandating us on the [REDACTED] high grade CDO transactions, totaling \$6 billion in issuance and \$40mm in fees to GS.

## II. Transaction Overview

A Cayman Islands limited liability company (the "Issuer") will be established which will purchase the warehoused portfolio at closing and will issue the following notes and equity:

| Class            | Balance           | % of Capital Structure | Expected Ratings (Moody's/S&P) | Expected Spread | Expected Average Life |
|------------------|-------------------|------------------------|--------------------------------|-----------------|-----------------------|
| Class A-1 Notes  | \$325.0 MM        | 65.0%                  | Aaa/AAA                        | L+30bp          | 5.0                   |
| Class A-2 Notes  | 50.0 MM           | 10.0%                  | Aaa/AAA                        | L+45bp          | 5.0                   |
| Class B Notes    | 40.0 MM           | 8.0%                   | Aa2/AA                         | L+60bp          | 5.5                   |
| Class C Notes    | 35.0 MM           | 7.0%                   | A2/A                           | L+145bp         | 6.0                   |
| Class D Notes    | 28.5 MM           | 5.7%                   | Baa2/BBB                       | L+325bp         | 7.0                   |
| Class E Notes    | 4.5 MM            | 0.9%                   | Ba2/BBB                        | L+650bp         | 7.8                   |
| Income Notes     | 17.0 MM           | 3.4%                   | NR                             | NA              | NA                    |
| <b>Portfolio</b> | <b>\$500.0 MM</b> | <b>100.0%</b>          | <b>Avg. A1/A2</b>              | <b>L+165bp</b>  | <b>5.5</b>            |

The transaction will have a legal maturity of 35 years, however the expected average life of the Notes will be approximately 5-7 years. The equity will also have the option to call the transaction after a 3 year non-call period.

P&L to Goldman will be approximately \$5.5 MM upfront and \$500k per annum thereafter over a 4 duration. In return for fees and 50% of the net warehouse carry (50% of the net carry will be approx. \$0.5 MM), Goldman will (a) take half of the warehouse risk on the first \$40 MM of losses and 100% of the warehouse risk if losses exceed \$40 MM and (b) place the Class A, B, C, D, and E Notes and may place a portion of the Income Notes (the Income Notes are the equity class) on a "best efforts" basis (Goldman has committed to purchase 50% of the Income Notes and GSC has committed to purchase the other 50%). GSC would like to hold only 25% of the Income Notes upon closing, but we have agreed to sell down our commitments pro-rata and equally purchase any remaining equity.

### Collateral Description

- 100% of the CDO portfolio will be identified at closing.
- 100% of the portfolio will be rated at least Baa3 by Moody's or BBB- by S&P.

— = Redacted by the Permanent Subcommittee on Investigations

- The portfolio is expected to be approximately 80% subprime RMBS, 15% prime and Alt-A RMBS, 5% CMBS and SP CDOs. Up to 100% of the portfolio may be single-name synthetic exposures.

### III. Collateral Manager

GSC Partners was established in 1994 by Alfred C. Eckert, III, former Partner and Head of Private Equity/Distressed Debt Investing and Corporate Finance at Goldman Sachs. The team consists of 80 persons worldwide, 36 of whom are investment professionals.

GSC Partners has over \$7.2bn in assets under management, with over \$3.3bn invested in structured credit. Six CDO/CLO funds have been raised since 2000.

In early 2005, Frederick H. Horton joined GSC Partners from TCW to build a structured products platform at GSC. Since joining GSC, the structured products group has issued a private mortgage REIT, GSC Capital Corp, and two synthetic mezzanine structured product CDOs.

For GSC, this CDO is an opportunity to grow their existing structured product CDO platform. For Goldman, the CDO will provide an opportunity to enhance our strategic relationship with GSC and maintain our leadership in the high grade structured product CDO market.

### IV. Underwriting Commitments:

Goldman Sachs will act as sole placement agent of the Class A, B, C, D, and E Notes and the Income Notes and will be working on a "best efforts" basis on all of the debt and has a firm commitment on 50% of the Income Notes. GSC Capital Corp. is pre-committed to purchase 50% of the Income Notes.

The primary demand for mezzanine notes / equity in these types of transactions comes from European, Australian, and Asian banking and insurance institutions, US asset managers, other structured investment vehicles, and CDO equity funds. These various accounts continue to express interest in gaining a leveraged exposure to the U.S. structured product market. The structured product CDO vehicle allows them to gain this exposure on a diversified basis.

We expect to purchase approximately \$2-8 MM of the equity on the pricing date, but we will have no commitment to hold such position after closing.

Goldman's current portfolio of CDO and CLO equity held within the CDO group is detailed in Appendix B.

### V. Portfolio Ramp-Up and Equity Marketing

Initially, Goldman will assume 50% of first loss risk in the warehouse on the first \$40 MM of losses and 100% of second loss risk above \$40 MM in the event the CDO fails to close. GSC Capital Corp. will be taking 50% of first loss risk in the warehouse on the first \$40 MM and will initially post \$5.0 MM to collateralize this commitment. Goldman will have full recourse to GSC Capital Corp. (currently \$150-200 MM in capital) for losses in excess of the posted amount but not to exceed \$20 MM and will have the right to liquidate the portfolio upon any material negative mark-to-market.

Additionally, we will continue to pursue early equity and mezzanine debt commitments from additional investors to reduce the risk of a failed closing. Appendix A details our current warehouse exposures across the CDO group.

The general terms of the portfolio ramp-up are as follows:

- GS has the right to veto all asset purchases and GSC has the right to veto all asset purchases;
- GS has unilateral right to liquidate an asset or the warehouse;
- All assets are sold-forward to the CDO at time of purchase and the forward price covers any hedge or trading gains/losses on assets during the warehouse phase;

- 50% of positive carry will be paid to GS (positive carry is equal to any net income in excess of Goldman's cost of financing during the warehousing period). Net carry is expected to be approximately \$1.0 MM which will be shared 50/50 between Goldman and GSC Capital Corp.
- Position sizes will be limited to \$20 MM for assets rated single-A or higher and \$10 MM for triple-B assets.

#### VI. Expected Fees

Goldman expects to recognize P&L equal to 1.0% times the par balance of the collateral portfolio. We expect a \$500 MM transaction and the P&L, in that case, would be \$5.0 MM. Additionally, Goldman expects to earn profits by selling assets into the CDO and from Goldman's share of warehouse net carry (which is estimated to be \$0.5 MM) and from our ongoing role as liquidation agent (which will be \$500k per annum on a 4 duration).

#### VII. Reasons to Pursue

We are pursuing this transaction for the following reasons:

1. Goldman is approving every asset going into the warehouse. The respective trading desks are posted on each asset offered into the CDO by GSC from the street and we do not accept any asset that is not approved by the respective trading desk. In addition, we expect that 30-40% of the portfolio by closing will come from Goldman's offerings.
2. Although we will be marketing a \$500 MM transaction, Goldman can price the transaction earlier with a lower balance if we are concerned about future market conditions or we can upsize the transaction if there are reasons to merit that action.
3. We will be offering the equity to third party investors with a no-loss yield of 18-20% which is consistent with CDO equity from mezzanine structured product CDOs currently being sold into the market.
4. We expect to generally market the debt and equity once the transaction is approximately 70% ramped. We expect to offer the equity and debt on an early commitment basis (we will commence those discussions upon initial portfolio ramp).
5. GSC Capital Corp. is taking half of the first loss risk in the warehouse and is committed to half of the equity, Goldman has a "best efforts" underwriting commitment on the debt, and Goldman's expect's total P&L of approximately \$5.5 MM.

#### VIII. Strengths / Issues to Consider

##### Strengths

- **Pre-Sold Equity:** GSC Capital Corp. has pre-committed to purchase half of the equity.
- **Repeat Collateral Manager:** This transaction would represent GSC's fourth CDO with Goldman in 2006 and GSC's third structured product CDO.
- **Collateral:** 100% of the portfolio will have a rating of investment grade.
- **Pre-Marketing:** We will begun discussions with numerous investors on early commitments on equity and debt (TCW Equity Fund, Commerzbank, Basis Capital, Sandelman, Magnetar, and Mariner).

##### Issues to Consider

- **Warehouse:** Goldman Sachs will be exposed to half of any first loss exposure on the first \$40 MM and 100% of any second loss exposure above \$40 MM if the deal fails to close. GSC Capital Corp. is

initially posting \$5.0 MM to collateralize its risk sharing commitment and will make additional posts up to \$20 MM as the warehouse ramps.

**IX. Recommendation**

GSC is a repeat CDO issuer and is one of Goldman's strongest relationships in the structured product CDO market. Goldman Sachs will be involved in structuring the transaction, selling assets into the transaction, placing the Notes and the equity of the CDO and in return, will recognize P&L of approx. \$5.5 MM.

In light of the above, we request that the Capital Committee approve our proposal to enter into a "best efforts" underwriting of the CDO debt, firm commitment on half the equity, and to move forward with the warehouse risk sharing arrangement with GSC.

Appendix A: Current CDO Warehouses

Structured Product CDO Warehouses

| Deal Name  | Size / Current Warehouse      | Collateral Description         | GS Warehouse Risk                                                         | Cost of Financing | Expected Pricing | Approx. Fees |
|------------|-------------------------------|--------------------------------|---------------------------------------------------------------------------|-------------------|------------------|--------------|
| [REDACTED] | \$1.5 Billion / \$600 MM      | Aa2/Aa3 – RMBS, CMBS, ABS, CDO | Nordea: 50% to GS, all asset purchases funded [REDACTED]                  | LIBOR flat        | Apr-06           | \$5.25 MM    |
| [REDACTED] | \$2.0 Billion / \$1.5 Billion | Aa2/Aa3 – RMBS, CMBS, ABS, CDO | 100% to GS                                                                | NA                | Jul-06           | \$10 MM      |
| [REDACTED] | \$2.0 Billion / \$1.2 Billion | Aa2/Aa3 – RMBS, CMBS, ABS, CDO | [REDACTED]<br>1st Loss – 50% up to \$6 MM<br>2nd Loss – 100% above \$6 MM | NA                | Jul-06           | \$10 MM      |
| [REDACTED] | \$3.0 Billion / \$1.9 Billion | Aa2/Aa3 – Prime and Alt-A RMBS | 100% to GS                                                                | NA                | Aug-06           | \$10 MM      |
| [REDACTED] | \$2.0 Billion / \$127 Million | Aa2/Aa3 – RMBS, CMBS, ABS, CDO | 100% to GS                                                                | NA                | Aug-06           | \$10 MM      |

CLO Warehouses

| Deal Name  | Size / Current Warehouse | Collateral Description | GS Warehouse Risk | Cost of Financing | Expected Pricing | Approx. Fees |
|------------|--------------------------|------------------------|-------------------|-------------------|------------------|--------------|
| [REDACTED] | [REDACTED]               | [REDACTED]             | [REDACTED]        | [REDACTED]        | [REDACTED]       | [REDACTED]   |
| [REDACTED] | [REDACTED]               | [REDACTED]             | [REDACTED]        | [REDACTED]        | [REDACTED]       | [REDACTED]   |
| [REDACTED] | [REDACTED]               | [REDACTED]             | [REDACTED]        | [REDACTED]        | [REDACTED]       | [REDACTED]   |
| [REDACTED] | [REDACTED]               | [REDACTED]             | [REDACTED]        | [REDACTED]        | [REDACTED]       | [REDACTED]   |
| [REDACTED] | [REDACTED]               | [REDACTED]             | [REDACTED]        | [REDACTED]        | [REDACTED]       | [REDACTED]   |

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

## Appendix B: CDO Equity Positions

| Transaction                               | Face (\$MM)  | Deal Type | Currency | Market Price | Market Value (\$MM) |
|-------------------------------------------|--------------|-----------|----------|--------------|---------------------|
| FC CBO III Limited                        | 1.29         | CLO       | USD      | -            | -                   |
| FC CBO II Limited                         | 1.66         | CLO       | USD      | -            | -                   |
| First Dominion Funding I                  | 0.57         | CLO       | USD      | 45           | 0.26                |
| First Dominion Funding III                | 1.04         | CLO       | USD      | 15           | 0.16                |
| Halyard CBO I limited                     | 0.77         | CLO       | USD      | -            | -                   |
| Pennant CBO Limited                       | 0.63         | CLO       | USD      | -            | -                   |
| Ballyrock II                              | 1.62         | CLO       | USD      | 75           | 1.21                |
| Signature 7 LP                            | 0.97         | CLO       | USD      | 60           | 0.58                |
| Victoria Falls CLO, Ltd                   | 3.00         | CLO       | USD      | 90           | 2.70                |
| Ballyrock III                             | 2.10         | CLO       | USD      | 90           | 1.89                |
| Harch CLO Ltd.                            | 6.00         | CLO       | USD      | 90           | 5.40                |
| Ares VR                                   | 6.30         | CLO       | USD      | 90           | 5.67                |
| Putnam Structured Product CDO 2002-1, Ltd | 4.00         | SP CDO    | USD      | 75           | 3.00                |
| Davis Square Funding I, Ltd               | 2.00         | SP CDO    | USD      | 75           | 1.50                |
| NYLIM Stratford CDO 2001-1, Ltd           | 3.25         | SP CDO    | USD      | 1            | 0.03                |
| Sierra Madre Funding, Ltd.                | 3.73         | SP CDO    | USD      | 67           | 2.49                |
| Davis Square Funding III, Ltd             | 1.50         | SP CDO    | USD      | 75           | 1.13                |
| Camber III plc                            | 8.90         | SP CDO    | USD      | 75           | 6.68                |
| Adirondack 2005-1 Funding, Ltd            | 3.95         | SP CDO    | USD      | 80           | 3.16                |
| Coolidge Funding, Ltd.                    | 2.40         | SP CDO    | USD      | 80           | 1.92                |
| Altius I Funding, Ltd.                    | 2.00         | SP CDO    | USD      | 80           | 1.60                |
| Davis Square Funding V, Ltd.              | 4.00         | SP CDO    | USD      | 80           | 3.20                |
| G Street Finance Ltd.                     | 4.00         | SP CDO    | USD      | 80           | 3.20                |
| Adirondack 2005-2 Funding, Ltd            | 4.64         | SP CDO    | USD      | 80           | 3.71                |
| Winston Funding LTD                       | 1.80         | SP CDO    | USD      | 25           | 0.45                |
| Davis Square Funding IV, Ltd.             | 3.03         | SP CDO    | USD      | 80           | 2.43                |
| Davis Square Funding VI, Ltd.             | 2.80         | SP CDO    | USD      | 80           | 2.24                |
| Fortius I Funding, Ltd.                   | 2.00         | SP CDO    | USD      | 80           | 1.60                |
| <b>Total</b>                              | <b>79.95</b> |           |          |              | <b>56.21</b>        |

**From:** Sparks, Daniel L  
**Sent:** Sunday, May 14, 2006 1:01 PM  
**To:** Willing, Curtis  
**Subject:** RE: GSC - Prime Brokerage

I've run a bunch of traps for them in the past.

You should know what I need to be posted on, not leave it to the client to decide

-----Original Message-----

**From:** Willing, Curtis  
**Sent:** Wednesday, May 10, 2006 8:47 AM  
**To:** Sparks, Daniel L  
**Subject:** RE: GSC - Prime Brokerage

I asked Ed and Josh early on if they wanted me to get you and Cornacchia involved to get this moving and they said it was more of an inquiry at that point. When I relayed to them that the team here had multiple points of contact with GSC already they asked me to just hold off until they had a better sense of who at Goldman was talking to various contacts at GSC. Yesterday they asked me to move forward again...I just received that response this morning.

-----Original Message-----

**From:** Sparks, Daniel L  
**Sent:** Wednesday, May 10, 2006 8:40 AM  
**To:** Willing, Curtis  
**Subject:** Re: GSC - Prime Brokerage

Mistake not to involve me from early on

-----Original Message-----

**From:** Willing, Curtis <Curtis.Willing@ny.email.gs.com>  
**To:** Sparks, Daniel L <dan.sparks@ny.email.gs.com>; Ostrem, Peter L <Peter.Ostrem@ny.email.gs.com>; Cornacchia, Thomas <Thomas.Cornacchia@ny.email.gs.com>  
**Sent:** Wed May 10 08:37:42 2006  
**Subject:** GSC - Prime Brokerage

Let me know if there is something more you think I could be doing here per Steffelin's request

-----Original Message-----

**From:** Solomon, David Z (GSS)  
**Sent:** Wednesday, May 10, 2006 8:05 AM  
**To:** Willing, Curtis; Holland, Dan  
**Subject:** RE: GSC - Prime Brokerage

We don't work with ABS funds (no PB revs), what we can do is circulate their materials to the team (in case any investor inquire about ABS funds opportunistically), hope this will be helpful. Call either of us if you have any questions.

-----Original Message-----

**From:** Willing, Curtis  
**Sent:** Wednesday, May 10, 2006 7:47 AM  
**To:** Solomon, David Z (GSS); Holland, Dan  
**Subject:** RE: GSC - Prime Brokerage

Ed Steffelin, Fred Horton and Josh Bissu would like to talk to us about raising money for them in their Elliot Bridge Fund. It's a fixed income arb fund focusing primarily on ABS

using cash and synthetics, long/short strategies. 43mm currently looking to get to \$150-200mm over the next 9-12 months. There is one investor and GSC in the fund. Please let me know how we could go about arranging a meeting.

Thanks

-----Original Message-----

From: Solomon, David Z (GSS)  
Sent: Monday, April 17, 2006 5:31 PM  
To: Willing, Curtis; Holland, Dan  
Subject: Re: GSC - Prime Brokerage

----- = Redacted by the Permanent Subcommittee on Investigations

Know them well, was just there with [redacted] their IBD coverage and a bunch of bankers including [redacted], [redacted], etc.

Also our team recently hosted a dry-run for their new credit fund.

Also introducing John Lipton to equities and PB folks in Asia.

How can we help?

-----  
Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Willing, Curtis <Curtis.Willing@ny.email.gs.com>  
To: Holland, Dan <dan.holland@ny.email.gs.com>; Solomon, David Z (GSS) <David.Z.Solomon@ny.email.gs.com>  
Sent: Mon Apr 17 17:24:48 2006  
Subject: GSC - Prime Brokerage

Are either of you familiar with GSC Partners? Several Ex-Goldman Partners involved. They currently have ~\$9.2Billion in AUM....although the fund they would like us to have discussions on is currently \$43mm in size. They are a strategic partner with the Synthetic desk and have handed us multiple CDO/CLO mandates. Please let me know if we can arrange a discussion on this account.

Thanks

Curt Willing

-----  
From: Kamilla, Rajiv  
Sent: Monday, April 17, 2006 10:37 AM  
To: Willing, Curtis; Egol, Jonathan; Tourre, Fabrice; Ostrem, Peter L  
Cc: Holland, Dan; Solomon, David Z (GSS)  
Subject: RE: GSC - Prime Brokerage

Ccing...Holland, Dan; Solomon, David Z (GSS)

-----  
From: Willing, Curtis  
Sent: Monday, April 17, 2006 10:34 AM  
To: Egol, Jonathan; Tourre, Fabrice; Ostrem, Peter L; Kamilla, Rajiv  
Subject: GSC - Prime Brokerage

What is my best option for getting dialogue started on this front?

---

**From:** Steffelin, Edward [esteffelin@gscpartners.com]  
**Sent:** Tuesday, August 08, 2006 1:25 PM  
**To:** Ostrem, Peter L; Bissu, Joshua  
**Cc:** Bieber, Matthew G.; Case, Benjamin; Horton, Fred  
**Subject:** RE: GS/GSC EB Prop deal

We concur.

Ed Steffelin  
212-884-6190  
GSC Partners

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**From:** Ostrem, Peter L [mailto:Peter.Ostrem@gs.com]  
**Sent:** Tuesday, August 08, 2006 12:34 PM  
**To:** Bissu, Joshua; Steffelin, Edward  
**Cc:** Bieber, Matthew G.; Case, Benjamin; Horton, Fred  
**Subject:** FW: GS/GSC EB Prop deal

Gentlemen,

Here is what we would do:

- \$500mm deal
- 50/50 on the equity. Any equity sales reduce our allocation pro-rata.
- no OC/IC tests is ok. Suggest OC test diverting excess spread if BBB OC is less than 100.0% (no haircuts).
- No underwriting fee
- No cap on expenses (we share that risk). But agree we try to keep it low (will definitely be higher than \$1mm given agencies alone)
- GS earns 10bp PA on the NOPCB as Asset Liquidation Agent
- 2% position size limit
- 3 yr non-call
- No reinvestment
- Offer to sell protection on BBBs to GSC at market for 0.75% times notional
- Happy to source assets via GSC
- Not sure we can leverage equity, but we will try to sell some BB debt if that helps

Let me know if that works.

Thanks.

Peter

Gentlemen,

Here's what we were thinking to make sure we are all on the same page, let us know what you think.

-500 million deal (~4.5% non-IG notes and equity)

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- No OC/IC tests
- GSC commits to 50% of the equity
- There is no underwriting fee on the deal
- Try to cap upfront expenses (legal, rating agencies, audit) at 1 million
- GS earns 10bps pa on the NOPCB as Asset Liquidation Agent

-Portfolio Composition

|             |      |        |
|-------------|------|--------|
| RMBS HEL/BC | Baa2 | 30.00% |
| RMBS HEL/BC | Baa3 | 30.00% |
| SP CDO      | A2   | 20.00% |
| SP CDO      | Baa2 | 20.00% |

- 1% target position size

- 3 year non call
- No reinvestment
- GSC EB have the right will source up to 50 million of the Baa2 CDOs directly
- GS will use best efforts to source [12] million of the BBBs for GSC EB to short; GS will earn [0.75]% on the notional amount of the short paid upfront  
(fixed cap, with implied writedown)
- GS will leverage the equity 50% forGSC

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**From:** Bieber, Matthew G.  
**Sent:** Wednesday, September 27, 2006 9:36 AM  
**To:** Bissu, Joshua  
**Cc:** Case, Benjamin; Ostrem, Peter L; Steffelin, Edward; Shieh, Will  
**Subject:** RE: Names for tomorrow.....

ok on list...\$5mm per name.

**From:** Bissu, Joshua [mailto:jbissu@gscpartners.com]  
**Sent:** Tuesday, September 26, 2006 10:24 PM  
**To:** Bieber, Matthew G.  
**Cc:** Case, Benjamin; Ostrem, Peter L; Steffelin, Edward; Shieh, Will  
**Subject:** Names for tomorrow.....

Matt,

As discussed here are the names we wanted to send out for tomorrow's bid. Please let us know if you have any comments. thanks  
 Rgds,  
 Josh

| Cusip     | Name               | Moody's | S&P  |
|-----------|--------------------|---------|------|
| 004375FE6 | ACCR 2006-1 M8     | Baa2    | BBB  |
| 29445FCV8 | EMLT 2005-1 M8     | Baa2    | BBB  |
| 362341QW2 | FFML 2005-FF8 B2   | Baa2    | A    |
| 40430HEH7 | HASC 2006-OPT2 M8  | Baa2    | BBB+ |
| 46626LBA7 | JPMAC 2005-FLD1 M8 | Baa2    | BBB  |
| 59020U3N3 | MLMI 2006-HE1 B2A  | Baa2    | BBB+ |
| 61744CMS2 | MSAC 2005-NC1 B2   | Baa2    | BBB  |
| 64352VLA7 | NCHET 2005-2 M8    | Baa2    | BBB  |
| 76112BZA1 | RAMP 2005-EFC3 M8  | Baa2    | BBB+ |
| 04541GQH8 | ABSHE 2005-HE2 M7  | Baa3    | BBB- |
| 004375DM0 | ACCR 2005-2 M9     | Baa3    | BBB  |
| 004421VC4 | ACE 2006-NC1 M9    | Baa3    | BBB+ |

|           |                   |      |      |
|-----------|-------------------|------|------|
| 03072SM85 | AMSI 2005-R8 M9   | Baa3 | BBB  |
| 073879VL9 | BSABS 2005-TC1 M6 | Baa3 | BBB  |
| 144531BK5 | CARR 2005-NC1 M8  | Baa3 | BBB- |
| 22237JAP2 | CWL 2006-BC2 M9   | Baa3 | BBB- |
| 61744CPQ3 | MSAC 2005-NC2 B3  | Baa3 | BBB- |
| 61744CYK6 | MSAC 2006-NC1 B3  | Baa3 | BBB  |
| 64352VKJ9 | NCHET 2005-1 M9   | Baa3 | BBB- |
| 64352VLS8 | NCHET 2005-3 M9   | Baa3 | BBB- |
| 76112BD49 | RAMP 2005-EFC4 M9 | Baa3 | BBB  |
| 76112BJ43 | RAMP 2005-EFC5 M9 | Baa3 | BBB  |
| 76112BL24 | RAMP 2005-EFC6 M9 | Baa3 | BBB  |
| 76110W6H4 | RASC 2005-EMX4 M9 | Baa3 | BBB+ |

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**From:** Bieber, Matthew G.  
**Sent:** Monday, March 05, 2007 7:45 PM  
**To:** Bissu, Joshua  
**Subject:** RE: Anderson Mezzanine Portfolio as of 3 2 07 (2).xls

we're going to need to execute remaining portfolio wider than 193

---

**From:** Bissu, Joshua [mailto:jbissu@gsc.com]  
**Sent:** Monday, March 05, 2007 10:59 AM  
**To:** Bieber, Matthew G.  
**Subject:** Anderson Mezzanine Portfolio as of 3 2 07 (2).xls

some levels we did these names on friday for another trade

the index names will also probably trade

---

**From:** Bieber, Matthew G.  
**Sent:** Tuesday, March 06, 2007 2:56 PM  
**To:** Chitson, Michele; Chitson, Michele; Lin, Shelly; Siegel, Eric  
**Subject:** W: Talking Points on New Century

INTERNAL

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**From:** Bissu, Joshua [mailto:jbissu@gsc.com]  
**Sent:** Tuesday, March 06, 2007 2:26 PM  
**To:** Bieber, Matthew G.; Ostrem, Peter L  
**Cc:** Steffelin, Edward; Zhu, Wenbo; Savai, Rajiv  
**Subject:** Talking Points on New Century

- \* Historically New Century has on average displayed much better performance in terms of delinq and default data
- \* Prepayments have tended to be higher lowering the extension risk
- \* Losses and REO are historically lower than the rest of the market
- \* Traditionally the structures have strong enhancement/subordination

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**From:** Shah, Poonam  
**Sent:** Monday, September 18, 2006 2:46 PM  
**To:** Shah, Poonam; Williams, Geoffrey; Ficc-cdmtg  
**Cc:** ficc-mtgcrr-desk; Riso, Max  
**Subject:** RE: Expected Tranche Trades with GSC on Monday

**x-gs-classification:** Internal-GS

Tranche trades renamed - pls see below for updated ref numbers:

\$10.6250mm of 8.625-12.875% (Class B) @ 200bps upfront and 120bps running - NUUQ60914003  
 \$6.2500mm of 6.125-8.625% (Class C) @ @ 200bps upfront 230bps running - NUUQ60915003  
 \$5.9375mm of 3.750-6.125% (Class D) @ 200bps upfront and 405bps running - NUUQ60916003

Thanks.

**From:** Shah, Poonam  
**Sent:** Monday, September 18, 2006 2:17 PM  
**To:** Williams, Geoffrey; Ficc-cdmtg  
**Cc:** ficc-mtgcrr-desk; Riso, Max  
**Subject:** RE: Expected Tranche Trades with GSC on Monday

Will book the tranche trades now and rename in tap - will let you know once completed - thanks.

**From:** Williams, Geoffrey  
**Sent:** Monday, September 18, 2006 2:01 PM  
**To:** Ficc-cdmtg  
**Cc:** ficc-mtgcrr-desk; Riso, Max  
**Subject:** FW: Expected Tranche Trades with GSC on Monday

GSC tranche trades booked in TAP. Also, have information on the ABX trades they did last week. Can you please rename and revert ASAP so we can get to collateral and have all the trades linked? Thanks.

GS sells 25 mm ABX 06-1 BBB index 9/13 @ 100-26 -- SDB2013041281  
 GS sells 15mm ABX 06-1 BBB index 9/13 @ 100-28 - SDB201304263

**From:** Williams, Geoffrey  
**Sent:** Friday, September 15, 2006 4:48 PM  
**To:** ficc-mtgcrr-tradeapproval  
**Subject:** FW: Expected Tranche Trades with GSC on Monday

Follow-ups on tranced swaps with GSC / DB Prop / Magnetar; let us know if you have any questions or need anything else:

Strats -- I will send an updated TAP setup file for this portfolio (which is ABACUS 06-11) since this trade will not have reinvestment like the protection buy side.

Ops -- can we please discuss how to link GSC's ABX longs to their tranche shorts when booked so that they receive appropriate margin credit?

Credit -- please note updated sizes that GSC will do in their long/short strategy; can you please refresh the initial margin based on this?

Controllers -- can we please discuss what will be released on Mon?

Drafting -- find a draft confirm that we have sent to GSC / DB Prop / Magnetar below; we will let you know when we have finalized with GSC / DB Prop / Magnetar.

<< File: Draft GSC CDS Confirmation 20060830.doc >>

**From:** Williams, Geoffrey

Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2306

**Sent:** Friday, September 15, 2006 4:24 PM  
**To:** ficc-mtgcorr-tradeapproval  
**Cc:** Willing, Curtis  
**Subject:** Expected Tranche Trades with GSC on Monday

We expect to write protection to GSC on each of the following tranches off of the static reference portfolio attached below; GSC will pay to GS the premiums detailed below:

\$10.6250mm of 8.625-12.875% (Class B) @ 200bps upfront and 120bps running  
 \$6.2500mm of 6.125-8.625% (Class C) @ @ 200bps upfront 230bps running  
 \$5.9375mm of 3.750-6.125% (Class D) @ 200bps upfront and 405bps running

Against this, GSC has already bought \$40mm of ABX.HE.BBB.06-1 from the ABS Trading desk; we need to link this trade to their tranche shorts so that they get margin credit for the long/short.

**Other Key Terms:**

Trade date: Monday, September 18, 2006  
 Effective date: Tuesday, September 26, 2006  
 Protection Seller: [Goldman Sachs International]  
 Protection Buyer: [GSC entity]  
 Termination Date: September 28, 2045  
 Non-Call Period: ends on September 28, 2009  
 Amortization Type: Modified Sequential

**Reference portfolio:**

<< File: Bespoke Portfolio 1 20060915.xls >>

Goldman, Sachs & Co.  
 85 Broad Street | New York, NY 10004  
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 e-mail: geoffrey.williams@gs.com

Goldman  
 Sachs

Geoff Williams  
 Structured Products Trading

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**From:** Lin, Shelly  
**Sent:** Tuesday, October 31, 2006 12:21 PM  
**To:** Bissu, Joshua; Bieber, Matthew G.  
**Cc:** Steffelin, Edward; Dial, Thomas; Shieh, Will  
**Subject:** RE: Book3 (7).xls  
**Attachments:** Book3 (7) (2).xls  
**x-gs-classification:** External

Attached are the names/levels that our desk would like to trade.

| CUSIP     | Deal              | Rating | GSC Hedge Amount | Amt For Bid |     |
|-----------|-------------------|--------|------------------|-------------|-----|
| 040104TS0 | ARSI 2006-W4 M9   | Baa3   | 2,000,000        | 3,000,000   | 285 |
| 04541GRT1 | ABSHE 2005-HE4 M9 | Baa3   | 1,000,000        | 4,000,000   |     |
| 04541GWQ1 | ABSHE 2006-HE2 M9 | Baa3   | 2,000,000        | 3,000,000   | 255 |
| 126670UD8 | CWL 2006-1 MV8    | Baa2   |                  | 5,000,000   |     |
| 144531FV7 | CARR 2006-OPT1 M8 | Baa2   |                  | 5,000,000   |     |
| 46602WAN4 | IXIS 2006-HE2 B3  | Baa3   | 1,000,000        | 4,000,000   | 225 |
| 57645FAS6 | MABS 2006-AM2 M8  | Baa2   |                  | 5,000,000   |     |
| 59021AAM0 | MLMI 2006-FM1 B2  | Baa2   | 1,000,000        | 4,000,000   | 170 |
| 64352VRB9 | NCHET 2006-1 M9   | Baa3   | 1,000,000        | 4,000,000   | 275 |
| 64360YAM7 | NCHET 2006-2 M9   | Baa2   |                  | 5,000,000   |     |
| 83611MEE4 | SVHE 2005-DO1 M8  | Baa2   |                  | 5,000,000   | 110 |
| 86360PAR8 | SASC 2006-NC1 M9  | Baa3   | 1,000,000        | 4,000,000   | 245 |
| 86361KAM9 | SAIL 2006-BNC3 M7 | Baa2   |                  | 5,000,000   | 170 |

**From:** Bissu, Joshua [mailto:jbissu@gscpartners.com]  
**Sent:** Monday, October 30, 2006 7:11 PM  
**To:** Bieber, Matthew G.; Lin, Shelly  
**Cc:** Steffelin, Edward; Dial, Thomas; Shieh, Will  
**Subject:** FW: Book3 (7).xls

Matt/Shelly -

Attached pls find the next list of names we wanted to ramp for Hudson Mezz. The amount we would like to short into the deal is noted in the GSC hedge amount column. The amount out for bid is noted in the following column (5M - GSC Hedge Amount).

We would love if your desk wanted to trade some of the ones we want to hedge as well.

Let us know what your levels are if you want to bid, and if we have approval to trade the names.

Thanks

Josh

**From:** Willing, Curtis <curtis.willing@gs.com>  
**Sent:** Tuesday, October 31, 2006 10:29 PM (GMT)  
**To:** Ficc-cdmtg <Ficc-cdmtg@ny.email.gs.com>; Hancock, Samuel <Samuel.Hancock@gs.com>; Chin, Edwin <Edwin.Chin@gs.com>; Salem, Deeb <Deeb.Salem@gs.com>  
**Cc:** SF\_Confirms <confirms\_sf@gscpartners.com>; Bissu, Joshua <jbissu@gscpartners.com>  
**Subject:** GSC Trades

---

GSC ELIOT BRIDGE MASTER FUND I, Ltd., buys protection on the following facing GS (Goldman Sachs International)

|           |                   |      |           |     |
|-----------|-------------------|------|-----------|-----|
| 040104TS0 | ARSI 2006-W4 M9   | Baa3 | 2,000,000 | 285 |
| 04541GWQ1 | ABSHÉ 2006-HE2 M9 | Baa3 | 2,000,000 | 255 |
| 46602WAN4 | IXIS 2006-HE2 B3  | Baa3 | 1,000,000 | 225 |
| 59021AAM0 | MLMI 2006-FM1 B2  | Baa2 | 1,000,000 | 170 |
| 64352VRB9 | NCHET 2006-1 M9   | Baa3 | 1,000,000 | 275 |
| 86360PAR8 | SASC 2006-NC1 M9  | Baa3 | 1,000,000 | 245 |

**From:** Salem, Deeb  
**Sent:** Tuesday, October 31, 2006 12:17 PM  
**To:** Lin, Shelly; Chin, Edwin  
**Cc:** Bieber, Matthew G.  
**Subject:** RE: RE: GSC- Hudson Mezz 2

that is cool

**From:** Lin, Shelly  
**Sent:** Tuesday, October 31, 2006 12:14 PM  
**To:** Salem, Deeb; Chin, Edwin  
**Cc:** Bieber, Matthew G.  
**Subject:** RE: GSC- Hudson Mezz 2

Do you want to do up to \$5mm? GSC wants to short into the deal the amounts listed below. They'd like to trade the ones they want to hedge with your desk as well. I think they also did this with your desk a few weeks ago.

| CUSIP     | Deal              | Rating | GSC Hedge Amount | Amt For Bid |     |
|-----------|-------------------|--------|------------------|-------------|-----|
| 040104TS0 | ARSI 2006-W4 M9   | Baa3   | 2,000,000        | 3,000,000   | 285 |
| 04541GRT1 | ABSHE 2005-HE4 M9 | Baa3   | 1,000,000        | 4,000,000   |     |
| 04541GWQ1 | ABSHE 2006-HE2 M9 | Baa3   | 2,000,000        | 3,000,000   | 255 |
| 126670UD8 | CWL 2006-1 MV8    | Baa2   |                  | 5,000,000   |     |
| 144531FV7 | CARR 2006-OPT1 M8 | Baa2   |                  | 5,000,000   |     |
| 46602WAN4 | IXIS 2006-HE2 B3  | Baa3   | 1,000,000        | 4,000,000   | 225 |
| 57645FAS6 | MABS 2006-AM2 M8  | Baa2   |                  | 5,000,000   |     |
| 59021AAM0 | MLMI 2006-FM1 B2  | Baa2   | 1,000,000        | 4,000,000   | 170 |
| 64352VRB9 | NCHET 2006-1 M9   | Baa3   | 1,000,000        | 4,000,000   | 275 |
| 64360YAM7 | NCHET 2006-2 M9   | Baa2   |                  | 5,000,000   |     |
| 83611MEE4 | SVHE 2005-DO1 M8  | Baa2   |                  | 5,000,000   | 110 |
| 86360PAR8 | SASC 2006-NC1 M9  | Baa3   | 1,000,000        | 4,000,000   | 245 |
| 86361KAM9 | SAIL 2006-BNC3 M7 | Baa2   |                  | 5,000,000   | 170 |

Permanent Subcommittee on Investigations  
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**From:** Broderick, Craig  
**Sent:** Thursday, February 08, 2007 11:55 AM  
**To:** Viniar, David; Forst, Edward ( 85B030)  
**Cc:** Rapfogel, Alan; Wildermuth, David; Sparks, Daniel L  
**Subject:** New Century - restatement of earnings, 4th qtr loss, , material control weakness, shares down 30%

Per the below, this is a materially adverse development. The issues involve inadequate EPD provisions and marks on residuals. The company reports substantial liquidity and the charges are non-cash in nature, but in a confidence sensitive industry it will be ugly even if all problems have been identified.

We have relatively significant exposure - \$13mm in prospective losses from EPD claims alone, and \$70mm or so in potential exposure, under substantial mortgage warehouse and whole loan trading lines to this entity. With \$1.6bn in market cap and \$2bn in book equity, they were considered one of the stronger sub-prime originators.

We have a call with the company in a few minutes (to be lead by Dan Sparks) and will follow up with a posting later today on our conclusions and action plan.

+++++

Feb. 8 (Bloomberg) -- Shares of New Century Financial Corp., the second-largest home lender to the riskiest borrowers, plunged 28 percent, the most since October 1998, when the Russian debt crisis was cutting off sales of such loans in securities.

Shares of the Irvine, California-based company tumbled \$8.58 to \$21.58 at 9:57 a.m. in New York Stock Exchange composite trading. New Century late yesterday said it probably lost money last quarter, will need to restate other 2006 earnings lower, and won't make as many loans this year as it had previously forecast.

Also today, HSBC Holdings PLC announced a management shake up and changes to lending policies, after saying it was setting aside 20 percent more for bad-loan provisions than analyst had estimated because of rising problems in its U.S. mortgage business. Problems with new subprime loans increased last year as a result of a slumping housing and looser lending standards.

"It's kind of a watershed moment where the magnitude of the problems really are starting to come to the surface," said Brian Horey, general partner at Aurelian Partners LP in New York, which has sold short shares of New Century. "If you could fog a mirror, you could get a loan."

Contributing to New Century's restatement and fourth-quarter loss are repurchases of previously sold loans, the company said.

Subprime loan buyers typically can force lenders to buy back the mortgages they sell if borrowers miss their first few payments, any type of fraud is discovered, or the loans otherwise fail to meet the guidelines laid out in a sales contract.

**From:** Chin, Edwin  
**Sent:** Saturday, February 24, 2007 2:41 PM  
**To:** Swenson, Michael  
**Subject:** RE: Hudson mezz

He is right next to me - going through the anderson marks now.

-----Original Message-----

**From:** Swenson, Michael  
**Sent:** Saturday, February 24, 2007 2:39 PM  
**To:** Chin, Edwin  
**Subject:** Re: Hudson mezz

Deeb is there right?

----- Original Message -----

**From:** Chin, Edwin  
**To:** Swenson, Michael  
**Sent:** Sat Feb 24 14:35:59 2007  
**Subject:** RE: Hudson mezz

In the office. Will go over it with Markowski.

-----Original Message-----

**From:** Swenson, Michael  
**Sent:** Saturday, February 24, 2007 12:02 PM  
**To:** Salem, Deeb; Chin, Edwin  
**Cc:** Birnbaum, Josh  
**Subject:** Hudson mezz

Here is what I am thinking on hudson mezz - we fix the marks that for the hudson mezz that did not get in. I have barret looking into how to get the npv's to flow downstream through it to controllers - that would eliminate variance which will get focused on big time.

At the same time mark anderson positions we are facing the warehouse at the right level.

What do you think?

Prefer to have the discussions over the phone.

----- Original Message -----

**From:** Salem, Deeb  
**To:** Swenson, Michael; Chin, Edwin  
**Cc:** Birnbaum, Josh  
**Sent:** Sat Feb 24 11:06:01 2007  
**Subject:** RE: Current Anderson Positions

Ran a few quick numbers...average is gonna be north of 800. which would imply a 60mm writedown im guessing

-----Original Message-----

**From:** Swenson, Michael  
**Sent:** Saturday, February 24, 2007 9:40 AM  
**To:** Salem, Deeb; Chin, Edwin  
**Cc:** Birnbaum, Josh  
**Subject:** Re: Current Anderson Positions

1

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"Fair" is this better be marked at harbert levels in our book if not and we are forced to liquidate them on monday we really have no case.

We need to make sure all internal positions are marked appropriately because we will be asked to let people out of positions over the next few days

----- Original Message -----  
From: Swenson, Michael  
To: Salem, Deeb; Chin, Edwin  
Cc: Birnbaum, Josh  
Sent: Sat Feb 24 09:27:09 2007  
Subject: Fw: Current Anderson Positions

Let's discuss we will need to be fair they are under water big time on this one

----- Original Message -----  
From: Bieber, Matthew G.  
To: Sparks, Daniel L; Ostrem, Peter L; Swenson, Michael; Birnbaum, Josh; Case, Benjamin;  
Salem, Deeb; Chin, Edwin  
Sent: Fri Feb 23 22:20:02 2007  
Subject: Current Anderson Positions

See attached. \$140mm out of \$305mm total are trades between the CDO warehouse and ABS trading.

<<Anderson WH.xls>>

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**From:** Ostrem, Peter L  
**Sent:** Saturday, February 24, 2007 2:35 PM  
**To:** Case, Benjamin; Swenson, Michael; Rosenblum, David J.; Sparks, Daniel L  
**Subject:** Fw: Quarter End Marks

Any comments on below before I send to Sal per Dan's request?

**CDO Warehouses Outstanding**

- Each warehouse is marked by either (a) MTM on each asset or (b) mark to model which involves taking the portfolio through the expected CDO execution and calculating Goldman's P&L given current market yields on debt and equity. MTM is preferred if CDO execution is highly uncertain or portfolio is small. Both the MTM and the MTModel take into account risk sharing arrangements with 3rd parties.

As CDO execution has become more uncertain we have moved a couple warehouses closer to their MTM which has significantly increased our losses. Also, our MTModel results have shown losses as expected liability spreads have widened significantly and the overall strength of the CDO market has waned due to fundamental credit decline in 06/07 in RMBS subprime (90+% of assets) and increased correlation between ABX/TABX levels and mezz debt levels in CDOs. We expect this correlation to increase volatility in our warehouse marks for the a while (this series of events have happened quickly within the last month and the correlation is getting closer to 1 as global markets get more familiar with fundamentals in subprime and trading levels in ABX/TABX).

Additional losses have also resulted from the liquidation of 3 warehouses. In each case, the realized loss from the sale of assets has been higher than our MTM or MTModel. This is attributable to both volatility in subprime markets and that our competitors are closing their CDO warehouse accounts from buying our subprime or CDO positions. The buyer base has suddenly shrunk significantly. As this continues, we expect this lack of liquidity to further weaken our MTMs and feeds into our losses in our remaining warehouse marks.

----- Original Message -----

**From:** Sparks, Daniel L  
**To:** Fortunato, Salvatore  
**Cc:** Lee, Brian-J (FI Controllers); Simpson, Michael; Leventhal, Robert; Gasvoda, Kevin; Swenson, Michael; Lehman, David A.; Rosenblum, David J.; Case, Benjamin; Ostrem, Peter L; Birnbaum, Josh; Nichols, Matthew; Pouraghabagher, Dariush; Pouraghabagher, Cyrus  
**Sent:** Fri Feb 23 22:17:07 2007  
**Subject:** RE: Quarter End Marks

OK, I suggest that Swenson, Case and ostrem work together on the CDO all CDO items. Guys, please provide a brief write-up this weekend as allocated and detailed below. I'd like to review each write-up.

Daniel L. Sparks  
 Goldman, Sachs & Co.  
 (212) 902-2914 (o)  
 (917) 680-4822 (m)  
 dan.sparks@gs.com

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Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2321

contents to you.

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From: Fortunato, Salvatore  
Sent: Friday, February 23, 2007 10:11 PM  
To: Sparks, Daniel L  
Cc: Lee, Brian-J (FI Controllers); Simpson, Michael; Leventhal, Robert  
Subject: Quarter End Marks

Dan,

Given the magnitude and frequency of market swings over the past few weeks, we'd like to request some assistance from your team with regard to quarter end pricing levels. Specifically, we'd like to get a write-up of the fundamental or quantitative analysis, coupled with the market technicals, that support today's closing levels for general groups of positions (for example, all BBB flats) for the following area's:

- \* CDO Warehouse (Ostrem)
- \* CDO Warehouse collapsed (Ostrem)
- \* Secondary cash positions (Swenson)
- \* Subprime whole loans (Nichols)
- \* Subprime retained (Nichols)
- \* CDO retained (Case)
- \* Subprime resids (Nichols)
- \* 2nds liquidity reserve (Swenson or Dariush)

This feedback will be extremely helpful for us, especially when you consider how many sectors are effected by the recent market events.

Thanks in advance for supporting this request.

Sal

**From:** Davilman, Andrew  
**Sent:** Thursday, May 31, 2007 2:15 PM  
**To:** Bieber, Matthew G.  
**Subject:** RE: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

He knew that we have Ala, Alb and Bs. I'll check, but given the portfolio I suspect he's looking for a cleaner start.

**From:** Bieber, Matthew G.  
**Sent:** Thursday, May 31, 2007 1:57 PM  
**To:** Davilman, Andrew; Wisenbaker, Scott; Creed, Christopher J  
**Cc:** Lehman, David A.  
**Subject:** RE: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

may be interesting for him to look at the A-1b's if he's concerned about downgrades. No triggers above the bonds. back-ended cash flow super senior risk (so trades wider than A-1a's) but the tranche gets paid pro-rata with the A-1a's in the event an OC test fails. Way to pick up wider spread super senior risk which is likely to prepay due to OC test failures/downgrades.

**From:** Davilman, Andrew  
**Sent:** Thursday, May 31, 2007 1:43 PM  
**To:** Wisenbaker, Scott; Bieber, Matthew G.; Creed, Christopher J  
**Cc:** Lehman, David A.  
**Subject:** Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

Jim Burke's feedback on Anderson. He is in the market for AAA and AA cashflows off of mezz ABS CDO deals. I'll try Fortius next, tho he isn't fond of the manager.

**From:** Burke, James [mailto:james.burke1@wachovia.com]  
**Sent:** Thursday, May 31, 2007 1:38 PM  
**To:** Davilman, Andrew  
**Cc:** Burke, James  
**Subject:** RE: Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

Andy,

We're going to pass on this deal for a number of reasons:

- Two bonds (FMIC 06-3 M8 and HASC 06-NC1 M9) have been downgraded or are on negative watch
- Another 12 bonds in the portfolio are negatively impacted by downgrades lower in the capital structure
- 28% of the portfolio is failing delinquency triggers
- We show that a lot of these bonds will take principal hits
- Not crazy about deal structure give the quality of the portfolio
  - Upon a breach of Class D OC test, interest is used to pay down Class D notes (I would rather see the A and B notes get paid down)
  - Upon a breach of the Class C OC test, interest is used to pay down Classes A, B, and C pro-rata until 50% factor. (again, I would prefer to see A and B notes get paid out first)
  - If Senior tests are in compliance, Class D and C interest shortfalls are paid from principal
  - Pro-rata paydown until 40% factor, not the standard 50%

Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2331

James Burke  
 Head of ABS Investment Management  
 Structured Funds Management  
 375 Park Ave., New York NY  
 work: 212-214-8601  
 cell: 917-  
 fax: 212-214-8971  
 james.burke1@wachovia.com

— = Redacted by the Permanent  
 Subcommittee on Investigations

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**From:** Davilman, Andrew [mailto:andrew.davilman@gs.com]  
**Sent:** Thursday, May 31, 2007 9:53 AM  
**To:** Burke, James  
**Subject:** Anderson Mezz Funding 2007-1 -- Final Offering Circular (144a/RegS) (external)

Jim,

Here is a mezz deal we printed in March. We time-tranched the senior AAAs for pay-downs. They are pro-rata for losses. Static portfolio. Levels are:

| Class | Coupon | DM |     |
|-------|--------|----|-----|
| A1a   | 32     |    | 50  |
| A1b   | 65     |    | 125 |
| B     | 175    |    | 300 |

I'll send you the portfolio in XL format.

<<Anderson Mezzanine Funding 2007-1 OFFERING CIRCULAR With Notice.pdf>>

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Upon receipt of the paper version of the attached Offering Circular please destroy the electronic version of the Offering Circular attached to this email. By receipt of this email, you agree to the foregoing.

Confidential Treatment Requested by GSI



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**Anderson Mezzanine Funding 2007-1, Ltd.**  
**A \$500 Million Static Mezzanine Structured Product CDO**  
**Goldman, Sachs & Co. – Liquidation, Structuring, and Placement Agent**

Debt Marketing Book

February 2007

*The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular.*

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Permanent Subcommittee on Investigations  
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GS MBS-E-000855351

9/12/07



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- B. Goldman Sachs Contact Information

9/11/15



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# I. Executive Summary

Note: The information in this section is preliminary and subject to change

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## Anderson Mezzanine Funding 2007-1, Ltd.

### Executive Summary

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- Anderson Mezzanine Funding 2007-1, Ltd. ("Anderson Funding") is a static \$500 million cashflow CDO consisting of a diversified portfolio of RMBS and CDO securities.
- Anderson Funding will be a static, non-managed transaction. Anderson Funding will provide term non-recourse funding. Goldman Sachs will:
  - Warehouse assets during the portfolio aggregation phase prior to closing
  - In its role as Liquidation Agent, Goldman Sachs will liquidate any asset within one year after such asset performs below certain threshold levels determined prior to closing
- The portfolio consists of collateral which is rated at least Baa3 (if rated by Moody's) and BBB- (if rated by S&P) with an average rating of Baa2/Baa3. 100% of the portfolio will be real-estate related securities.
- Low fee structure and less "barbelled" portfolio than other mezzanine CDOs in the current market.
- Transaction co-sponsored by Goldman Sachs and GSC Eliot Bridge (an ABS and CDO hedge fund managed by GSC Group).

Confidential Treatment Requested by Goldman Sachs



**II. Disclaimer and Risk Factors**

GS MBS-E-000855355



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## Disclaimer

### HYPOTHETICAL ILLUSTRATIONS AND PRO FORMA INFORMATION

These materials contain statements that are not purely historical in nature. These include, among other things, hypothetical illustrations, sample or pro forma portfolio structures or portfolio composition, scenario analysis of returns and proposed or pro forma levels of diversification or sector investment. These hypothetical illustrations of returns illustrate a range of potential outcomes based upon certain assumptions. Such potential outcomes are not a prediction by the Issuer, Goldman Sachs or their respective affiliates of the performance of the securities described herein. Actual events are difficult to predict and are beyond the control of the Issuer, Goldman Sachs, or their respective affiliates. Actual events may differ from those assumed and such differences may be material. There can be no assurance that illustrated returns will be realized or materialized or that actual returns or results will not be materially lower than those presented. All statements included are based on information available on the date hereof, and none of the Issuer, Goldman Sachs or their respective affiliates assumes any duty to update any such statement. Some important factors which could cause actual results to differ materially from those in any statements contained herein include the actual composition of the collateral and the price at which such collateral is actually purchased by the Issuer, any defaults on the collateral, the timing of any defaults and subsequent recoveries, changes in interest rates, and any weakening of the specific credits included in the collateral, among others. The Offering Circular will contain other risk factors, which an investor should also consider in connection with an investment in the securities described herein.

### PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer. Because of portfolio restrictions that apply to the Issuer and differences in market conditions, the investments selected by Goldman Sachs on behalf of the Issuer may differ substantially from prior investments made by Goldman Sachs. The Issuer has no operating history.



## Risk Factors

*Note: The Offering Circular will include more extensive descriptions of the risks described herein as well as additional risks relating to, among other things, conflicts of interest. Any decision to invest in the securities described herein should be made after reviewing such Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Offering Circular will supersede this document in its entirety.*

- **Limited Liquidity, Restrictions on Transfer and Limited Recourse**
  - There is currently no market for the Secured Notes or Income Notes and it is unlikely that any secondary market will develop. The Secured Notes and the Income Notes should be viewed as a long-term investment, not as a trading vehicle. The value of the Secured Notes and the Income Notes may vary and the Secured Notes and the Income Notes, if sold, may be worth less than their original cost.
  - In addition, as the Secured Notes and the Income Notes will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to the Section 3(c)(7). Related restrictions, as well as other restrictions on transfer of the Income Notes will apply.
  - All liabilities are payable solely from the cash flow available from the collateral pledged by the Issuer to secure all classes of Notes. No other assets will be available for payment in the event of any deficiency. The Income Notes represent equity in the Issuer and as such are subordinated to the Secured Notes. The Income Notes are payable from the collateral (which represent the only assets of the Issuer) only after payment in full of amounts due on the Secured Notes.
- **Leveraged Credit Risk**
  - The Income Notes are in a first loss position with respect to defaults on the underlying collateral. The leveraged nature of the Income Notes magnifies the adverse impact of any collateral defaults.
- **Subordination**
  - The Secured Notes and the Income Notes are issued in a senior-subordinated structure, with the Class S Notes ranking the highest in the priority of payments and the Income Notes ranking the lowest in the priority of payments. In the event of a default, holders of the Class S and Class A Notes, will generally be entitled to determine the remedies to be exercised; such remedies could be adverse to the other Notes and the Income Notes. The Income Notes will not be able to declare an event of default and will not receive any payments after the occurrence of an event of default unless and until the Class S, A-1, A-2, B, C, and D Notes (the "Notes") are paid in full.
- **Volatility of Collateral and of Secured Notes' and Income Notes' Market Value**
  - The Income Notes represent a leveraged investment in the Collateral Assets. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Secured Notes and the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.
  - Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.
- **Collateral Risk**
  - Collateral Assets inherently bear significant credit risks because issuers are primarily private entities.
  - The structure of Collateral Assets and the terms of the Issuer's interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements.
  - Adverse changes in the financial condition of the collateral obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt.



## Risk Factors

- Illiquidity of collateral assets
  - Some of the collateral assets purchased by the Issuer will have no, or only a limited, trading market. This illiquidity may restrict the Issuer's ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities.
  - Illiquid debt securities may also trade at a discount to comparable, more liquid investments. In addition, the Issuer may invest in privately placed collateral assets that are non-transferable or are transferable only at prices less than the fair value or the original purchase price of the securities.
- Nature of Collateral
  - The Collateral Assets are subject to credit, liquidity and interest rate risk. In addition, the financial performance of the Issuer may be affected by the price and availability of Collateral Assets to be purchased.
  - Some or all of the Collateral Assets may be subordinated securities which may be subject to leveraged credit risk.
  - The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions and limitations under the Indenture.
- No Collateral Manager
  - The Issuer will not engage a Collateral Manager. As a result, (i) the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the holders of the Income Notes and Secured Notes to dispose of certain Collateral Assets unless the Collateral Assets are required to be sold by the Liquidation Agent as described in the previous paragraph and (ii) the Indenture will eliminate the ability of the Issuer to exercise discretion in contexts where a Collateral Manager in a managed or static collateralized debt obligation transaction typically would have discretion to exercise such discretion on behalf of the Issuer and holders of Income Notes and Secured Notes. The inability of the Issuer to exercise discretion in these contexts could adversely impact the Issuer and the holders of the Income Notes and Secured Notes.
- Timing and Amount of Recoveries
  - Only Collateral Assets that meet the liquidation criteria may be sold. If a Collateral Asset meets the liquidation criteria, the Liquidation Agent is required to sell such affected collateral in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance as to the timing of the Liquidation Agent's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Income Notes and Secured Notes as compared to the returns generated using the Modeling Assumptions.
- Limited Activities of the Co-Issuers
  - The Co-Issuers are recently formed legal entities and have no prior operating history or prior business, other than warehousing the collateral assets and related financing arrangements. The Issuer will have no significant assets other than the collateral which will be pledged to secure the Issuer's obligations under the Notes. The Issuer will not engage in any business activity other than the issuance of the Notes, Co-Issuing the Income Notes, the acquisition, investment and reinvestment of the collateral and other prescribed activities relating to each of the foregoing. The Co-Issuer has and will not have any substantial assets. The Co-Issuer has no business activities other than the co-issuance of the Notes and its own common shares
- Impairment of Credit Quality and/or Defaults on the Collateral
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Income Notes and Secured Notes.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.
- Yield Due to Prepayments
  - The yield to maturity on the Income Notes could be affected by the rate of prepayment of the Collateral Assets. Payments to the Income Notes at a rate slower than the rate anticipated by investors purchasing the Income Notes at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Income Notes at a rate faster than the rate anticipated by investors purchasing the Income Notes at a premium will result in an actual yield that is lower than anticipated by such investors.



## Risk Factors

- Investment Decisions
  - In making an investment decision, investors must rely on consultations with their own legal, accounting and audit advisors to determine whether and to what extent they should invest in the Notes or the Income Notes.
- Changes in the rate of interest paid on the Class S, A-1, A-2, B, C, and D Notes
  - There will be a basis and timing mismatch between the Notes and the collateral assets, since the interest rates on such collateral assets may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rate on the Notes. The fixed rates and the margins over LIBOR or other floating rates borne by collateral assets may be lower than those on sold or amortized collateral assets which could cause a significant decline in interest coverage for the Notes.
  - The Issuer may enter into cashflow swap agreements to limit exposure to this risk, but no assurance can be given that such cashflow swap agreements will be executed or will be successful in reducing the exposure to this risk. However, there may be a termination payment related to one or more cashflow swap agreement in the event of a redemption of the deal prior to the expiration of the cashflow swap agreement.
- Credit Exposure to Portfolio of Reference Obligations
  - On the closing date, the Issuer will enter into pay-as-you-go credit default swaps (the "Synthetic Securities") with Goldman Sachs International, ("GSI" and in such capacity, the "Counterparty"), pursuant to which the Issuer will sell credit default protection with respect to a portfolio of Reference Obligations. If a credit event occurs with respect to any of the Reference Obligations, the Issuer will pay the Counterparty the amount of the write-down or principal loss, or if the Counterparty elects to deliver the reference obligation, the notional amount of the Synthetic Security times the reference price. In return for the credit default protection, the Counterparty will pay the Issuer a premium which may be reduced (but not below zero) if certain Reference Obligations experience interest shortfalls. Credit events and interest shortfalls may adversely affect the Issuer's ability to make payments on the Notes and the Income Notes.
  - All Notes and Income Notes are subordinated to credit default protection payments under the Synthetic Securities and to certain termination payments payable to the Counterparty in connection with a termination event. The magnitude of such losses will be affected by the number of credit events and the recovery amount of any delivered Reference Obligations and timing of such credit events.
- Nature of Reference Obligations
  - The Reference Obligations are expected to consist of RMBS and CDO securities. The Reference Obligations are subject to the credit, market, structural, legal, prepayment and interest rate risks associated with RMBS and CDO securities respectively. The economic return on the Synthetic Securities will depend substantially upon the performance of the related Reference Obligation.
- Termination of the Synthetic Securities
  - Pursuant to the Synthetic Securities, the Issuer or the Counterparty will each have the right to terminate the Synthetic Securities in specified circumstances. In such event, the Issuer also may be required to make substantial termination payments to the Counterparty and such payments will reduce the amounts available to make payments on the Notes and the Income Notes. As a result, the Issuer may not have sufficient funds to make payments when due on the Notes and Income Notes and may not have sufficient funds to redeem the Notes and Income Notes.
- Credit Exposure to Counterparty
  - The ability of the Issuer to meet its obligations under the Secured Notes and the Income Notes will be dependent on its receipt of payments from the Counterparty under the Synthetic Securities. Consequently, Noteholders will be exposed not only to the creditworthiness of the Reference Obligations but also to the creditworthiness of the Counterparty to perform its obligations under the Synthetic Securities. The insolvency of the Counterparty or a default by it under a Synthetic Security would adversely affect the ability of the Issuer to pay amounts when due under the Secured Notes and make distributions on the Income Notes and could result in a withdrawal or downgrade of the ratings on the Secured Notes.

10/16/08

10/16/08

Consolidated Financial Statements Prepared by Goldman Sachs



## Risk Factors

- **Tax Treatment of Income Notes**
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Issuer has agreed, and, by its acceptance of an Income Note, each holder of an Income Note will be deemed to have agreed, to treat the Income Notes as equity for tax purposes.
  - Income Note holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies and controlled foreign corporations.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisers regarding the tax implications of their investments.
- **Subordination**
  - The Income Notes are subordinated to the Class S, Class A, Class B, Class C and Class D Notes and certain payments of expenses. The Class D Notes are subordinated to the Class S, Class A, Class B and Class C Notes and certain payments of expenses. The Class C Notes are subordinated to the Class S, Class A and Class B Notes and certain payments of expenses. The Class B Notes are subordinated to the Class S Notes, Class A Notes and certain payments of expenses. No distributions of interest proceeds received on the collateral will be made to the Income Notes until interest on the Secured Notes and certain other expenses have been paid. In addition, in the event of a default, holders of the most senior class of Secured Notes will generally be entitled to determine the remedies to be exercised; such remedies could include the sale and the liquidation of the collateral and have an adverse effect on the Income Notes. The Income Notes will not be able to exercise any remedies following an event of default and will not receive payments after an event of default until the Secured Notes are paid in full.
- **Impairment of Credit Quality and/or Defaults on the Collateral Assets**
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Notes and the Income Notes.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Notes and the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.
- **Redemption of Class S, A-1, A-2, B, C, and D Notes.**
  - If certain over collateralization or interest coverage tests are not met, redemptions of the Class S, A-1, A-2, B, C, and D Notes would be required, which may effect the yields on more subordinated classes of Notes and the Income Notes and will be paid from amounts which otherwise be available for payment to holders of the Income Notes.
  - Mandatory redemption could result in an elimination, deferral or reduction in the amount paid to the Income Notes, which would adversely and materially affect their returns.
- **Auction of the Collateral Assets**
  - There can be no assurance that an auction of the collateral assets will be successful; a successful auction will shorten the duration of the Notes and the Income Notes and is not required to result in any proceeds for distribution to the holder of the Income Notes.

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## Risk Factors

- **Timing of Receipt of Accrued Interest Income**
  - On an ongoing basis, the receipt by the Issuer of accrued interest income may affect the availability of cash which may be distributed to the Holders of Secured Notes and Income Notes.
- **International Investing**
  - Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk.
  - A portion of the Collateral Assets may consist of obligations of an issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.
- **Tax Treatment of Income Notes**
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Income Notes will be treated as equity for tax purposes.
  - Income Notes holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies, controlled foreign corporations and foreign personal holding companies.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisers regarding the implications of their investments.
- **Material Tax Considerations**
  - There is a possibility that the Issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.
- **Hypothetical Illustrations and Estimates**
  - Estimates of the weighted average lives of the Class S, A, B, C and D Notes and the returns and duration of the Income Notes included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Class S, A, B, C and D Notes, are forward-looking statements. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
  - The hypothetical illustrations are only estimates. Actual results may vary, and the variations may be material. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
- **Changes in Tax Laws**
  - The Collateral Assets are not permitted to be subject to withholding tax at the time of purchase, unless the issuer thereof is required to make "gross-up" payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Income Notes and Secured Notes.
  - In case of a Withholding Tax Event (as defined in the Offering Circular), holders of more than 50% of any affected Note may require the issuer to liquidate the collateral on any Payment Date, and redeem the Class S, A, B, C and D Notes, prior to any distributions to holders of Income Notes



## Risk Factors

- Anti Money Laundering Provisions
  - Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and effective as of October 26, 2001, imposes anti money laundering obligations on different types of financial institutions, including banks, broker dealers and investment companies. The USA PATRIOT Act requires the Secretary of the United States Department of the Treasury (the "Treasury") to prescribe regulations to define the types of investment companies subject to the USA PATRIOT Act and the related anti money laundering obligations. It is not clear whether Treasury will require entities such as the Issuer to enact anti money laundering policies. It is possible that Treasury will promulgate regulations requiring the Issuers or the Initial Purchaser or other service providers to the Issuers, in connection with the establishment of anti money laundering procedures, to share information with governmental authorities with respect to investors in the Notes and/or the Income Notes. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Notes and/or the Income Notes. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.
- Investment Company Act
  - Neither of the Issuers has registered with the United States Securities and Exchange Commission as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States whose investors resident in the United States are solely Qualified Purchasers and which do not make a public offering of their securities in the United States. Counsel for the Issuers will opine, in connection with the sale of the Securities by the Initial Purchaser, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Securities are sold by the Initial Purchaser in accordance with the terms of the Purchase Agreement). No opinion or no-action position has been requested of the SEC.
- ERISA Regulations
  - Investor must review the "ERISA Considerations" section of the Offering Circular to determine their eligibility to hold the Notes and the Income Notes for purposes of the ERISA restrictions. Prospective investors should consult their own advisors regarding the ERISA-related implications of their investments.
- European Securities Regulations
  - The listing of Notes or Income Notes on any European Union stock exchange would subject the Issuer to regulation under certain European regulations, although the requirements applicable to the Issuer are not yet fully clarified. The Indenture will not require the Issuer to apply for, list or maintain a listing for any Class of Notes or the Income Notes on a European Union stock exchange if compliance with these regulations becomes burdensome. Should the Notes or Income Notes be delisted from any exchange, the ability of the holders of such Notes or Income Notes to sell such Notes or Income Notes in the secondary market may be negatively impacted.
- Material Tax Considerations
  - The Issuer does not expect to be subject to net income taxation in the United States. If the Issuer were treated as engaged in a United States trade or business, it would be subject to substantial U.S. income tax on its income.

Confidential Treatment Requested by Goldman Sachs



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### III. Transaction Overview

Note: The information in this section is preliminary and subject to change

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GS MBS-E-000855364



## Anderson Mezzanine Funding 2007-1, Ltd.

### Transaction Overview

- Anderson Mezzanine Funding is a static mezzanine structured product CDO with the following features:
  - No exposure to reinvestment spread risk or reliance on reinvestment to generate excess interest to cover debt service
  - No fixed rate assets
  - No assets without an initial rating of at least Baa3 by Moody's and BBB- by S&P. Average WARF in the portfolio is expected to be 500
  - Overall fee structure is significantly less than comparable mezzanine structured product CDOs in the market
  
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be "credit risk" securities will be sold by the Liquidation Agent within one year of such determination
  
- Goldman Sachs will act as Structuring, Placement and Liquidation Agent for Anderson Funding and will warehouse the portfolio prior to closing
  - Goldman Sachs will receive 5 bps ongoing fee for its role as Liquidation Agent
  
- Portfolio selection process:
  - Assets sourced from the Street at then market levels
  - Assets pre-screened and evaluated for portfolio suitability
  - Goldman Sachs CDO desk reviews individual assets in conjunction with respective mortgage trading desks
  - All CDS use rating agency approved confirms (pay as you go)



## Anderson Mezzanine Funding 2007-1, Ltd.

### Transaction Overview - Asset Selection / Asset Liquidation

- Portfolio Aggregation Strategy:
  - Select only assets rated explicitly Baa3/BBB- (Moody's / S&P) and above. No notched rating of below Baa3 in the portfolio
  - No Fixed rate assets allowed, eliminating fixed/ floating basis mismatch
  - Maximum obligor concentration is 1.5%, creating a very granular portfolio with 100 distinct obligors
  - Target portfolio with Weighted Average Rating Factor of [475] and duration weighted average spread of [205] bps
  
- Goldman Sachs, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" asset within 12 months of such determination. "Credit risk" assets will include:
  - Any asset downgraded by Moody's or S&P to below B3 or B-
  - Any asset that is defaulted and experiences a credit event as defined by the PAUG confirm
  
- Expected collateral quality statistics at closing
  - WARF: [475]
  - [100] Distinct Obligors
  - Moody's Asset Correlation ("MAC") at closing: [26]
  - Duration weighted average portfolio spread: [205] bps
  - Weighted Average Duration: 3.1 years

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## Anderson Mezzanine Funding 2007-1, Ltd.

### Transaction Overview - Capital Structure<sup>1</sup>

| Classes      | Ratings<br>(Moody's/S&P) | Principal Balance | % of Capital<br>Structure | Coupon          | Expected<br>WAL | Initial<br>OC |
|--------------|--------------------------|-------------------|---------------------------|-----------------|-----------------|---------------|
| Class S      | Aaa/AAA                  | [ ] MM            | N/A                       | 1M LIBOR + [ ]% | [3.0]           | N/A           |
| Class A-1    | Aaa/AAA                  | [\$300.0] MM      | [60.00]%                  | 1M LIBOR + [ ]% | [3.7]           | [166.7]%      |
| Class A-2    | Aaa/AAA                  | [\$75.0] MM       | [15.00]%                  | 1M LIBOR + [ ]% | [3.7]           | [133.3]%      |
| Class B      | Aa2/AA                   | [\$55.0] MM       | [11.00]%                  | 1M LIBOR + [ ]% | [4.5]           | [116.3]%      |
| Class C      | A2/A                     | [\$25.0] MM       | [5.00]%                   | 1M LIBOR + [ ]% | [4.8]           | [109.9]%      |
| Class D      | Baa2/BBB                 | [\$27.0] MM       | [5.40]%                   | 1M LIBOR + [ ]% | [4.3]           | [103.7]%      |
| Income Notes | NR                       | [\$18.0] MM       | [3.60]%                   | NA              | NA              | NA            |

<sup>1</sup> This information is preliminary and subject to change.



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## Anderson Mezzanine Funding 2007-1, Ltd.

### Structural Overview

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- Anderson Mezzanine Funding is a cashflow CDO with:
  - A fully issued capital structure
  - Traditional overcollateralization tests
- Structure has the ability to tailor average life profile of senior tranches upon investor request
- Class A-1 Notes may be issued either in funded form or as an unfunded swap, depending on investor preference
- The deal will use a "modified sequential" principal paydown structure
- No Minimum Income Note IRR required to effect an auction call
  - Increases the likelihood of a successful auction call or optional redemption
  - Mitigates the back ended pressure on transaction as costs of financing increases
- Turbo to Class D Notes from excess interest shortens the tranche's expected average life



## Transaction Details

### General Information

|                                                            |                                                                                                                                                                                    |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuers:</b>                                            | Anderson Mezzanine Funding 2007-1, Ltd. and Anderson Mezzanine Funding 2007-1, Corp.                                                                                               |
| <b>Liquidation Agent, Structuring and Placement Agent:</b> | Goldman, Sachs & Co.                                                                                                                                                               |
| <b>Liquidation Agent Fee:</b>                              | 5 bps per annum payable senior to all the Notes (other than the Class S Notes).                                                                                                    |
| <b>Reinvestment Period:</b>                                | None.                                                                                                                                                                              |
| <b>Discretionary Trading:</b>                              | None. Liquidation Agent will sell credit-risk assets based on pre-determined rules and the clean proceeds will be treated as principal paydowns.                                   |
| <b>Ramp-Up Period:</b>                                     | None. Transaction will be completely ramped at closing.                                                                                                                            |
| <b>Non-Call Period:</b>                                    | 3 years.                                                                                                                                                                           |
| <b>Auction Call:</b>                                       | 8 years. There is no minimum IRR requirement for successful Auction Call.                                                                                                          |
| <b>Call Price:</b>                                         | Par plus all accrued for Class S, A-1, A-2, B, C and D Notes.                                                                                                                      |
| <b>Payment Frequency:</b>                                  | Monthly for Class S, A-1, A-2, B, C and D Notes, Quarterly for Income Notes.                                                                                                       |
| <b>Controlling Class:</b>                                  | Class S and Class A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C and Class D Notes in that order until each Class is paid in full. |



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## IV. Portfolio Composition and Highlights

Note: The information in this section is preliminary and subject to change

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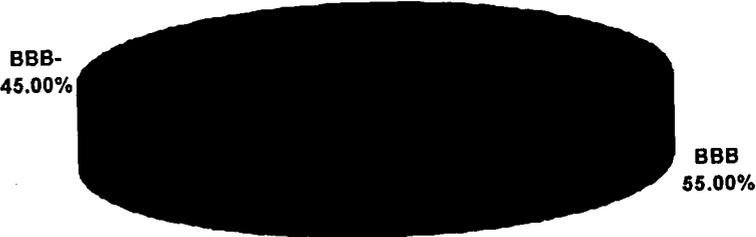
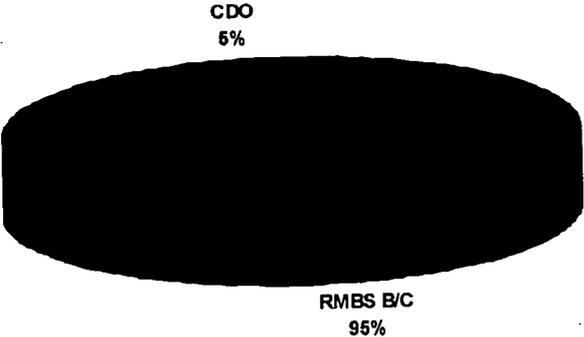


# Portfolio Composition

## Target Portfolio<sup>1</sup>

Collateral

Credit Ratings



<sup>1</sup> This information is preliminary and subject to change.

Confidential Treatment Derivative by Goldman Sachs

GS MBS-E-000855371



## Transaction Details

### Target Collateral Profile<sup>1</sup>

|                                                      |                                                                                                                                                                                                                                                                   |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Moody's WARF                                         | [475]                                                                                                                                                                                                                                                             |
| Moody's Asset Correlation                            | [26]%                                                                                                                                                                                                                                                             |
| Ratings Profile                                      | <ul style="list-style-type: none"> <li>■ 100% of the assets are rated at least Baa3 and BBB- by Moody's and S&amp;P</li> </ul>                                                                                                                                    |
| Target Obligor Concentration Profile                 | <ul style="list-style-type: none"> <li>■ Maximum Obligor concentration: [1.5%]</li> </ul>                                                                                                                                                                         |
| Collateral Haircuts for Overcollateralization Tests: | <ul style="list-style-type: none"> <li>■ 10% applied to Double-B Assets prior to sale</li> <li>■ 20% applied to Single-B Assets prior to sale</li> <li>■ 50% applied to Triple-C Assets prior to sale</li> <li>■ 100% applied to Defaulted Obligations</li> </ul> |

<sup>1</sup> This information is preliminary and subject to change.

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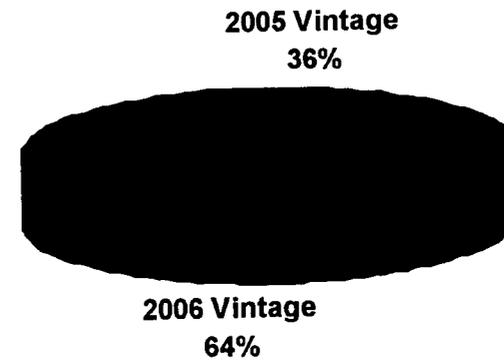
## Transaction Overview

### Current Warehouse Statistics<sup>1</sup>

#### Statistics

|                          |            |
|--------------------------|------------|
| Current Warehouse Size   | \$305.0 mm |
| WARF                     | 506        |
| WAL                      | 3.64       |
| Moody's Correlation      | 27%        |
| WAS                      | 2.00%      |
| Number of Obligor        | 61         |
| Moody's WA Recovery Rate | 25.0%      |
| S&P AAA WA Recovery Rate | 30.8%      |
| S&P AA WA Recovery Rate  | 35.7%      |
| S&P A WA Recovery Rate   | 41.1%      |
| S&P BBB WA Recovery Rate | 46.8%      |
| S&P BB WA Recovery Rate  | 52.8%      |
| % Fixed                  | 0.0%       |
| % Floating               | 100.0%     |
| % Cash                   | 1.6%       |
| % Synthetic              | 98.4%      |

#### Vintage Breakdown of RMBS Assets



<sup>1</sup> Represents the current portfolio as of February 22, 2007. Goldman Sachs does not represent or provide any assurance that the actual portfolio on the Closing Date or any future date will have the same characteristics as provided above.



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker   | Issue Date | Curr WALA | Curr Net WAC | FICO | LTV | Geo 1st | Geo 2nd | Fixed % | First Lien % | Vac/Inv % | Purch % |
|--------------------|------------|-----------|--------------|------|-----|---------|---------|---------|--------------|-----------|---------|
| ACCR 2006-1 M8     | 3/28/2006  | 12        | 7.23         | 633  | 78  | CA 19%  | FL 13%  | 33.0    | 100.0        | 7.9       | 33.2    |
| HASC 2006-OPT2 M8  | 2/28/2006  | 16        | 7.00         | 625  | 79  | CA 26%  | FL 10%  | 27.9    | 100.0        | 6.7       | 36.4    |
| MLMI 2006-HE1 B2A  | 2/7/2006   | 16        | 6.91         | 630  | 82  | CA 36%  | FL 12%  | 24.5    | 100.0        | 6.0       | 49.5    |
| MSAC 2005-NC1 B2   | 2/25/2005  | 26        | 7.42         | 617  | 79  | CA 22%  | TX 10%  | 43.7    | 99.7         | 6.6       | 31.3    |
| NCHET 2005-2 M8    | 4/22/2005  | 21        | 6.55         | 623  | 78  | CA 32%  | FL 9%   | 24.0    | 100.0        | 8.8       | 35.8    |
| ACE 2006-NC1 M9    | 1/30/2006  | 16        | 6.80         | 627  | 81  | GA 36%  | FL 12%  | 25.0    | 100.0        | 9.8       | 49.5    |
| AMSI 2005-R8 M9    | 9/28/2005  | 17        | 6.94         | 649  | 78  | CA 13%  | FL 13%  | 29.2    | 100.0        | 2.7       | 2.7     |
| CARR 2005-NC1 M8   | 2/3/2005   | 25        | 7.19         | 635  | 79  | CA 41%  | FL 5%   | 21.4    | 99.8         | 4.2       | 43.2    |
| CWL 2006-BC2 M9    | 5/30/2006  | 14        | 6.96         | 625  | 80  | CA 35%  | FL 9%   | 8.1     | 100.0        | 4.6       | 40.6    |
| MSAC 2005-NC2 B3   | 4/29/2005  | 24        | 6.70         | 618  | 80  | CA 31%  | FL 8%   | 26.8    | 100.0        | 5.7       | 34.4    |
| MSAC 2006-NC1 B3   | 1/27/2006  | 15        | 6.73         | 622  | 78  | CA 37%  | FL 11%  | 24.8    | 100.0        | 7.9       | 38.1    |
| NCHET 2005-1 M9    | 2/25/2005  | 24        | 6.63         | 623  | 85  | CA 32%  | FL 8%   | 26.0    | 100.0        | 8.0       | 98.4    |
| NCHET 2005-3 M9    | 6/24/2005  | 20        | 6.50         | 630  | 79  | CA 32%  | FL 9%   | 22.6    | 100.0        | 8.2       | 41.3    |
| RAMP 2005-EFC6 M9  | 11/22/2005 | 15        | 6.52         | 632  | 82  | CA 15%  | FL 7%   | 14.2    | 100.0        | 1.9       | 43.7    |
| NCHET 2005-4 M8    | 8/17/2005  | 18        | 6.58         | 626  | 81  | CA 38%  | FL 9%   | 21.6    | 100.0        | 8.6       | 44.0    |
| ACE 2005-HE4 M9    | 6/29/2005  | 20        | 6.60         | 629  | 81  | CA 36%  | FL 10%  | 20.5    | 100.0        | 5.3       | 50.8    |
| AMSI 2005-R10 M9   | 11/23/2005 | 15        | 6.88         | 631  | 78  | CA 17%  | NY 11%  | 30.9    | 100.0        | 3.2       | 4.2     |
| AMSI 2005-R11 M9   | 12/20/2005 | 14        | 7.10         | 624  | 78  | CA 14%  | FL 11%  | 24.2    | 99.9         | 3.5       | 3.1     |
| ABSHE 2005-HE2 M7  | 3/4/2005   | 24        | 6.70         | 621  | 78  | CA 31%  | FL 10%  | 24.1    | 100.0        | 5.5       | 33.4    |
| CARR 2006-NC1 M9   | 2/8/2006   | 14        | 6.66         | 630  | 81  | CA 32%  | NY 7%   | 15.2    | 100.0        | 6.5       | 43.8    |
| CMLTI 2005-OPT3 M9 | 7/7/2005   | 21        | 6.92         | 613  | 78  | CA 19%  | FL 10%  | 21.0    | 100.0        | 6.7       | 33.1    |
| GSAMP 2006-NC2 M9  | 6/29/2006  | 8         | 7.70         | 626  | 80  | CA 36%  | FL 11%  | 13.0    | 100.0        | 9.2       | 43.7    |
| HASC 2006-OPT1 M9  | 2/3/2006   | 15        | 6.68         | 644  | 79  | CA 30%  | NY 10%  | 32.2    | 100.0        | 9.8       | 36.2    |
| HASC 2006-NC1 M9   | 3/7/2006   | 16        | 6.09         | 666  | 82  | CA 43%  | FL 7%   | 0.0     | 100.0        | 3.5       | 56.3    |
| JPMAC 2006-HE1 M9  | 2/28/2006  | 15        | 7.38         | 641  | 73  | CA 48%  | IL 11%  | 19.5    | 100.0        | 7.5       | 64.1    |
| JPMAC 2006-CW2 MV9 | 8/8/2006   | 9         | 7.67         | 615  | 78  | CA 41%  | FL 14%  | 25.4    | 100.0        | 1.4       | 66.1    |
| MSAC 2005-HE1 B3   | 1/26/2005  | 28        | 7.85         | 644  | 79  | CA 14%  | NY 9%   | 40.0    | 99.8         | 6.4       | 29.6    |
| MSAC 2005-HE2 B3   | 3/30/2005  | 26        | 7.87         | 646  | 79  | CA 14%  | NY 10%  | 38.4    | 99.8         | 7.0       | 31.3    |
| NCMT 2006-1 M9     | 4/6/2006   | 17        | 6.98         | 642  | 78  | GA 27%  | FL 12%  | 35.7    | 99.4         | 0.5       | 22.5    |
| CMLTI 2006-NC1 M8  | 6/29/2006  | 9         | 7.91         | 620  | 77  | GA 34%  | FL 10%  | 17.3    | 100.0        | 10.3      | 41.7    |

Source: Bloomberg, Intex, Prospectuses; Data as of February 22, 2007



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker  | Issue Date | Curr WALA | Curr Net WAC | FICO | LTV | Geo 1st | Geo 2nd | Fixed % | First Lien % | Vac/ Inv % | Purch % |
|-------------------|------------|-----------|--------------|------|-----|---------|---------|---------|--------------|------------|---------|
| FHLT 2006-B M8    | 8/3/2006   | 7         | 8.72         | 627  | 76  | CA 26%  | FL 15%  | 19.3    | 100.0        | 4.4        | 50.2    |
| SABR 2006-FR3 B2  | 8/3/2006   | 10        | 7.91         | 619  | 75  | CA 25%  | FL 17%  | 11.8    | 100.0        | 5.8        | 47.1    |
| WMABS 2006-HE2 M9 | 5/25/2006  | 11        | 7.75         | 625  | 76  | CA 36%  | FL 14%  | 15.4    | 100.0        | 3.4        | 53.3    |
| SVHE 2006-OPT2 M7 | 4/7/2006   | 11        | 8.07         | 622  | 79  | CA 25%  | FL 13%  | 16.9    | 100.0        | 10.9       | 35.8    |
| CWL 2005-BC5 B    | 12/28/2005 | 18        | 6.53         | 620  | 78  | CA 23%  | FL 10%  | 31.9    | 100.0        | 2.3        | 35.3    |
| GARR 2006-NC2 M9  | 6/21/2006  | 9         | 7.74         | 623  | 80  | CA 32%  | FL 11%  | 12.7    | 100.0        | 8.9        | 44.0    |
| JPMAC 2006-NC1 M9 | 4/27/2006  | 12        | 7.54         | 623  | 78  | CA 40%  | FL 9%   | 21.2    | 100.0        | 10.8       | 42.1    |
| JPMAC 2006-NC2 M9 | 8/23/2006  | 8         | 7.73         | 619  | 77  | CA 30%  | FL 11%  | 22.1    | 100.0        | 9.2        | 43.2    |
| MABS 2005-NC2 M8  | 11/29/2005 | 17        | 6.01         | 657  | 94  | CA 55%  | FL 7%   | 0.0     | 100.0        | 5.7        | 64.7    |
| NHELI 2006-HE2 M9 | 4/28/2006  | 13        | 7.12         | 617  | 79  | CA 45%  | FL 7%   | 25.9    | 95.8         | 4.9        | 36.8    |
| MSAC 2005-HE6 B2  | 11/29/2005 | 18        | 6.71         | 633  | 77  | CA 27%  | FL 12%  | 26.8    | 100.0        | 4.5        | 46.5    |
| ACE 2006-HE4 M9   | 9/28/2006  | 7         | 7.95         | 627  | 82  | CA 35%  | FL 14%  | 14.9    | 99.6         | 5.6        | 51.6    |
| FHLT 2006-C M9    | 9/7/2006   | 6         | 7.97         | 628  | 76  | CA 27%  | FL 15%  | 23.7    | 100.0        | 6.9        | 42.2    |
| ACE 2006-OP1 M8   | 5/25/2006  | 11        | 7.93         | 626  | 80  | CA 30%  | NY 12%  | 17.9    | 100.0        | 9.3        | 39.2    |
| ARSI 2006-W4 M9   | 4/25/2006  | 10        | 7.72         | 616  | 80  | CA 28%  | FL 14%  | 14.7    | 100.0        | 9.2        | 47.4    |
| ABSHE 2006-HE2 M9 | 3/24/2006  | 12        | 7.59         | 625  | 80  | CA 30%  | FL 13%  | 18.9    | 100.0        | 10.3       | 44.1    |
| IXIS 2006-HE2 B3  | 5/25/2006  | 11        | 7.66         | 629  | 77  | CA 34%  | FL 21%  | 6.0     | 100.0        | 5.4        | 51.4    |
| MLM 2006-FM1 B2   | 6/30/2006  | 10        | 7.96         | 618  | 75  | CA 26%  | FL 15%  | 11.8    | 100.0        | 5.9        | 45.0    |
| NCHET 2006-1 M9   | 3/30/2006  | 11        | 7.46         | 627  | 88  | CA 37%  | FL 9%   | 21.0    | 100.0        | 9.0        | 44.4    |
| SVHE 2005-DO1 M8  | 5/13/2005  | 23        | 6.57         | 622  | 79  | CA 10%  | FL 9%   | 17.9    | 100.0        | 2.8        | 35.5    |
| SASC 2006-NC1 M9  | 6/22/2006  | 11        | 7.63         | 617  | 81  | CA 26%  | FL 12%  | 23.5    | 100.0        | 8.3        | 37.9    |
| CWL 2006-1 MV8    | 2/10/2006  | 13        | 6.75         | 618  | 78  | CA 33%  | FL 19%  | 0.0     | 100.0        | 5.4        | 38.5    |
| MABS 2006-AM2 M8  | 7/28/2006  | 9         | 7.60         | 608  | 75  | FL 31%  | CA 19%  | 12.2    | 100.0        | 3.4        | 37.3    |
| NCHET 2006-2 M9   | 6/29/2006  | 8         | 7.65         | 621  | 85  | CA 29%  | FL 9%   | 24.3    | 100.0        | 9.9        | 35.3    |
| SAIL 2006-BNC3 M7 | 8/25/2006  | 7         | 7.73         | 618  | 74  | CA 43%  | FL 8%   | 18.5    | 100.0        | 9.4        | 35.2    |
| GWL 2005-14 M8    | 12/21/2005 | 15        | 6.84         | 612  | 79  | CA 26%  | FL 9%   | 28.0    | 100.0        | 3.3        | 37.5    |
| MSAC 2005-HE5 B2  | 10/28/2005 | 19        | 6.56         | 637  | 79  | CA 33%  | FL 7%   | 13.4    | 100.0        | 4.1        | 53.6    |
| FMIG 2006-2 M8    | 7/6/2006   | 7         | 7.74         | 644  | 82  | CA 37%  | TX 12%  | 12.4    | 97.6         | 0.8        | 67.4    |
| HEAT 2006-6 M8    | 8/1/2006   | 8         | 7.52         | 628  | 91  | CA 29%  | FL 12%  | 15.3    | 100.0        | 5.3        | 51.2    |
| MLM 2006-MLN1 B2  | 9/29/2006  | 7         | 7.91         | 619  | 77  | FL 19%  | NY 11%  | 18.7    | 100.0        | 5.9        | 48.8    |

Source: Bloomberg, Intex, Prospectuses; Data as of February 22, 2007



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker   | Primary Servicer | Current Support(%) | Orig Support(%) | Bankrupt | REO  | Foreclosure | Delinq 30-59 | Delinq 60+ | Delinq 90+ |
|--------------------|------------------|--------------------|-----------------|----------|------|-------------|--------------|------------|------------|
| ACCR 2006-1 M8     | Accredited       | 3.8                | 1.6             | 0.3      | 0.7  | 2.8         | 2.0          | 0.9        | 0.1        |
| HASC 2006-OPT2 M8  | OptionOne        | 7.2                | 5.4             | 0.5      | 0.5  | 3.8         | 2.7          | 2.1        | 0.8        |
| MLMI 2006-HE1 B2A  | Wilshire         | 8.8                | 6.8             | 1.2      | 1.3  | 3.0         | 5.2          | 4.4        | 2.3        |
| MSAC 2005-NC1 B2   | HomeEquity       | 13.4               | 4.5             | 2.7      | 2.5  | 4.0         | 3.4          | 2.8        | 1.6        |
| NCHET 2005-2 M8    | NewCentury       | 8.6                | 4.4             | 1.5      | 1.5  | 4.0         | 2.5          | 2.8        | 1.9        |
| ACE 2006-NC1 M9    | Saxon            | 5.96               | 4.35            | 0.83     | 1.26 | 3.82        | 2.93         | 2.17       | 0.82       |
| AMSI 2005-R8 M9    | Ameriquest       | 4.54               | 2.65            | 1.38     | 0.79 | 3.26        | 2.59         | 2.51       | 1.23       |
| CARR 2005-NC1 M8   | NewCentury       | 10.71              | 3.95            | 1.60     | 2.91 | 5.75        | 3.04         | 2.95       | 1.50       |
| CWL 2006-BC2 M9    | Countrywide      | 4.20               | 3.15            | 0.39     | 0.83 | 5.17        | 3.98         | 3.00       | 1.05       |
| MSAC 2005-NC2 B3   | Countrywide      | 7.65               | 3.05            | 1.65     | 2.89 | 4.38        | 3.99         | 2.73       | 1.41       |
| MSAC 2006-NC1 B3   | HomeEquity       | 6.1                | 4.4             | 1.0      | 1.5  | 3.9         | 3.8          | 1.8        | 0.9        |
| NCHET 2005-1 M9    | NewCentury       | 7.6                | 3.2             | 2.0      | 1.6  | 4.4         | 2.6          | 2.5        | 1.4        |
| NCHET 2005-3 M9    | NewCentury       | 7.2                | 4.2             | 1.3      | 1.3  | 3.9         | 3.2          | 2.8        | 1.6        |
| RAMP 2005-EFC6 M9  | HomeComings      | 3.9                | 3.1             | 0.7      | 1.1  | 3.7         | 4.2          | 1.6        | 0.6        |
| NCHET 2005-4 M8    | NewCentury       | 9.5                | 6.0             | 1.4      | 1.8  | 4.3         | 2.8          | 3.1        | 1.8        |
| ACE 2005-HE4 M9    | Countrywide      | 8.74               | 4.80            | 1.05     | 2.33 | 3.89        | 2.71         | 3.34       | 1.92       |
| AMSI 2005-R10 M9   | Ameriquest       | 5.18               | 3.50            | 0.53     | 0.85 | 2.55        | 1.75         | 1.84       | 0.92       |
| AMSI 2005-R11 M9   | Ameriquest       | 5.17               | 3.55            | 0.55     | 0.73 | 2.42        | 2.30         | 1.83       | 0.76       |
| ABSHE 2005-HE2 M7  | Saxon            | 8.56               | 3.85            | 1.96     | 1.59 | 4.30        | 2.61         | 2.36       | 1.19       |
| CARR 2006-NC1 M9   | NewCentury       | 7.55               | 5.80            | 0.79     | 1.17 | 4.27        | 3.25         | 2.77       | 1.34       |
| CMLTI 2005-OPT3 M9 | OptionOne        | 7.7                | 4.3             | 1.4      | 2.0  | 4.2         | 1.7          | 2.2        | 1.4        |
| GSAMP 2006-NC2 M9  | Ocwen            | 3.7                | 3.1             | 0.4      | 0.0  | 5.0         | 4.6          | 4.0        | 1.1        |
| HASC 2006-OPT1 M9  | OptionOne        | 5.0                | 3.8             | 0.8      | 0.6  | 3.0         | 2.2          | 2.1        | 1.0        |
| HASC 2006-NC1 M9   | Chase            | 3.1                | 2.4             | 0.5      | 0.5  | 2.7         | 3.2          | 1.0        | 0.0        |
| JPMAC 2006-HE1 M9  | Chase            | 6.9                | 5.1             | 0.5      | 1.0  | 6.1         | 5.6          | 2.7        | 0.4        |
| JPMAC 2006-CW2 M9  | Countrywide      | 5.53               | 4.70            | 0.20     | 0.27 | 3.94        | 3.61         | 2.13       | 0.54       |
| MSAC 2005-HE1 B3   | HomeEquity       | 9.21               | 2.75            | 3.19     | 2.93 | 5.60        | 5.22         | 3.18       | 1.77       |
| MSAC 2005-HE2 B3   | OptionOne        | 8.27               | 2.95            | 2.38     | 2.26 | 6.48        | 4.30         | 3.60       | 1.67       |
| NCMT 2006-1 M9     | Centex           | 6.16               | 4.75            | 0.48     | 0.00 | 1.69        | 3.23         | 3.33       | 2.28       |
| CMLTI 2006-NC1 M8  | NewCentury       | 5.80               | 4.80            | 0.30     | 0.11 | 4.77        | 5.54         | 4.62       | 1.47       |

Source: Bloomberg, Intex, Prospectuses; Data as of February 22, 2007



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker  | Primary Servicer | Current Support(%) | Orig Support(%) | Bankrupt | REO  | Foreclosure | Delinq 30-59 | Delinq 60+ | Delinq 90+ |
|-------------------|------------------|--------------------|-----------------|----------|------|-------------|--------------|------------|------------|
| FHLT 2006-B M8    | Fremont          | 5.1                | 4.6             | 0.3      | 0.1  | 3.7         | 4.6          | 5.4        | 2.6        |
| SABR 2006-FR3 B2  | HomeEquity       | 6.4                | 5.2             | 0.4      | 0.4  | 7.9         | 6.0          | 4.2        | 2.0        |
| WMABS 2006-HE2 M9 | WaMu             | 4.9                | 4.1             | n/a      | n/a  | 3.8         | 4.6          | 4.7        | 1.6        |
| SVHE 2006-OPT2 M7 | OptionOne        | 6.0                | 4.6             | 0.3      | 0.2  | 3.4         | 3.3          | 3.5        | 1.9        |
| CWL 2005-BC5 B    | Countrywide      | 4.7                | 3.0             | 0.9      | 2.1  | 3.6         | 5.2          | 2.4        | 1.0        |
| CARR 2006-NC2 M9  | NewCentury       | 5.42               | 4.45            | 0.11     | 0.04 | 3.64        | 3.34         | 3.40       | 1.08       |
| JPMAC 2006-NC1 M9 | Chase            | 5.03               | 3.80            | 0.77     | 0.99 | 5.38        | 5.61         | 2.58       | 0.59       |
| JPMAC 2006-NC2 M9 | Chase            | 5.52               | 4.50            | 0.30     | 0.00 | 1.93        | 2.84         | 1.68       | 0.20       |
| MABS 2005-NC2 M8  | Ocwen            | 6.43               | 4.75            | 0.68     | 1.62 | 2.79        | 3.72         | 4.86       | 2.49       |
| NHELT 2006-HE2 M9 | Ocwen            | 6.72               | 5.25            | 0.51     | 0.59 | 5.62        | 6.60         | 7.59       | 3.37       |
| MSAC 2005-HE6 B2  | Chase            | 7.1                | 5.0             | 1.4      | 1.7  | 3.9         | 3.6          | 2.2        | 1.0        |
| ACE 2006-HE4 M9   | Ocwen            | 4.2                | 4.0             | 0.1      | 0.1  | 2.9         | 6.1          | 4.8        | 1.6        |
| FHLT 2006-C M9    | Fremont          | 4.3                | 4.0             | 0.2      | 0.0  | 2.4         | 3.6          | 3.2        | 1.0        |
| ACE 2006-OP1 M8   | OptionOne        | 5.9                | 4.7             | 0.3      | 0.4  | 3.0         | 4.2          | 3.5        | 1.9        |
| ARSI 2006-W4 M9   | Ameriquest       | 3.9                | 3.1             | 0.4      | 1.2  | 7.2         | 3.7          | 5.2        | 2.9        |
| ABSHE 2006-HE2 M9 | HomeEquity       | 3.96               | 3.10            | 1.04     | 1.22 | 5.61        | 4.83         | 3.27       | 1.17       |
| IXIS 2006-HE2 B3  | Saxon            | 3.54               | 2.90            | 0.44     | 1.60 | 6.39        | 2.97         | 3.87       | 1.34       |
| MLMI 2006-FM1 B2  | Wishire          | 5.47               | 4.55            | 0.42     | 0.56 | 6.12        | 6.32         | 5.21       | 1.85       |
| NCHET 2006-1 M9   | NewCentury       | 3.44               | 2.80            | 0.70     | 0.68 | 5.38        | 3.17         | 3.98       | 2.22       |
| SVHE 2005-DO1 M8  | Countrywide      | 9.29               | 4.85            | 2.06     | 2.78 | 4.16        | 5.94         | 3.71       | 1.40       |
| SASC 2006-NC1 M9  | WellsFargo       | 3.9                | 3.2             | 0.5      | 0.9  | 5.2         | 4.3          | 4.5        | 1.7        |
| CWL 2006-1 MV8    | Countrywide      | 4.8                | 3.6             | 0.3      | 0.6  | 1.1         | 3.1          | 2.2        | 1.8        |
| MABS 2006-AM2 M8  | WellsFargo       | 6.0                | 5.2             | 0.9      | 0.4  | 5.9         | 5.4          | 3.9        | 1.1        |
| NCHET 2006-2 M9   | NewCentury       | 3.9                | 3.5             | 0.4      | 0.2  | 2.8         | 3.2          | 3.6        | 1.8        |
| SAIL 2006-BNC3 M7 | Chase            | 5.1                | 4.6             | 0.1      | 0.0  | 2.3         | 4.5          | 3.3        | 1.0        |
| CWL 2005-14 M8    | Countrywide      | 5.92               | 4.35            | 0.63     | 1.54 | 3.37        | 4.30         | 2.68       | 1.07       |
| MSAC 2005-HE5 B2  | Countrywide      | 7.62               | 4.97            | 1.59     | 2.13 | 4.59        | 4.84         | 2.56       | 1.04       |
| FMIC 2006-2 M8    | Chase            | 5.53               | 5.20            | 0.35     | 0.18 | 3.35        | 4.72         | 2.27       | 0.37       |
| HEAT 2006-6 M8    | SelectPortfolio  | 5.41               | 4.85            | 0.23     | 0.08 | 3.34        | 4.09         | 2.79       | 0.80       |
| MLMI 2006-MLN1 B2 | MortgageLenders  | 5.39               | 5.10            | 0.08     | 0.00 | 0.37        | 4.94         | 3.68       | 1.21       |

Source: Bloomberg, Intex, Prospectuses; Data as of February 22, 2007



## V. Levered RMBS Structural Alternatives

01/11/08



## Levered RMBS Structural Alternatives

### Transaction Variant Summary

- Given that there are a variety of products allowing investors to take levered exposure to RMBS, it is important to understand structural similarities and differences
- Three distinct types of transactions are considered for this comparison:

| NAME                | GENERAL DESCRIPTION                                                                                                                                                                                                                                                                                                                                                  |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cashflow CDO        | Fully issued transaction in which a selection agent or third party collateral manager selects the assets to be repackaged through CDO. Cash proceeds from collateral assets flow through a waterfall to pay the issued Notes and Income Notes, which are broadly syndicated.                                                                                         |
| Bespoke Transaction | Customized transaction negotiated between the correlation desk and a "sponsor" investor/ portfolio manager, who generally takes credit risk at one or more layers of the capital structure. Layers of risk not assumed by "sponsor" investor/ portfolio manager are either hedged by the structured product correlation desk or distributed in subsequent offerings. |
| Tranched ABX        | Standardized ABX tranche trading referencing both the Baa2 and Baa3 variants of the on-the-run and immediately off-the-run ABX.HE indices. The product has sponsorship from all ABX dealers and uses a market standard confirm.                                                                                                                                      |

- Anderson Mezzanine Funding 2007-1, Ltd. is a cashflow CDO



## Levered RMBS Structural Alternatives

### Transaction Variant Comparison

|                                                | Cashflow CDO                                                                                                                                                                    | Bespoke Transaction                  | Tranched ABX                         |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Type</b>                                    | Cashflow Structured Product CDO                                                                                                                                                 | Structured Product Correlation Trade | Structured Product Correlation Trade |
| <b>Assets</b>                                  | Cash Bonds or Single-Name CDS                                                                                                                                                   | Tranched CDS                         | Tranched CDS                         |
| <b>Amortizations</b>                           | Modified Sequential                                                                                                                                                             | Varies                               | Sequential                           |
| <b>Callability</b>                             | NC3 @ Option of Majority of Equity Holders                                                                                                                                      | NC3 @ Option of Protection Buyer     | No Call Rights                       |
| <b>Cashflow Waterfall / Triggers</b>           | Yes                                                                                                                                                                             | No                                   | No                                   |
| <b>Manager</b>                                 | Varies                                                                                                                                                                          | Varies                               | No                                   |
| <b>PIKable</b>                                 | Single-A Debt and Below                                                                                                                                                         | No                                   | No                                   |
| <b>Trading / Reinvestment Period or Static</b> | <i>Managed Deals</i> : Trading/Reinvestment<br><i>Defensively Managed</i> : Trading (only credit sales)<br><i>Static</i> : Liquidation after an asset downgrade or credit event | Static / Revolving                   | Static                               |
| <b>Standardized Documentation</b>              | No                                                                                                                                                                              | No                                   | Yes                                  |
| <b>Credit Enhancement</b>                      | Excess spread/ subordination                                                                                                                                                    | Subordination                        | Subordination                        |



## Levered RMBS Structural Alternatives

### Transaction Variant Comparison (Continued)

|                                                                                                  | Cashflow CDO                                                               | Bespoke Transaction                          | Tranched ABX                                 |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Typical Number of Obligators in Collateral / Reference Portfolio                                 | 100+                                                                       | 70+                                          | 40                                           |
| Non-Dollar Offerings                                                                             | No                                                                         | Yes                                          | No                                           |
| Customizability at Different Layers of Capital Structure                                         | Yes                                                                        | Yes                                          | No                                           |
| Factors Affecting First Dollar of Loss Breakeven                                                 | Losses, loss timing, interest rates, collateral ratings and other features | Losses Only                                  | Losses Only                                  |
| Deleveraging Risk, Interest Rate Mismatch Risk and Interest Shortfall / Available Funds Cap Risk | Borne by Equity and Potentially Rated Debt If Severe                       | Borne by Structured Product Correlation Book | Borne by Structured Product Correlation Book |

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## Levered RMBS Structural Alternatives

### Comparison of Key Structural Differences

| Feature                 | Alternatives        | Description                                                                                                                                                                                       |
|-------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Portfolio Amortizations | Sequential          | Amortizations allocated sequentially                                                                                                                                                              |
|                         | Modified Sequential | Amortizations allocated sequentially to each tranche until the target OC ratio (set at a level greater than initial OC ratio) is reached, then amortizations are allocated to subordinate tranche |
|                         | Modified Pro-Rata   | Amortizations allocated in a pro-rata fashion until total portfolio amortizations total 50% of initial balance                                                                                    |
| Callability             | No Call             | Transaction may not be optionally terminated in part or in whole                                                                                                                                  |
|                         | Equity Call         | Transaction may be terminated in whole after the non-call period given a majority vote of the equity holders                                                                                      |
|                         | Tranche by Tranche  | Transaction may be terminated either in part or in whole at the option of the protection buyer                                                                                                    |
| Triggers                | Yes                 | Built-in mechanism that diverts cashflows from equity and potentially junior debt to senior debt should overcollateralization and/or interest coverage metrics underperform initial expectations  |
|                         | No                  | No cashflow diversion based on metric underperformance                                                                                                                                            |



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## Appendix A – Portfolio Asset List

Note: The information in this section is preliminary and subject to change

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9/12/13



## Portfolio Composition<sup>1</sup>

### Comprehensive Collateral Asset List:

| CUSIP     | Asset Name         | Original Face | Factor | Current Face | Moody's | S&P  | Fitch | Avg Life | Asset Type    |
|-----------|--------------------|---------------|--------|--------------|---------|------|-------|----------|---------------|
| 64352VLA7 | NCHET 2005-2 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 2.53     | RMBS Subprime |
| 03072SM85 | AMSI 2005-R8 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB+  | 3.48     | RMBS Subprime |
| 61744CPQ3 | MSAC 2005-NC2 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.61     | RMBS Subprime |
| 61744CYK6 | MSAC 2006-NC1 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.90     | RMBS Subprime |
| 64352VKJ9 | NCHET 2005-1 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.22     | RMBS Subprime |
| 03072SV93 | AMSI 2005-R11 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | BBB   | 3.97     | RMBS Subprime |
| 04541GQH8 | ABSHE 2005-HE2 M7  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.20     | RMBS Subprime |
| 17307GSS8 | CMLTI 2005-OPT3 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.24     | RMBS Subprime |
| 46629BBB4 | JPMAC 2006-CW2 MV9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.12     | RMBS Subprime |
| 61744CKW5 | MSAC 2005-HE1 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.17     | RMBS Subprime |
| 61744CNK8 | MSAC 2005-HE2 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.57     | RMBS Subprime |
| 65106AAW3 | NCMT 2006-1 M9     | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | -     | 4.32     | RMBS Subprime |
| 172983AN8 | CMLTI 2006-NC1 M8  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.67     | RMBS Subprime |
| 813765AH7 | SABR 2006-FR3 B2   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB+  | 4.69     | RMBS Subprime |
| 83611MMT2 | SVHE 2006-OPT2 M7  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | -     | 3.43     | RMBS Subprime |
| 126670NN4 | CWL 2005-BC5 B     | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | -     | 3.76     | RMBS Subprime |
| 14453FAN9 | CARR 2006-NC2 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.55     | RMBS Subprime |
| 46626LJZ4 | JPMAC 2006-NC1 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.97     | RMBS Subprime |
| 46629FAN0 | JPMAC 2006-NC2 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.02     | RMBS Subprime |
| 65536MAN7 | NHELI 2006-HE2 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB-  | 3.51     | RMBS Subprime |
| 040104TS0 | ARSI 2006-W4 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.86     | RMBS Subprime |
| 59021AAM0 | MLMI 2006-FM1 B2   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.67     | RMBS Subprime |
| 83611MEE4 | SVHE 2005-DO1 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | BBB+  | 3.00     | RMBS Subprime |
| 86360PAR8 | SASC 2006-NC1 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.06     | RMBS Subprime |
| 126670UD8 | CWL 2006-1 MV8     | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | -     | 3.74     | RMBS Subprime |
| 57645FAS6 | MABS 2006-AM2 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | -    | -     | 3.73     | RMBS Subprime |
| 64360YAM7 | NCHET 2006-2 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB- | -     | 4.03     | RMBS Subprime |
| 86361KAM9 | SAIL 2006-BNC3 M7  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB   | 4.36     | RMBS Subprime |
| 126670LW6 | CWL 2005-14 M8     | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.65     | RMBS Subprime |
| 59023AAN6 | MLMI 2006-MLN1 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 4.19     | RMBS Subprime |

<sup>1</sup> As of February 22, 2007. Goldman Sachs does not represent or provide any assurance that the actual portfolio on the Closing Date or any future date will have the same characteristics as provided above. All Face amounts listed above are US Dollar denominated.



## Portfolio Composition<sup>1</sup>

### Comprehensive Collateral Asset List:

| CUSIP     | Asset Name        | Original Face | Factor | Current Face | Moody's | S&P  | Fitch | Avg Life | Asset Type    |
|-----------|-------------------|---------------|--------|--------------|---------|------|-------|----------|---------------|
| 004375FE6 | ACCR 2006-1 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.86     | RMBS Midprime |
| 40430HEH7 | HASC 2006-OPT2 M8 | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | BBB+  | 3.77     | RMBS Midprime |
| 59020U3N3 | MLMI 2006-HE1 B2A | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 3.55     | RMBS Midprime |
| 004421VC4 | ACE 2006-NC1 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | -     | 3.58     | RMBS Midprime |
| 144531BK5 | CARR 2005-NC1 M8  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.72     | RMBS Midprime |
| 22237JAP2 | CWL 2006-BC2 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.61     | RMBS Midprime |
| 64352VLS8 | NCHET 2005-3 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.77     | RMBS Midprime |
| 76112BL24 | RAMP 2005-EFC6 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | -     | 4.40     | RMBS Midprime |
| 64352VNB3 | NCHET 2005-4 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB   | 2.99     | RMBS Midprime |
| 004421PY3 | ACE 2005-HE4 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.13     | RMBS Midprime |
| 03072ST62 | AMSI 2005-R10 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.99     | RMBS Midprime |
| 144531FG0 | CARR 2006-NC1 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | BBB-  | 3.77     | RMBS Midprime |
| 362463AP6 | GSAMP 2006-NC2 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.66     | RMBS Midprime |
| 40430HDN5 | HASC 2006-OPT1 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | BBB+  | 3.67     | RMBS Midprime |
| 40430HFA1 | HASC 2006-NC1 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.10     | RMBS Midprime |
| 46626LGQ7 | JPMAC 2006-HE1 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.45     | RMBS Midprime |
| 35729QAN8 | FHLT 2006-B M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB+  | 4.19     | RMBS Midprime |
| 93934JAN4 | WMABS 2006-HE2 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.67     | RMBS Midprime |
| 57643LMX1 | MABS 2005-NC2 M8  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A+   | BBB+  | 2.96     | RMBS Midprime |
| 61744CWE2 | MSAC 2005-HE6 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | BBB+  | 3.80     | RMBS Midprime |
| 00442BAP6 | ACE 2006-HE4 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | -     | 4.70     | RMBS Midprime |
| 35729TAP7 | FHLT 2006-C M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB   | 4.07     | RMBS Midprime |
| 00442PAP5 | ACE 2006-OP1 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 3.83     | RMBS Midprime |
| 04541GWQ1 | ABSHE 2006-HE2 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.54     | RMBS Midprime |
| 46602WAN4 | IXIS 2006-HE2 B3  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB-  | 4.17     | RMBS Midprime |
| 64352VRB9 | NCHET 2006-1 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.69     | RMBS Midprime |
| 61744CUZ7 | MSAC 2005-HE5 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | BBB+  | 3.54     | RMBS Midprime |
| 31659EAM0 | FMIC 2006-2 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 3.35     | RMBS Midprime |
| 437097AP3 | HEAT 2006-6 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | A-    | 4.06     | RMBS Midprime |
| 61744CMS2 | MSAC 2005-NC1 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB   | 2.42     | RMBS Subprime |
| 92534FAE8 | VRGO 2006-1A B1   | 5,000,000     | 1.000  | 5,000,000    | Baa1    | BBB+ | -     | 6.61     | RMBS CDO      |

<sup>1</sup> As of February 22, 2007. Goldman Sachs does not represent or provide any assurance that the actual portfolio on the Closing Date or any future date will have the same characteristics as provided above. All Face amounts listed above are US Dollar denominated.



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## Appendix B – Goldman Sachs Contact Information

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## Anderson Mezzanine Funding 2007-1, Ltd.

### Team Contact Information

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#### Goldman, Sachs & Co. – Structuring and Placement Agent

##### Structured Product CDOs – Structuring, Marketing, and Principal Investments

|                                 |                |
|---------------------------------|----------------|
| Peter Ostrem, Managing Director | (212) 357-4617 |
| Matt Bieber, Vice President     | (212) 357-9193 |
| Michele Chitson, Vice President | (212) 902-2881 |
| John X. Li, Associate           | (212) 902-2592 |
| Shelly Lin, Analyst             | (212) 357-9944 |
| Eric Siegel, Analyst            | (212) 357-9753 |

##### Syndication

|                                      |                    |
|--------------------------------------|--------------------|
| Bunty Bohra, Managing Director       | (212) 902-7645     |
| Scott Wisenbaker, Vice President     | (212) 902-2858     |
| Omar Chaudhary, Vice President       | +81 (3) 6437-7198  |
| Mitchell Resnick, Executive Director | +44 (20) 7774-3068 |
| Tetsuya Ishikawa, Associate          | +44 (20) 7774-1025 |



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## **Anderson Mezzanine Funding 2007-1, Ltd.**

**A \$500 Million Static Mezzanine Structured Product CDO  
Goldman, Sachs & Co. – Liquidation, Structuring, and Placement Agent**

**Equity Marketing Book**

**February 2007**

*The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular.*

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- VI. Comparison of Levered RMBS Structures
- VII. Equity Scenarios
- VIII. Modeling Assumptions

### Appendix

- A. Portfolio Asset List
- B. Goldman Sachs Contact Information



# I. Executive Summary

Note: The information in this section is preliminary and subject to change



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## Anderson Mezzanine Funding 2007-1

### Executive Summary

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- Anderson Mezzanine Funding 2007-1 ("Anderson Funding") will be a static \$500 million cashflow CDO consisting of a diversified portfolio of RMBS and CDO securities.
- Goldman Sachs and GSC Group ("GSC") co-selected the assets.
- Anderson Funding will be non-managed and static in nature. Anderson Funding will provide term non-recourse funding. In its role as Liquidation Agent, Goldman Sachs will:
  - Warehouse assets during the portfolio aggregation phase prior to closing
  - Liquidate any asset within one year after such asset performs below certain threshold levels determined prior to closing
- The portfolio consists of collateral which is rated at least Baa3 (if rated by Moody's) and BBB- (if rated by S&P) with an average rating of Baa2/Baa3. 100% of the portfolio will be real-estate related securities.
- Low fee structure and less "barbelled" portfolio than other mezzanine CDOs in the current market.
- Transaction co-sponsored by Goldman and GSC Eliot Bridge (an ABS and CDO hedge fund managed by GSC Group). Goldman Sachs and GSC has aligned incentives with Anderson Funding by investing in a portion of equity.



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## II. Disclaimer and Risk Factors

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2/1/10



## Disclaimer

The information contained herein is confidential information regarding securities that may in the future be offered by Anderson Mezzanine Funding 2007-1, Ltd. ("Anderson Funding," "Anderson" or the "Issuer"). The information is being delivered to a limited number of sophisticated prospective institutional investors in order to assist them in determining whether they have an interest in the type of securities described herein and is solely for their internal use. By accepting this information, the recipient agrees that it will use and it will cause its directors, partners, officers, employees and representatives to use the information only to evaluate its potential interest in the securities described herein and for no other purpose and will not divulge any such information to any other party. Any reproduction of this information, in whole or in part, is prohibited. Notwithstanding the foregoing, each recipient (and each employee, representative, or other agent of such recipient) may disclose to any and all other persons, without limitation of any kind, the tax treatment and tax structure of the Issuer, the securities described herein and any future offering thereof and the ownership and disposition of such securities and all materials of any kind (including opinions or other tax analyses) that are provided to such recipient relating to such tax treatment and tax structure. However, any such information relating to such tax treatment or tax structure is required to be kept confidential to the extent reasonably necessary to comply with any applicable securities laws. For this purpose, the tax treatment of a transaction is the purported or claimed U.S. federal income tax treatment of the transaction, and the tax structure of a transaction is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the transaction.

The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy. The information contained herein is preliminary and material changes to the proposed terms of the securities described herein may be made at any time. If any offer of securities is made, it shall be made pursuant to a definitive offering circular (the "Offering Circular") prepared by or on behalf of the Issuer, which would contain material information not contained herein and which shall supersede, amend and supplement this information in its entirety. Any decision to invest in the securities described herein should be made after reviewing the Offering Circular, conducting such investigations as the investor deems necessary or appropriate and consulting the investor's own legal, accounting, tax, and other advisors in order to make an independent determination of the suitability and consequences of an investment in the securities.

The securities described herein will not be registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction and neither the Issuer nor the pool of securities held by the Issuer will be registered under the Investment Company Act of 1940, as amended. The securities offered herein will not be recommended by any United States federal or state securities commission or any other regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The securities described herein will be subject to certain restrictions on transfers as described in the Offering Circular.

None of the Issuer, Goldman Sachs (as used herein, such term shall include Goldman, Sachs & Co. and all of its affiliates), nor any of their respective affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. The information includes hypothetical illustrations and involves modeling components and assumptions that are required for purposes of such hypothetical illustrations. No representations are made as to the accuracy of such hypothetical illustrations or that all assumptions relating to such hypothetical illustrations have been considered or stated or that such hypothetical illustrations will be realized. The information contained herein does not purport to contain all of the information that may be required to evaluate such securities, and each recipient is encouraged to read the Offering Circular and should conduct its own independent analysis of the data referred to herein. The Issuer, Goldman Sachs, and their respective affiliates disclaim any and all liability relating to this information, including, without limitation, any express or implied representation or warranty for statements contained in and omissions from this information. None of the Issuer, Goldman Sachs, or any of their respective affiliates expects to update or otherwise revise the information contained herein except by means of the Offering Circular. Additional information may be available on request. The securities and obligations of the Issuer are not issued by, obligations of, or guaranteed by Goldman Sachs, or their respective affiliates, or other organizations. In particular, the obligations of the Issuer are not deposit obligations of any financial institution. The securities and obligations of the Issuer are complex, structured securities and there is no assurance that a secondary market for such securities will exist at any time. Accordingly, prospective investors should be prepared, and have the ability, to hold such securities until their respective stated maturities or stated redemption dates.



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## Disclaimer

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### HYPOTHETICAL ILLUSTRATIONS AND PRO FORMA INFORMATION

These materials contain statements that are not purely historical in nature. These include, among other things, hypothetical illustrations, sample or pro forma portfolio structures or portfolio composition, scenario analysis of returns and proposed or pro forma levels of diversification or sector investment. These hypothetical illustrations of returns illustrate a range of potential outcomes based upon certain assumptions. Such potential outcomes are not a prediction by the Issuer, Goldman Sachs or their respective affiliates of the performance of the securities described herein. Actual events are difficult to predict and are beyond the control of the Issuer, Goldman Sachs, or their respective affiliates. Actual events may differ from those assumed and such differences may be material. There can be no assurance that illustrated returns will be realized or materialized or that actual returns or results will not be materially lower than those presented. All statements included are based on information available on the date hereof, and none of the Issuer, Goldman Sachs or their respective affiliates assumes any duty to update any such statement. Some important factors which could cause actual results to differ materially from those in any statements contained herein include the actual composition of the collateral and the price at which such collateral is actually purchased by the Issuer, any defaults on the collateral, the timing of any defaults and subsequent recoveries, changes in interest rates, and any weakening of the specific credits included in the collateral, among others. The Offering Circular will contain other risk factors, which an investor should also consider in connection with an investment in the securities described herein.

### PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer. Because of portfolio restrictions that apply to the Issuer and differences in market conditions, the investments selected by Goldman Sachs on behalf of the Issuer may differ substantially from prior investments made by Goldman Sachs. The Issuer has no operating history.



## Risk Factors

*Note: The Offering Circular will include more extensive descriptions of the risks described herein as well as additional risks relating to, among other things, conflicts of interest. Any decision to invest in the securities described herein should be made after reviewing such Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Offering Circular will supersede this document in its entirety.*

- **Limited Liquidity, Restrictions on Transfer and Limited Recourse**
  - There is currently no market for the Secured Notes or Income Notes and it is unlikely that any secondary market will develop. The Secured Notes and the Income Notes should be viewed as a long-term investment, not as a trading vehicle. The value of the Secured Notes and the Income Notes may vary and the Secured Notes and the Income Notes, if sold, may be worth less than their original cost.
  - In addition, as the Secured Notes and the Income Notes will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to the Section 3(c)(7). Related restrictions, as well as other restrictions on transfer of the Income Notes will apply.
  - All liabilities are payable solely from the cash flow available from the collateral pledged by the Issuer to secure all classes of Notes. No other assets will be available for payment in the event of any deficiency. The Income Notes represent equity in the Issuer and as such are subordinated to the Secured Notes. The Income Notes are payable from the collateral (which represent the only assets of the Issuer) only after payment in full of amounts due on the Secured Notes.
- **Leveraged Credit Risk**
  - The Income Notes are in a first loss position with respect to defaults on the underlying collateral. The leveraged nature of the Income Notes magnifies the adverse impact of any collateral defaults.
- **Volatility of Collateral and of Secured Notes' and Income Notes' Market Value**
  - The Income Notes represent a leveraged investment in the Collateral Assets. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Secured Notes and the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.
  - Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.
- **Collateral Risk**
  - Collateral Assets inherently bear significant credit risks because issuers are primarily private entities.
  - The structure of Collateral Assets and the terms of the Issuer's interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements.
  - Adverse changes in the financial condition of the collateral obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt.



## Risk Factors

- **Nature of Collateral**
  - The Collateral Assets are subject to credit, liquidity and interest rate risk. In addition, the financial performance of the Issuer may be affected by the price and availability of Collateral Assets to be purchased.
  - Some or all of the Collateral Assets may be subordinated securities which may be subject to leveraged credit risk.
  - The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions and limitations under the Indenture.
- **No Collateral Manager**
  - The Issuer will not engage a Collateral Manager. As a result, (i) the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the holders of the Income Notes and Secured Notes to dispose of certain Collateral Assets unless the Collateral Assets are required to be sold by the Liquidation Agent as described in the previous paragraph and (ii) the Indenture will eliminate the ability of the Issuer to exercise discretion in contexts where a collateral manager in a managed or static collateralized debt obligation transaction typically would have discretion to exercise such discretion on behalf of the Issuer and holders of Income Notes and Secured Notes. The inability of the Issuer to exercise discretion in these contexts could adversely impact the Issuer and the holders of the Income Notes and Secured Notes.
- **Timing and Amount of Recoveries**
  - Only Collateral Assets that meet the liquidation criteria may be sold. If a Collateral Asset meets the liquidation criteria, the Liquidation Agent is required to sell such affected collateral in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance as to the timing of the Liquidation Agent's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Income Notes and Secured Notes as compared to the returns generated using the Modeling Assumptions.
- **Impairment of Credit Quality and/or Defaults on the Collateral**
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Income Notes and Secured Notes.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.
- **Yield Due to Prepayments**
  - The yield to maturity on the Income Notes could be affected by the rate of prepayment of the Collateral Assets. Payments to the Income Notes at a rate slower than the rate anticipated by investors purchasing the Income Notes at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Income Notes at a rate faster than the rate anticipated by investors purchasing the Income Notes at a premium will result in an actual yield that is lower than anticipated by such investors.
- **Timing of Receipt of Accrued Interest Income**
  - On an ongoing basis, the receipt by the Issuer of accrued interest income may affect the availability of cash which may be distributed to the Holders of Secured Notes and Income Notes.



## Risk Factors

- International Investing
  - Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk.
  - A portion of the Collateral Assets may consist of obligations of an issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.
- Tax Treatment of Income Notes
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Income Notes will be treated as equity for tax purposes.
  - Income Notes holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies, controlled foreign corporations and foreign personal holding companies.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisers regarding the tax implications of their investments.
- Material Tax Considerations
  - There is a possibility that the Issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.
- Hypothetical Illustrations and Estimates
  - Estimates of the weighted average lives of the Class S, A, B, C, D and E Notes and the returns and duration of the Income Notes included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Class S, A, B, C, D and, E Notes, are forward-looking statements. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
  - The hypothetical illustrations are only estimates. Actual results may vary, and the variations may be material. See "Hypothetical Illustrations and Pro Forma Information" on disclaimer page in the beginning of this book.
- Changes in Tax Laws
  - The Collateral Assets are not permitted to be subject to withholding tax at the time of purchase, unless the issuer thereof is required to make "gross-up" payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Income Notes and Secured Notes.
  - In case of a Withholding Tax Event (as defined in the Offering Circular), holders of more than 50% of any affected Note may require the issuer to liquidate the collateral on any Payment Date, and redeem the Class S, A, B, C, D and E Notes, prior to any distributions to holders of Income Notes



## Risk Factors

- Subordination
  - The Income Notes are subordinated to the Class S, Class A, Class B, Class C, Class D and Class E Notes and certain payments of expenses. The Class E Notes are subordinated to the Class A, Class B, Class C and Class D Notes and certain payments of expenses. The Class D Notes are subordinated to the Class A, Class B and Class C Notes and certain payments of expenses. The Class C Notes are subordinated by the Class A and Class B Notes and certain payments of expenses. The Class B Notes are subordinated to the Class A Notes and certain payments of expenses. No distributions of interest proceeds received on the collateral will be made to the Income Notes until interest on the Secured Notes and certain other expenses have been paid. In addition, in the event of a default, holders of the most senior class of Secured Notes will generally be entitled to determine the remedies to be exercised; such remedies could include the sale and the liquidation of the collateral and have an adverse effect on the Income Notes. The Income Notes will not be able to exercise any remedies following an event of default and will not receive payments after an event of default until the Secured Notes are paid in full.
- Credit Exposure to Portfolio of Reference Obligations
  - On the closing date, the Issuer will enter into pay-as-you-go credit default swaps (the "Synthetic Securities") with Goldman Sachs International, ("GSI" and in such capacity, the "Counterparty"), pursuant to which the Issuer will sell credit default protection with respect to a portfolio of Reference Obligations. If a credit event occurs with respect to any of the Reference Obligations, the Issuer will pay the Counterparty the amount of the write-down or principal loss, or if the Counterparty elects to deliver the reference obligation, the notional amount of the Synthetic Security times the reference price. In return for the credit default protection, the Counterparty will pay the Issuer a premium which may be reduced (but not below zero) if certain Reference Obligations experience interest shortfalls. Credit events and interest shortfalls may adversely affect the Issuer's ability to make payments on the Notes and the Income Notes.
  - All Notes and Income Notes are subordinated to credit default protection payments under the Synthetic Securities and to certain termination payments payable to the Counterparty in connection with a termination event. The magnitude of such losses will be affected by the number of credit events and the recovery amount of any delivered Reference Obligations and timing of such credit events



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### III. Transaction Overview

Note: The information in this section is preliminary and subject to change

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9/11/11



## Anderson Mezzanine Funding 2007-1, Ltd.

### Transaction Overview

- Anderson Mezzanine Funding is a “static” mezzanine structured product CDO with the following features:
  - No exposure to reinvestment spread risk or reliance on reinvestment to generate excess interest to cover debt
  - No fixed rate assets
  - No assets without an initial rating of at least Baa3 by Moody’s and BBB- by S&P. Average WARF in the portfolio is expected to be 500
  - Overall transaction cost structure is significantly less than comparable mezzanine structured product CDOs in the market
  
- There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be “credit risk” securities will be sold by the Liquidation Agent within one year of such determination
  
- Goldman Sachs will act as Structuring, Placement and Liquidation Agent for Anderson Funding and will warehouse the portfolio prior to closing
  - Goldman Sachs will charge 10 bps ongoing fee for its role as Liquidation Agent
  
- Goldman Sachs and GSC’s portfolio selection process:
  - Assets sourced from the Street at then market levels
  - GSC pre-screens and evaluates assets for portfolio suitability
  - Goldman Sachs CDO desk reviews individual assets in conjunction with respective mortgage trading desks (Subprime, Midprime, Prime, etc.) and makes decision to add or decline
  - All CDS use rating agency approved confirms (pay as you go)



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## Anderson Mezzanine Funding 2007-1, Ltd.

### Transaction Overview - Asset Selection / Asset Liquidation

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- Portfolio Aggregation Strategy:
  - Select only assets rated explicitly Baa3/BBB- (Moody's / S&P) and above. No notched rating of below Baa3 in the portfolio
  - No Fixed rate assets allowed, eliminating interest rate swap basis mismatch
  - Maximum obligor concentration is 1.5%, creating a very granular portfolio with 100 distinct obligors
  - Target portfolio with Weighted Average Rating Factor of 500 and duration weighted average spread of 202 bps
  
- Goldman Sachs, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" asset within 12 months of such determination. "Credit risk" assets will include:
  - Any asset downgraded by Moody's or S&P to below Ba3 or BB-
  - Any asset that is defaulted and experiences a credit event as defined by the PAUG confirm
  
- Expected collateral quality statistics at closing
  - WARF: 500
  - 100 Distinct Obligors
  - Moody's Asset Correlation ("MAC") at closing: 27
  - Duration weighted average portfolio spread: 202 bps
  - Weighted Average Duration: 3.1 years



## Anderson Mezzanine Funding 2007-1, Ltd.

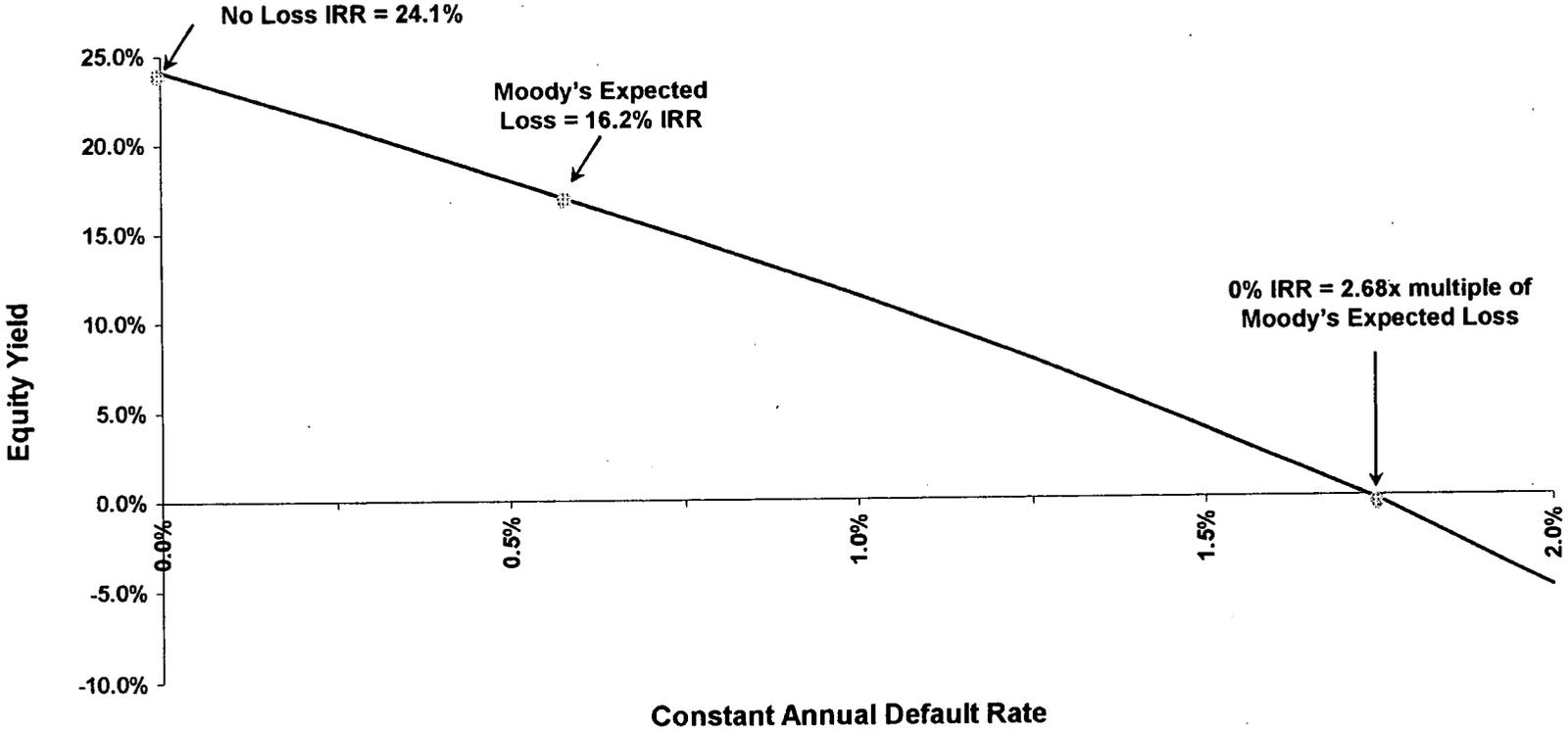
### Transaction Overview - Capital Structure<sup>1</sup>

| Classes      | Ratings<br>(Moody's/S&P) | Principal<br>Balance | % of Capital<br>Structure | Coupon          | Expected<br>WAL | Initial<br>OC |
|--------------|--------------------------|----------------------|---------------------------|-----------------|-----------------|---------------|
| Class S      | Aaa/AAA                  | [ ] MM               | N/A                       | 1M LIBOR + [ ]% | [3.0]           | N/A           |
| Class A-1    | Aaa/AAA                  | \$300.0 MM           | 60.00%                    | 1M LIBOR + [ ]% | [3.6]           | 166.7%        |
| Class A-2    | Aaa/AAA                  | \$75.0 MM            | 15.00%                    | 1M LIBOR + [ ]% | [4.1]           | 133.3%        |
| Class B      | Aa2/AA                   | \$40.0 MM            | 8.00%                     | 1M LIBOR + [ ]% | [4.5]           | 120.5%        |
| Class C      | A2/A                     | \$35.0 MM            | 7.00%                     | 1M LIBOR + [ ]% | [4.7]           | 111.1%        |
| Class D      | Baa2/BBB                 | \$28.5 MM            | 5.70%                     | 1M LIBOR + [ ]% | [4.5]           | 104.5%        |
| Class E      | Ba1/BB+                  | \$6.0 MM             | 1.20%                     | 1M LIBOR + [ ]% | [6.1]           | 103.2%        |
| Income Notes | NR                       | \$15.5 MM            | 3.10%                     | NA              | NA              | NA            |

<sup>1</sup> This information is preliminary and subject to change.



# Scenario Analysis Equity Yield Profile



Note: See "Modeling Assumptions". Defaults commence at the end of month 12 and continue through the life of the transaction. Yields assume successful auction call at the end of year 8. Moody's expected loss rate of 1.0843% reflects a warehouse target weighted average rating factor of 506 and weighted average life of 4.15 years.

9/2/08



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## IV. Transaction Details

Note: The information in this section is preliminary and subject to change

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9/10/18



## Transaction Details

### General Information

|                                                            |                                                                                                                                                                           |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuers:</b>                                            | Anderson Mezzanine Funding 2007-1, Ltd, and Anderson Mezzanine Funding 2007-1, Corp.                                                                                      |
| <b>Liquidation Agent, Structuring and Placement Agent:</b> | Goldman, Sachs & Co.                                                                                                                                                      |
| <b>Liquidation Agent Fee:</b>                              | 10 bps per annum payable senior to all the Notes                                                                                                                          |
| <b>Reinvestment Period:</b>                                | None                                                                                                                                                                      |
| <b>Discretionary Trading:</b>                              | None. Liquidation Agent will sell credit-risk assets based on pre-determined rules and the clean proceeds will be treated as principal paydowns                           |
| <b>Ramp-Up Period:</b>                                     | None                                                                                                                                                                      |
| <b>Non-Call Period:</b>                                    | 3 years                                                                                                                                                                   |
| <b>Auction Call:</b>                                       | 8 years. There is no minimum IRR requirement for successful Auction Call.                                                                                                 |
| <b>Call Price:</b>                                         | Par plus all accrued for Class S, A-1, A-2, B, C, D and E Notes                                                                                                           |
| <b>Payment Frequency:</b>                                  | Monthly for Class S, A-1, A-2, B, C, D and Class E Notes, Quarterly for Income Notes                                                                                      |
| <b>Controlling Class:</b>                                  | Class A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, D and Class E Notes in that order until each Class is paid in full. |



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## V. Portfolio Composition

Note: The information in this section is preliminary and subject to change

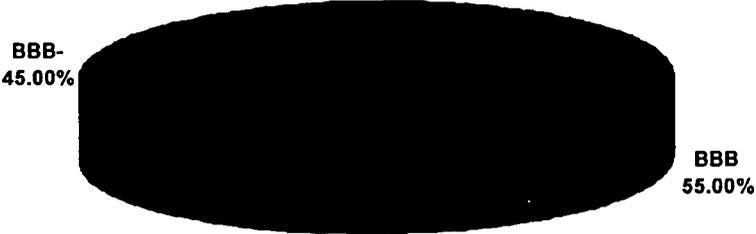
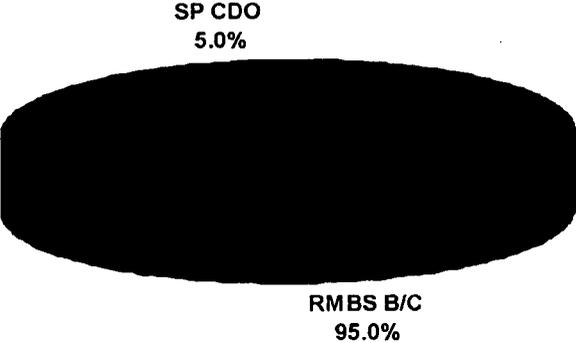
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# Portfolio Composition

## Target Portfolio<sup>1</sup>

| Collateral | Credit Ratings |
|------------|----------------|
|------------|----------------|



<sup>1</sup>This information is preliminary and subject to change.

Handwritten marks



## Transaction Details

### Collateral Profile

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Moody's WARF</b>                         | 500                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Moody's Asset Correlation</b>            | [27]%                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Ratings Profile</b>                      | <ul style="list-style-type: none"> <li>■ 100% of the assets are rated at least Baa3 and BBB- by Moody's and S&amp;P</li> </ul>                                                                                                                                                                                                                                                                        |
| <b>Target Obligor Concentration Profile</b> | <ul style="list-style-type: none"> <li>■ Maximum Obligor concentration: 1.5%</li> </ul>                                                                                                                                                                                                                                                                                                               |
| <b>Collateral Haircuts:</b>                 | <ul style="list-style-type: none"> <li>■ 10% applied to Double-B Assets prior to sale (20% for Senior Overcollateralization test)</li> <li>■ 20% applied to Single-B Assets prior to sale (40% for Senior Overcollateralization test)</li> <li>■ 50% applied to Triple-C Assets prior to sale (75% for Senior Overcollateralization test)</li> <li>■ 100% applied to Defaulted Obligations</li> </ul> |



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker   | Issue Date | Curr WALA | Curr Net WAC | FICO | LTV | Geo 1st | Geo 2nd | Fixed % | First Lien % | Vac/ Inv % | Purch % |
|--------------------|------------|-----------|--------------|------|-----|---------|---------|---------|--------------|------------|---------|
| ACCR 2006-1 M8     | 3/28/2006  | 12        | 7.23         | 633  | 78  | CA 19%  | FL 13%  | 33.0    | 100.0        | 7.9        | 33.2    |
| HASC 2006-OPT2 M8  | 2/28/2006  | 16        | 7.00         | 625  | 79  | CA 26%  | FL 10%  | 27.9    | 100.0        | 6.7        | 36.4    |
| MLMI 2006-HE1 B2A  | 2/7/2006   | 16        | 6.91         | 630  | 82  | CA 36%  | FL 12%  | 24.5    | 100.0        | 6.0        | 49.5    |
| MSAC 2005-NC1 B2   | 2/25/2005  | 26        | 7.42         | 617  | 79  | CA 22%  | TX 10%  | 43.7    | 99.7         | 6.6        | 31.3    |
| NCHET 2005-2 M8    | 4/22/2005  | 21        | 6.55         | 623  | 78  | CA 32%  | FL 9%   | 24.0    | 100.0        | 8.8        | 35.8    |
| ACE 2006-NC1 M9    | 1/30/2006  | 16        | 6.80         | 627  | 81  | CA 36%  | FL 12%  | 25.0    | 100.0        | 9.8        | 49.5    |
| AMSI 2005-R8 M9    | 9/28/2005  | 17        | 6.94         | 619  | 78  | CA 13%  | FL 13%  | 29.2    | 100.0        | 2.7        | 2.7     |
| CARR 2005-NC1 M8   | 2/3/2005   | 25        | 7.19         | 635  | 79  | CA 41%  | FL 5%   | 21.4    | 99.8         | 4.2        | 43.2    |
| CWL 2006-BG2 M9    | 5/30/2006  | 14        | 6.96         | 625  | 80  | CA 35%  | FL 9%   | 18.1    | 100.0        | 4.6        | 40.6    |
| MSAC 2005-NC2 B3   | 4/29/2005  | 24        | 6.70         | 618  | 80  | CA 31%  | FL 8%   | 26.8    | 100.0        | 5.7        | 34.4    |
| MSAC 2006-NC1 B3   | 1/27/2006  | 15        | 6.73         | 622  | 78  | CA 37%  | FL 11%  | 24.8    | 100.0        | 7.9        | 38.1    |
| NCHET 2005-1 M9    | 2/25/2005  | 24        | 6.63         | 623  | 85  | CA 32%  | FL 8%   | 26.0    | 100.0        | 8.0        | 98.4    |
| NCHET 2005-3 M9    | 6/24/2005  | 20        | 6.50         | 630  | 79  | CA 32%  | FL 9%   | 22.6    | 100.0        | 8.2        | 41.3    |
| RAMP 2005-EFC6 M9  | 11/22/2005 | 15        | 6.52         | 632  | 82  | CA 15%  | FL 7%   | 14.2    | 100.0        | 1.9        | 43.7    |
| NCHET 2005-4 M8    | 8/17/2005  | 18        | 6.58         | 626  | 81  | CA 38%  | FL 9%   | 21.6    | 100.0        | 8.6        | 44.0    |
| ACE 2005-HE4 M9    | 6/29/2005  | 20        | 6.60         | 629  | 81  | CA 36%  | FL 10%  | 20.5    | 100.0        | 5.3        | 50.6    |
| AMSI 2005-R10 M9   | 11/23/2005 | 15        | 6.88         | 631  | 78  | CA 17%  | NY 11%  | 30.9    | 100.0        | 3.2        | 4.2     |
| AMSI 2005-R11 M9   | 12/20/2005 | 14        | 7.10         | 624  | 78  | CA 14%  | FL 11%  | 24.2    | 99.9         | 3.5        | 3.1     |
| ABSHE 2005-HE2 M7  | 3/4/2005   | 24        | 6.70         | 621  | 78  | CA 31%  | FL 10%  | 24.1    | 100.0        | 5.5        | 33.4    |
| CARR 2006-NC1 M9   | 2/8/2006   | 14        | 6.66         | 630  | 81  | CA 32%  | NY 7%   | 15.2    | 100.0        | 6.5        | 43.8    |
| CMLTI 2005-OPT3 M9 | 7/7/2005   | 21        | 6.92         | 613  | 78  | CA 19%  | FL 10%  | 21.0    | 100.0        | 6.7        | 33.1    |
| GSAMP 2006-NC2 M9  | 6/29/2006  | 8         | 7.70         | 626  | 80  | CA 36%  | FL 11%  | 13.0    | 100.0        | 9.2        | 43.7    |
| HASC 2006-OPT1 M9  | 2/3/2006   | 15        | 6.68         | 644  | 79  | CA 30%  | NY 10%  | 32.2    | 100.0        | 9.8        | 36.2    |
| HASC 2006-NC1 M9   | 3/7/2006   | 16        | 6.09         | 666  | 82  | CA 43%  | FL 7%   | 0.0     | 100.0        | 3.5        | 56.3    |
| JPMAC 2006-HE1 M9  | 2/28/2006  | 15        | 7.38         | 641  | 73  | CA 48%  | IL 11%  | 19.5    | 100.0        | 7.5        | 64.1    |
| JPMAC 2006-CW2 MV9 | 8/8/2006   | 9         | 7.67         | 615  | 78  | CA 41%  | FL 14%  | 25.4    | 100.0        | 1.4        | 66.1    |
| MSAC 2005-HE1 B3   | 1/26/2005  | 28        | 7.85         | 614  | 79  | CA 14%  | NY 9%   | 40.0    | 99.8         | 6.4        | 28.6    |
| MSAC 2005-HE2 B3   | 3/30/2005  | 26        | 7.87         | 616  | 79  | CA 14%  | NY 10%  | 38.4    | 99.8         | 7.0        | 31.3    |
| NCMT 2006-1 M9     | 4/6/2006   | 17        | 6.98         | 612  | 78  | CA 27%  | FL 12%  | 35.7    | 99.4         | 0.5        | 22.5    |
| CMLTI 2006-NC1 M8  | 6/29/2006  | 9         | 7.91         | 620  | 77  | CA 34%  | FL 10%  | 17.8    | 100.0        | 10.3       | 41.7    |

Source: Bloomberg, Intex, Prospectuses; Current data used where available



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker  | Issue Date | Curr WALA | Curr Net WAC | FICO | LTV | Geo 1st | Geo 2nd | Fixed % | First Lien % | Vac/ Inv % | Purch % |
|-------------------|------------|-----------|--------------|------|-----|---------|---------|---------|--------------|------------|---------|
| FHLT 2006-B M8    | 8/3/2006   | 7         | 8.72         | 627  | 76  | CA 26%  | FL 15%  | 19.3    | 100.0        | 4.4        | 50.2    |
| SABR 2006-FR3 B2  | 8/3/2006   | 10        | 7.91         | 619  | 75  | CA 25%  | FL 17%  | 11.8    | 100.0        | 5.8        | 47.1    |
| WMABS 2006-HE2 M9 | 5/25/2006  | 11        | 7.75         | 625  | 76  | CA 36%  | FL 14%  | 15.4    | 100.0        | 3.4        | 53.3    |
| SVHE 2006-OPT2 M7 | 4/7/2006   | 11        | 8.07         | 622  | 79  | CA 25%  | FL 13%  | 16.9    | 100.0        | 10.9       | 35.8    |
| CWL 2005-BC5 B    | 12/28/2005 | 18        | 6.53         | 620  | 78  | CA 23%  | FL 10%  | 31.9    | 100.0        | 2.3        | 35.3    |
| CARR 2006-NC2 M9  | 6/21/2006  | 9         | 7.74         | 623  | 80  | CA 32%  | FL 11%  | 12.7    | 100.0        | 8.9        | 44.0    |
| JPMAC 2006-NC1 M9 | 4/27/2006  | 12        | 7.54         | 623  | 78  | CA 40%  | FL 9%   | 21.2    | 100.0        | 10.8       | 42.1    |
| JPMAC 2006-NC2 M9 | 8/23/2006  | 8         | 7.73         | 619  | 77  | CA 30%  | FL 11%  | 22.1    | 100.0        | 9.2        | 43.2    |
| MABS 2005-NC2 M8  | 11/29/2005 | 17        | 6.01         | 657  | 94  | CA 55%  | FL 7%   | 0.0     | 100.0        | 5.7        | 64.7    |
| NHELI 2006-HE2 M9 | 4/28/2006  | 13        | 7.12         | 617  | 79  | CA 45%  | FL 7%   | 25.9    | 95.8         | 4.9        | 36.8    |
| MSAC 2005-HE6 B2  | 11/29/2005 | 18        | 6.71         | 633  | 77  | CA 27%  | FL 12%  | 26.8    | 100.0        | 4.5        | 46.5    |
| ACE 2006-HE4 M9   | 9/28/2006  | 7         | 7.95         | 627  | 82  | CA 35%  | FL 14%  | 14.9    | 99.6         | 5.6        | 51.6    |
| FHLT 2006-C M9    | 9/7/2006   | 6         | 7.97         | 628  | 76  | CA 27%  | FL 15%  | 23.7    | 100.0        | 6.9        | 42.2    |
| ACE 2006-OP1 M8   | 5/25/2006  | 11        | 7.93         | 626  | 80  | CA 30%  | NY 12%  | 17.9    | 100.0        | 9.3        | 39.2    |
| ARSI 2006-W4 M9   | 4/25/2006  | 10        | 7.72         | 616  | 80  | CA 28%  | FL 14%  | 14.7    | 100.0        | 9.2        | 47.4    |
| ABSHE 2006-HE2 M9 | 3/24/2006  | 12        | 7.59         | 625  | 80  | CA 30%  | FL 13%  | 18.9    | 100.0        | 10.3       | 44.1    |
| IXIS 2006-HE2 B3  | 5/25/2006  | 11        | 7.66         | 629  | 77  | CA 34%  | FL 21%  | 8.0     | 100.0        | 5.4        | 51.4    |
| MLM 2006-FM1 B2   | 6/30/2006  | 10        | 7.96         | 618  | 75  | CA 26%  | FL 15%  | 11.8    | 100.0        | 5.9        | 45.0    |
| NCHET 2006-1 M9   | 3/30/2006  | 11        | 7.46         | 627  | 88  | CA 37%  | FL 9%   | 21.0    | 100.0        | 9.0        | 44.4    |
| SVHE 2005-DO1 M8  | 5/13/2005  | 23        | 6.57         | 622  | 79  | CA 10%  | FL 9%   | 17.9    | 100.0        | 2.8        | 35.5    |
| SASC 2006-NC1 M9  | 6/22/2006  | 11        | 7.63         | 617  | 81  | CA 26%  | FL 12%  | 23.5    | 100.0        | 8.3        | 37.9    |
| CWL 2006-1 MV8    | 2/10/2006  | 13        | 6.75         | 618  | 78  | CA 33%  | FL 19%  | 0.0     | 100.0        | 5.4        | 38.5    |
| MABS 2006-AM2 M8  | 7/28/2006  | 9         | 7.60         | 608  | 75  | FL 31%  | CA 19%  | 12.2    | 100.0        | 3.4        | 37.3    |
| NCHET 2006-2 M9   | 6/29/2006  | 8         | 7.65         | 621  | 85  | CA 29%  | FL 9%   | 24.3    | 100.0        | 9.9        | 35.3    |
| SAIL 2006-BNC3 M7 | 8/25/2006  | 7         | 7.73         | 618  | 74  | CA 43%  | FL 8%   | 18.5    | 100.0        | 9.4        | 35.2    |
| CWL 2005-14 M8    | 12/21/2005 | 15        | 6.84         | 612  | 79  | CA 26%  | FL 9%   | 28.0    | 100.0        | 3.3        | 37.5    |
| MSAC 2005-HE5 B2  | 10/28/2005 | 19        | 6.56         | 637  | 79  | CA 33%  | FL 7%   | 13.4    | 100.0        | 4.1        | 53.5    |
| FMIC 2006-2 M8    | 7/6/2006   | 7         | 7.74         | 644  | 82  | CA 37%  | TX 12%  | 12.4    | 97.6         | 0.8        | 67.4    |
| HEAT 2006-6 M8    | 8/1/2006   | 8         | 7.52         | 628  | 91  | CA 29%  | FL 12%  | 15.3    | 100.0        | 5.3        | 51.2    |
| MLM 2006-MLN1-B2  | 8/29/2006  | 7         | 7.91         | 619  | 77  | FL 19%  | NY 11%  | 18.7    | 100.0        | 5.9        | 48.8    |

Source: Bloomberg, Intex, Prospectuses; Current data used where available



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker   | Primary Servicer | Current Support(%) | Orig Support(%) | Bankrupt | REO  | Foreclosure | Delinq 30-59 | Delinq 60+ | Delinq 90+ |
|--------------------|------------------|--------------------|-----------------|----------|------|-------------|--------------|------------|------------|
| ACCR 2006-1 M8     | Accredited       | 3.8                | 1.6             | 0.3      | 0.7  | 2.8         | 2.0          | 0.9        | 0.1        |
| HASC 2006-OPT2 M8  | OptionOne        | 7.2                | 5.4             | 0.5      | 0.5  | 3.8         | 2.7          | 2.1        | 0.8        |
| MLMI 2006-HE1 B2A  | Wilshire         | 8.8                | 6.8             | 1.2      | 1.3  | 3.0         | 5.2          | 4.4        | 2.3        |
| MSAC 2005-NC1 B2   | HomeEquity       | 13.4               | 4.5             | 2.7      | 2.5  | 4.0         | 3.4          | 2.8        | 1.6        |
| NCHET 2005-2 M8    | NewCentury       | 8.6                | 4.4             | 1.5      | 1.5  | 4.0         | 2.5          | 2.8        | 1.9        |
| ACE 2006-NC1 M9    | Saxon            | 5.96               | 4.35            | 0.83     | 1.26 | 3.82        | 2.93         | 2.17       | 0.82       |
| AMSI 2005-R8 M9    | Ameriquest       | 4.54               | 2.65            | 1.38     | 0.79 | 3.26        | 2.59         | 2.51       | 1.23       |
| CARR 2005-NC1 M8   | NewCentury       | 10.71              | 3.95            | 1.60     | 2.91 | 5.75        | 3.04         | 2.95       | 1.50       |
| CWL 2006-BC2 M9    | Countrywide      | 4.20               | 3.15            | 0.39     | 0.83 | 5.17        | 3.98         | 3.00       | 1.05       |
| MSAC 2005-NC2 B3   | Countrywide      | 7.65               | 3.05            | 1.65     | 2.89 | 4.98        | 3.99         | 2.73       | 1.41       |
| MSAC 2006-NC1 B3   | HomeEquity       | 6.1                | 4.4             | 1.0      | 1.5  | 3.9         | 3.8          | 1.8        | 0.9        |
| NCHET 2005-1 M9    | NewCentury       | 7.6                | 3.2             | 2.0      | 1.6  | 4.4         | 2.6          | 2.5        | 1.4        |
| NCHET 2005-3 M9    | NewCentury       | 7.2                | 4.2             | 1.3      | 1.3  | 3.9         | 3.2          | 2.8        | 1.6        |
| RAMP 2005-EFC6 M9  | HomeComings      | 3.9                | 3.1             | 0.7      | 1.1  | 3.7         | 4.2          | 1.6        | 0.6        |
| NCHET 2005-4 M8    | NewCentury       | 9.5                | 6.0             | 1.4      | 1.8  | 4.3         | 2.8          | 3.1        | 1.8        |
| ACE 2005-HE4 M9    | Countrywide      | 8.74               | 4.80            | 1.05     | 2.33 | 3.89        | 2.71         | 3.34       | 1.92       |
| AMSI 2005-R10 M9   | Ameriquest       | 5.18               | 3.50            | 0.53     | 0.85 | 2.55        | 1.75         | 1.84       | 0.92       |
| AMSI 2005-R11 M9   | Ameriquest       | 5.17               | 3.55            | 0.55     | 0.73 | 2.42        | 2.30         | 1.83       | 0.76       |
| ABSHE 2005-HE2 M7  | Saxon            | 9.56               | 3.85            | 1.96     | 1.59 | 4.30        | 2.61         | 2.36       | 1.19       |
| CARR 2006-NC1 M9   | NewCentury       | 7.55               | 5.80            | 0.79     | 1.17 | 4.27        | 3.25         | 2.77       | 1.34       |
| CMLTI 2005-OPT3 M9 | OptionOne        | 7.7                | 4.3             | 1.4      | 2.0  | 4.2         | 1.7          | 2.2        | 1.4        |
| GSAMP 2006-NC2 M9  | Ocwen            | 3.7                | 3.1             | 0.4      | 0.0  | 5.0         | 4.6          | 4.0        | 1.1        |
| HASC 2006-OPT1 M9  | OptionOne        | 5.0                | 3.8             | 0.8      | 0.6  | 3.0         | 2.2          | 2.1        | 1.0        |
| HASC 2006-NC1 M9   | Chase            | 3.1                | 2.4             | 0.5      | 0.5  | 2.7         | 3.2          | 1.0        | 0.0        |
| JPMAC 2006-HE1 M9  | Chase            | 6.9                | 5.1             | 0.5      | 1.0  | 6.1         | 5.6          | 2.7        | 0.4        |
| JPMAC 2006-CW2 MV9 | Countrywide      | 5.53               | 4.70            | 0.20     | 0.27 | 3.94        | 3.61         | 2.13       | 0.54       |
| MSAC 2005-HE1 B3   | HomeEquity       | 9.21               | 2.75            | 3.19     | 2.93 | 5.60        | 5.22         | 3.18       | 1.77       |
| MSAC 2005-HE2 B3   | OptionOne        | 8.27               | 2.95            | 2.38     | 2.26 | 6.48        | 4.30         | 3.60       | 1.67       |
| NCMT 2006-1 M9     | Centex           | 6.16               | 4.75            | 0.48     | 0.00 | 1.69        | 3.23         | 3.33       | 2.28       |
| CMLTI 2006-NC1 M8  | NewCentury       | 5.80               | 4.80            | 0.30     | 0.11 | 4.77        | 5.54         | 4.62       | 1.47       |

Source: Bloomberg, Intex, Prospectuses; Current data used where available



## Loan-Level Characteristics of RMBS Assets

| Bloomberg Ticker  | Primary Servicer | Current Support(%) | Orig Support(%) | Bankrupt | REO  | Foreclosure | Delinq 30-59 | Delinq 60+ | Delinq 90+ |
|-------------------|------------------|--------------------|-----------------|----------|------|-------------|--------------|------------|------------|
| FHLT 2006-B M8    | Fremont          | 5.1                | 4.6             | 0.3      | 0.1  | 3.7         | 4.6          | 5.4        | 2.6        |
| SABR 2006-FR3 B2  | HomeEquity       | 6.4                | 5.2             | 0.4      | 0.4  | 7.9         | 6.0          | 4.2        | 2.0        |
| WMABS 2006-HE2 M9 | WaMu             | 4.9                | 4.1             | n/a      | n/a  | 3.8         | 4.6          | 4.7        | 1.6        |
| SVHE 2006-OPT2 M7 | OptionOne        | 6.0                | 4.6             | 0.3      | 0.2  | 3.4         | 3.3          | 3.5        | 1.9        |
| CWL 2005-BC5 B    | Countrywide      | 4.7                | 3.0             | 0.9      | 2.1  | 3.6         | 5.2          | 2.4        | 1.0        |
| CARR 2006-NC2 M9  | NewCentury       | 5.42               | 4.45            | 0.11     | 0.04 | 3.64        | 3.34         | 3.40       | 1.08       |
| JPMAC 2006-NC1 M9 | Chase            | 5.03               | 3.80            | 0.77     | 0.99 | 5.36        | 5.61         | 2.58       | 0.59       |
| JPMAC 2006-NC2 M9 | Chase            | 5.52               | 4.50            | 0.30     | 0.00 | 1.93        | 2.84         | 1.68       | 0.20       |
| MABS 2005-NC2 M8  | Ocwen            | 6.43               | 4.75            | 0.68     | 1.62 | 2.79        | 3.72         | 4.86       | 2.49       |
| NHELL 2006-HE2 M9 | Ocwen            | 6.72               | 5.25            | 0.51     | 0.59 | 5.62        | 6.60         | 7.59       | 3.37       |
| MSAC 2005-HE6 B2  | Chase            | 7.1                | 5.0             | 1.4      | 1.7  | 3.9         | 3.6          | 2.2        | 1.0        |
| ACE 2006-HE4 M9   | Ocwen            | 4.2                | 4.0             | 0.1      | 0.1  | 2.9         | 6.1          | 4.8        | 1.6        |
| FHLT 2006-C M9    | Fremont          | 4.3                | 4.0             | 0.2      | 0.0  | 2.4         | 3.6          | 3.2        | 1.0        |
| ACE 2006-OP1 M8   | OptionOne        | 5.9                | 4.7             | 0.3      | 0.4  | 3.0         | 4.2          | 3.5        | 1.9        |
| ARSI 2006-W4 M9   | Ameriquist       | 3.9                | 3.1             | 0.4      | 1.2  | 7.2         | 3.7          | 5.2        | 2.9        |
| ABSHE 2006-HE2 M9 | HomeEquity       | 3.96               | 3.10            | 1.04     | 1.22 | 5.61        | 4.83         | 3.27       | 1.17       |
| XIS 2006-HE2 B3   | Saxon            | 3.54               | 2.90            | 0.44     | 1.60 | 6.39        | 2.97         | 3.87       | 1.34       |
| MLMI 2006-FM1 B2  | Wilshire         | 5.47               | 4.55            | 0.42     | 0.56 | 6.12        | 6.32         | 5.21       | 1.85       |
| NCHET 2006-1 M9   | NewCentury       | 3.44               | 2.80            | 0.70     | 0.68 | 5.38        | 3.17         | 3.98       | 2.22       |
| SVHE 2005-DO1 M8  | Countrywide      | 9.29               | 4.85            | 2.06     | 2.78 | 4.16        | 5.94         | 3.71       | 1.40       |
| SASC 2006-NC1 M9  | WellsFargo       | 3.9                | 3.2             | 0.5      | 0.9  | 5.2         | 4.3          | 4.5        | 1.7        |
| CWL 2006-1 MV8    | Countrywide      | 4.8                | 3.6             | 0.3      | 0.6  | 1.1         | 3.1          | 2.2        | 1.8        |
| MABS 2006-AM2 M8  | WellsFargo       | 6.0                | 5.2             | 0.9      | 0.4  | 5.9         | 5.4          | 3.9        | 1.1        |
| NCHET 2006-2 M9   | NewCentury       | 3.9                | 3.5             | 0.4      | 0.2  | 2.8         | 3.2          | 3.6        | 1.8        |
| SAIL 2006-BNC3 M7 | Chase            | 5.1                | 4.6             | 0.1      | 0.0  | 2.3         | 4.5          | 3.3        | 1.0        |
| CWL 2005-14 M8    | Countrywide      | 5.92               | 4.35            | 0.63     | 1.54 | 3.37        | 4.30         | 2.68       | 1.07       |
| MSAC 2005-HE5 B2  | Countrywide      | 7.62               | 4.97            | 1.59     | 2.13 | 4.59        | 4.84         | 2.56       | 1.04       |
| FMIC 2006-2 M8    | Chase            | 5.53               | 5.20            | 0.35     | 0.18 | 3.35        | 4.72         | 2.27       | 0.37       |
| HEAT 2006-6 M8    | SelectPortfolio  | 5.41               | 4.85            | 0.23     | 0.08 | 3.34        | 4.09         | 2.79       | 0.80       |
| MLMI 2006-MLN1 B2 | MortgageLenders  | 5.39               | 5.10            | 0.08     | 0.00 | 0.37        | 4.94         | 3.68       | 1.21       |

Source: Bloomberg, Intex, Prospectuses; Current data used where available



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## VI. Comparison of Levered RMBS Structures

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## Comparison of Levered RMBS Structures

### Transaction Variant Summary

- Given that there are a variety of products allowing investors to take levered exposure to RMBS, it is important to understand structural similarities and differences
- We will consider three distinct types of transactions in this comparison:

| NAME                | GENERAL DESCRIPTION                                                                                                                                                                                                                                                                                                                                                  |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cashflow CDO        | Fully issued transaction in which a selection agent or third party collateral manager selects the assets to be repackaged through CDO. Cash proceeds from collateral assets flow through a waterfall to pay the issued Notes, which are broadly syndicated.                                                                                                          |
| Bespoke Transaction | Customized transaction negotiated between the correlation desk and a "sponsor" investor/ portfolio manager, who generally takes credit risk at one or more layers of the capital structure. Layers of risk not assumed by "sponsor" investor/ portfolio manager are either hedged by the structured product correlation desk or distributed in subsequent offerings. |
| Tranched ABX        | Standardized ABX tranche trading referencing both the Baa2 and Baa3 variants of the on-the-run and immediately off-the-run ABX.HE indices. The product has sponsorship from all ABX dealers and uses a market standard confirm.                                                                                                                                      |



## Comparison of Levered RMBS Structures

### Transaction Variant Comparison

- Anderson is a cashflow CDO

|                                                | Cashflow CDO                                                                                                                                                 | Bespoke Transaction                  | Tranched ABX                         |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Type</b>                                    | Cashflow Structured Product CDO                                                                                                                              | Structured Product Correlation Trade | Structured Product Correlation Trade |
| <b>Assets</b>                                  | Cash Bonds or Single-Name CDS                                                                                                                                | Tranched CDS                         | Tranched CDS                         |
| <b>Amortizations</b>                           | Modified Sequential                                                                                                                                          | Varies                               | Sequential                           |
| <b>Callability</b>                             | NC3 @ Option of Majority of Equity Holders                                                                                                                   | NC3 @ Option of Protection Buyer     | No Call Rights                       |
| <b>Cashflow Waterfall / Triggers</b>           | Yes                                                                                                                                                          | No                                   | No                                   |
| <b>Manager</b>                                 | Varies                                                                                                                                                       | Varies                               | No                                   |
| <b>PIKable</b>                                 | Single-A Debt and Below                                                                                                                                      | No                                   | No                                   |
| <b>Trading / Reinvestment Period or Static</b> | <i>Managed Deals:</i> Trading/Reinvestment<br><i>Defensively Managed:</i> Trading (only credit sales)<br><i>Static:</i> Liquidation after an asset downgrade | Static / Revolving                   | Static                               |
| <b>Standardized Documentation</b>              | No                                                                                                                                                           | No                                   | Yes                                  |
| <b>Transparent Marking / Market Making</b>     | No                                                                                                                                                           | No                                   | Yes                                  |



## Comparison of Levered RMBS Structures

### Transaction Variant Comparison (Continued)

|                                                                                                  | Cashflow CDO                                                               | Bespoke Transaction                          | Tranched ABX                                 |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Typical Number of Obligors in Collateral / Reference Portfolio                                   | 100+                                                                       | 70+                                          | 40                                           |
| Non-Dollar Offerings                                                                             | No                                                                         | Yes                                          | No                                           |
| Customizability at Different Layers of Capital Structure                                         | No                                                                         | Yes                                          | No                                           |
| Marking Policy                                                                                   | Bid for \$1mm Original Face                                                | Bid for \$1mm Original Face                  | Mid-Market Based on Two-Way Flows            |
| Factors Affecting First Dollar of Loss Breakeven                                                 | Losses, loss timing, interest rates, collateral ratings and other features | Losses Only                                  | Losses Only                                  |
| Deleveraging Risk, Interest Rate Mismatch Risk and Interest Shortfall / Available Funds Cap Risk | Borne by Equity and Potentially Rated Debt If Severe                       | Borne by Structured Product Correlation Book | Borne by Structured Product Correlation Book |



## Comparison of Levered RMBS Structures

### Comparison of Key Structural Differences

| Feature                        | Alternatives        | Description                                                                                                                                                                                       | Comment*                                                                                                                       |
|--------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| <b>Portfolio Amortizations</b> | Sequential          | Amortizations allocated sequentially                                                                                                                                                              | Best for senior debt holders, worst for equity holders                                                                         |
|                                | Modified Sequential | Amortizations allocated sequentially to each tranche until the target OC ratio (set at a level greater than initial OC ratio) is reached, then amortizations are allocated to subordinate tranche | Generally used for non-sequential GS transactions                                                                              |
|                                | Modified Pro-Rata   | Amortizations allocated in a pro-rata fashion until total portfolio amortizations total 50% of initial balance                                                                                    | Worst for senior debt holders, best for equity holders                                                                         |
| <b>Callability</b>             | No Call             | Transaction may not be optionally terminated in part or in whole                                                                                                                                  | Best for debt holders                                                                                                          |
|                                | Equity Call         | Transaction may be terminated in whole after the non-call period given a majority vote of the equity holders                                                                                      |                                                                                                                                |
|                                | Tranche by Tranche  | Transaction may be terminated either in part or in whole at the option of the protection buyer                                                                                                    | Worst for debt holders                                                                                                         |
| <b>Triggers</b>                | Yes                 | Built-in mechanism that diverts cashflows from equity and potentially junior debt to senior debt should overcollateralization and/or interest coverage metrics underperform initial expectations  | Generally good for repayment of debt; can be detrimental to junior debt holders if performance metrics deteriorate too quickly |
|                                | No                  | No cashflow diversion based on metric underperformance                                                                                                                                            | Simple to model when compared to transactions with triggers; debt cashflows only reduced when subordination has fully eroded   |

\*Assumes all else equal



## VII. Equity Yield Scenarios



# Equity Yield Profile – Interest Rate Sensitivity

LIBOR Interest Rate Sensitivity <sup>1,2</sup>  
(Assuming 0.0% CDR, 8 Year Auction Call)

|              | -200 bps | -100 bps | Forward LIBOR | +100 bps | +200 bps |
|--------------|----------|----------|---------------|----------|----------|
| Equity Yield | 21.3%    | 22.7%    | 24.1%         | 25.6%    | 27.0%    |

<sup>1</sup> Interest rate shifts occur immediately upon Closing Date.  
<sup>2</sup> All assumptions are based on the Modeling Assumptions except for LIBOR rates as specified in the tables. See "Modeling Assumptions."



## Equity Yield Profile – Prepayment Sensitivity

Prepayment Rate Sensitivity <sup>1,2,3,4</sup>  
 (Assuming 0.0% CDR, 8 Year Auction Call)

|              | Fast Case<br>Prepayment Scenario <sup>2,4</sup> | Base Case<br>Prepayment Scenario <sup>1,4</sup> | Slow Case<br>Prepayment Scenario <sup>3,4</sup> |
|--------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Equity Yield | 23.0%                                           | 24.1%                                           | 27.8%                                           |

- 1 Base Case Prepayment Scenario assumes: pricing prepayment speed
- 2 Fast Case Prepayment Scenario assumes: 150% of the pricing prepayment speed
- 3 Slow Case Prepayment Scenario assumes: 50% of the pricing prepayment speed
- 4 See "Modeling Assumptions" for additional assumptions used.



## Equity Yield Profile – Option Call Sensitivity

### Option Call Sensitivity <sup>1</sup> (Assuming 0.0% CDR)

| Call Year:                                      | 3     | 4     | 5     | 6     | 7     | 8     |
|-------------------------------------------------|-------|-------|-------|-------|-------|-------|
| Equity Yield (Assets called at 0 bps tighter)   | 28.1% | 28.4% | 27.3% | 25.8% | 24.5% | 24.1% |
| Equity Yield (Assets called at 20 bps tighter)  | 29.4% | 28.9% | 27.5% | 25.8% | 24.5% | 24.1% |
| Equity Yield (Assets called at 40 bps tighter)  | 30.8% | 29.4% | 27.6% | 25.9% | 24.5% | 24.1% |
| Equity Yield (Assets called at 60 bps tighter)  | 32.1% | 29.9% | 27.8% | 25.9% | 24.5% | 24.1% |
| Equity Yield (Assets called at 80 bps tighter)  | 33.3% | 30.3% | 28.0% | 25.9% | 24.5% | 24.1% |
| Equity Yield (Assets called at 100 bps tighter) | 34.6% | 30.8% | 28.1% | 26.0% | 24.5% | 24.1% |

<sup>1</sup> All assumptions are based on the Modeling Assumptions except for call dates and spread tightening as specified in the tables. See "Modeling Assumptions."



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## VII. Modeling Assumptions

Note: The information in this section is preliminary and subject to change

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## Modeling Assumptions

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

| Liability Structure | Par        |
|---------------------|------------|
| Class S Notes       | \$3.9 MM   |
| Class A-1 Notes     | \$300.0 MM |
| Class A-2 Notes     | \$75.0 MM  |
| Class B Notes       | \$40.0 MM  |
| Class C Notes       | \$35.0 MM  |
| Class D Notes       | \$28.5 MM  |
| Class E Notes       | \$6.0 MM   |
| Income Notes        | \$15.0 MM  |

- LIBOR rates are based on the forward curve as of February 20, 2007.
- The Equity yields are calculated using the XIRR function in Microsoft Excel.
- The Closing Date is May 12, 2007; the first Payment Date is October 12, 2007.
- The CDO is 100% invested at the Closing Date.
- Coupon and margin over LIBOR are based on the portfolio composition as of February 20, 2007 and are calculated based on the weighted average expected coupon and spread on the projected remaining asset pool outstanding during each period.
- Expenses are paid at the end of each period at 4.125 bps per annum of the outstanding collateral balance.

*Potential investors should review the final Offering Circular relating to the Preferred Shares, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Income Notes. The Offering Circular will supersede this document in its entirety.*

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## Modeling Assumptions

Assumptions applicable to modeling runs (there can be no assurance that the transaction will reflect these assumptions):

- Any sale proceeds and scheduled and unscheduled Notional Reductions will be used, first, to redeem the Class A Notes until the Senior Overcollateralization ratio reaches [136.7%], second, to redeem the Class B Notes until the Class B Note Overcollateralization reaches [122.5%], third, to redeem the Class C Notes until the Class C Note Overcollateralization reaches [112.2%], fourth, to redeem the Class D Notes until Class D Note Overcollateralization reaches [105.8%], fifth to redeem the Class E notes until the Class E Note Overcollateralization reaches [103.8%]. Once each respective target overcollateralization level is reached, proceeds are passed to the Income Notes. When the principal balance of Collateral Assets reaches \$[200,000,000], the Notes remaining at that point are amortized sequentially.
- Class A/B OC Test level is [116.0%], Class C OC Test level is [107.2%], the Class D OC Test level is [103.00%], and the Class E OC Test level is [101.4%].
- Payments to the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes are made on the 12th of each month; payments to the Income Notes are made on the 12th day of every April, July, October, and January.
- All proceeds from collateral are assumed to be received 12 days prior to each payment date.
- While held in cash, all proceeds from collateral are assumed to earn a per annum rate of 1mL-25bps.
- No trading gains or call premiums are assumed.
- Defaults commence at the end of month 12 and continue through the life of the transaction.
- Recoveries are realized immediately upon default. The assumed recovery rate is 35%

*Potential investors should review the Offering Circular relating to the Preferred Shares, including the descriptions of Risk Factors contained in such Offering Circular prior to making a decision to invest in the Income Notes. The Offering Circular will supersede this document in entirety.*



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## Appendix A – Portfolio Asset List

Note: The information in this section is preliminary and subject to change

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## Portfolio Composition<sup>1</sup>

### Comprehensive Collateral Asset List:

| CUSIP     | Asset Name         | Original Face | Factor | Current Face | Moody's | S&P  | Fitch | Avg Life | Asset Type    |
|-----------|--------------------|---------------|--------|--------------|---------|------|-------|----------|---------------|
| 64352VLA7 | NCHET 2005-2 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 2.53     | RMBS Subprime |
| 03072SM85 | AMSI 2005-R8 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB+  | 3.48     | RMBS Subprime |
| 61744CPQ3 | MSAC 2005-NC2 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.61     | RMBS Subprime |
| 61744CYK6 | MSAC 2006-NC1 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.90     | RMBS Subprime |
| 64352VKJ9 | NCHET 2005-1 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.22     | RMBS Subprime |
| 03072SV93 | AMSI 2005-R11 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | BBB   | 3.97     | RMBS Subprime |
| 04541GQH8 | ABSHE 2005-HE2 M7  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.20     | RMBS Subprime |
| 17307GSS8 | CMLTI 2005-OPT3 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.24     | RMBS Subprime |
| 46629BBB4 | JPMAC 2006-CW2 MV9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.12     | RMBS Subprime |
| 61744CKW5 | MSAC 2005-HE1 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.17     | RMBS Subprime |
| 61744CNK8 | MSAC 2005-HE2 B3   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.57     | RMBS Subprime |
| 65106AAW3 | NCMT 2006-1 M9     | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | -     | 4.32     | RMBS Subprime |
| 172983AN8 | CMLTI 2006-NC1 M8  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.67     | RMBS Subprime |
| 813765AH7 | SABR 2006-FR3 B2   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB+  | 4.69     | RMBS Subprime |
| 83611MMT2 | SVHE 2006-OPT2 M7  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | -     | 3.43     | RMBS Subprime |
| 126670NN4 | CWL 2005-BC5 B     | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | -     | 3.76     | RMBS Subprime |
| 14453FAN9 | CARR 2006-NC2 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.55     | RMBS Subprime |
| 46626LJZ4 | JPMAC 2006-NC1 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.97     | RMBS Subprime |
| 46629FAN0 | JPMAC 2006-NC2 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.02     | RMBS Subprime |
| 65536MAN7 | NHELI 2006-HE2 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB-  | 3.51     | RMBS Subprime |
| 040104TS0 | ARSI 2006-W4 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.86     | RMBS Subprime |
| 59021AAM0 | MLMI 2006-FM1 B2   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.67     | RMBS Subprime |
| 83611MEE4 | SVHE 2005-DO1 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | BBB+  | 3.00     | RMBS Subprime |
| 86360PAR8 | SASC 2006-NC1 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.06     | RMBS Subprime |
| 126670UD8 | CWL 2006-1 MV8     | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | -     | 3.74     | RMBS Subprime |
| 57645FAS6 | MABS 2006-AM2 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | -    | -     | 3.73     | RMBS Subprime |
| 64360YAM7 | NCHET 2006-2 M9    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB- | -     | 4.03     | RMBS Subprime |
| 86361KAM9 | SAIL 2006-BNC3 M7  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB   | 4.36     | RMBS Subprime |
| 126670LW6 | CWL 2005-14 M8     | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.65     | RMBS Subprime |
| 59023AAN6 | MLMI 2006-MLN1 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 4.19     | RMBS Subprime |

<sup>1</sup> Portfolio as of February 22, 2007



# Portfolio Composition<sup>1</sup>

## Comprehensive Collateral Asset List:

| CUSIP     | Asset Name        | Original Face | Factor | Current Face | Moody's | S&P  | Fitch | Avg Life | Asset Type    |
|-----------|-------------------|---------------|--------|--------------|---------|------|-------|----------|---------------|
| 004375FE6 | ACCR 2006-1 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | -     | 3.86     | RMBS Midprime |
| 40430HEH7 | HASC 2006-OPT2 M8 | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | BBB+  | 3.77     | RMBS Midprime |
| 59020U3N3 | MLMI 2006-HE1 B2A | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 3.55     | RMBS Midprime |
| 004421VC4 | ACE 2006-NC1 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | -     | 3.58     | RMBS Midprime |
| 144531BK5 | CARR 2005-NC1 M8  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.72     | RMBS Midprime |
| 22237JAP2 | CWL 2006-BC2 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.61     | RMBS Midprime |
| 64352VLS8 | NCHET 2005-3 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 2.77     | RMBS Midprime |
| 76112BL24 | RAMP 2005-EFC6 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | -     | 4.40     | RMBS Midprime |
| 64352VNB3 | NCHET 2005-4 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB   | 2.99     | RMBS Midprime |
| 004421PY3 | ACE 2005-HE4 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.13     | RMBS Midprime |
| 03072ST62 | AMSI 2005-R10 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB   | 3.99     | RMBS Midprime |
| 144531FG0 | CARR 2006-NC1 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | BBB-  | 3.77     | RMBS Midprime |
| 362463AP6 | GSAMP 2006-NC2 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.66     | RMBS Midprime |
| 40430HDN5 | HASC 2006-OPT1 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB+ | BBB+  | 3.67     | RMBS Midprime |
| 40430HFA1 | HASC 2006-NC1 M9  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.10     | RMBS Midprime |
| 46626LGQ7 | JPMAC 2006-HE1 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 4.45     | RMBS Midprime |
| 35729QAN8 | FHLT 2006-B M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB+  | 4.19     | RMBS Midprime |
| 93934JAN4 | WMABS 2006-HE2 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | -     | 3.67     | RMBS Midprime |
| 57643LMX1 | MABS 2005-NC2 M8  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A+   | BBB+  | 2.96     | RMBS Midprime |
| 61744CWE2 | MSAC 2005-HE6 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | BBB+  | 3.80     | RMBS Midprime |
| 00442BAP6 | ACE 2006-HE4 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | -     | 4.70     | RMBS Midprime |
| 35729TAP7 | FHLT 2006-C M9    | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB   | 4.07     | RMBS Midprime |
| 00442PAP5 | ACE 2006-OP1 M8   | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 3.83     | RMBS Midprime |
| 04541GWQ1 | ABSHE 2006-HE2 M9 | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.54     | RMBS Midprime |
| 46602WAN4 | IXIS 2006-HE2 B3  | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB  | BBB-  | 4.17     | RMBS Midprime |
| 64352VRB9 | NCHET 2006-1 M9   | 5,000,000     | 1.000  | 5,000,000    | Baa3    | BBB- | BBB-  | 3.69     | RMBS Midprime |
| 61744CUZ7 | MSAC 2005-HE5 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | BBB+  | 3.54     | RMBS Midprime |
| 31659EAM0 | FMIC 2006-2 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB+ | -     | 3.35     | RMBS Midprime |
| 437097AP3 | HEAT 2006-6 M8    | 5,000,000     | 1.000  | 5,000,000    | Baa2    | A-   | A-    | 4.06     | RMBS Midprime |
| 61744CMS2 | MSAC 2005-NC1 B2  | 5,000,000     | 1.000  | 5,000,000    | Baa2    | BBB  | BBB   | 2.42     | RMBS Subprime |
| 92534FAE8 | VRGO 2006-1A B1   | 5,000,000     | 1.000  | 5,000,000    | Baa1    | BBB+ | -     | 6.61     | RMBS CDO      |

<sup>1</sup>Portfolio as of February 22, 2007



**Appendix B – Goldman Sachs Contact Information**

*Q114*




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## Anderson Mezzanine Funding 2007-1, Ltd.

### Team Contact Information

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#### Goldman, Sachs & Co. – Structuring and Placement Agent

##### Structured Product CDOs – Structuring, Marketing, and Principal Investments

|                                 |                |
|---------------------------------|----------------|
| Peter Ostrem, Managing Director | (212) 357-4617 |
| Matt Bieber, Vice President     | (212) 357-9193 |
| Michele Chitson, Vice President | (212) 902-2881 |
| John X. Li, Associate           | (212) 902-2592 |
| Shelly Lin, Analyst             | (212) 357-9944 |
| Eric Siegel, Analyst            | (212) 357-9753 |

##### Syndication

|                                      |                    |
|--------------------------------------|--------------------|
| Bunty Bohra, Managing Director       | (212) 902-7645     |
| Scott Wisenbaker, Vice President     | (212) 902-2858     |
| Omar Chaudhary, Vice President       | +81 (3) 6437-7198  |
| Mitchell Resnick, Executive Director | +44 (20) 7774-3068 |
| Tetsuya Ishikawa, Associate          | +44 (20) 7774-1025 |

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**From:** Bieber, Matthew G.  
**Sent:** Wednesday, March 28, 2007 3:49 PM  
**To:** Steffelin, Edward  
**Subject:** RE: ACA Meeting

"ANDY" is Bberg ticker for Anderson. Let me come back with a few times on Monday. Would be good to have Wenbo there.

-----Original Message-----

**From:** Steffelin, Edward [mailto:esteffelin@gsc.com]  
**Sent:** Wednesday, March 28, 2007 4:37 PM  
**To:** Bieber, Matthew G.  
**Subject:** Re: ACA Meeting

Who is ANDY - monday we are pretty open and wenbo is out on friday

-----  
Edward Steffelin - esteffelin@gscpartners.com GSC Group  
12 East 49th Street, Suite 3200  
New York, New York 10017  
212-884-6190  
212-884-6184 FAX

-----Original Message-----

**From:** Bieber, Matthew G. <matthew.bieber@gs.com>  
**To:** Steffelin, Edward  
**Sent:** Wed Mar 28 15:36:03 2007  
**Subject:** ACA Meeting

They came back and asked to do meeting in person. Doesn't have to be this Friday, if that's no good for you - they can also do early next week. Questions on ANDY - but also want to do manager due diligence. They've heard the GSC team shows well - so want to meet you in person.

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<<http://www.gs.com/disclaimer/email/>> for further information on confidentiality and the risks of non-secure electronic communication. If you cannot access these links, please notify us by reply message and we will send the contents to you.

---

**From:** Lin, Shelly  
**Sent:** Thursday, January 03, 2008 6:08 PM  
**To:** Case, Benjamin  
**Subject:** RE: LAA Deal Summary for Dan

**Attachments:** Deal Summary.xls

Please use this version -- the other one had external links to the TAP output. This version is saved in the folder.



Deal Summary.xls

---

**From:** Lin, Shelly  
**Sent:** Thursday, January 03, 2008 6:06 PM  
**To:** Case, Benjamin  
**Subject:** LAA Deal Summary for Dan

See attached. It's also saved in the Liquidation Agent Information Folder:  
V:\FICCS\Market\_Research\_NT\Mortgage Credit Derivatives\Liquidation Agent Information\Deal Summary

I'm still trying to get marks for the cash bonds in the Hout Bay and Hudson High Grade. I'll send you an updated spreadsheet when I have the levels.

<< File: Deal Summary.xls >>

Deal Summary

| Deal Name                         | Original Asset Balance | Current Asset Balance | Credit Risk Assets (#) | Credit Risk Assets (\$) | Credit Risk Assets (%) | Credit Risk Definition |
|-----------------------------------|------------------------|-----------------------|------------------------|-------------------------|------------------------|------------------------|
| Anderson Mezzaning Funding 2007-1 | 305,000,000            | 305,000,000           | 17                     | 85,000,000              | 27.87%                 | Below B- or B3         |
| Hout Bay 2006-1                   | 1,500,000,000          | 1,448,848,456         | 9                      | 41,799,000              | 2.88%                  | Below BBB- or Baa3     |
| Hudson High Grade Funding 2006-1  | 1,500,000,000          | 1,474,567,149         | 10                     | 71,397,000              | 4.84%                  | Below BBB- or Baa3     |
| Hudson Mezzanine Funding 2006-1   | 2,000,000,000          | 1,990,828,749         | 44                     | 625,000,000             | 31.39%                 | Below BB- or Ba3       |
| Hudson Mezzanine Funding 2006-2   | 400,000,000            | 400,000,000           | 24                     | 120,000,000             | 30.00%                 | Below BB- or Ba3       |

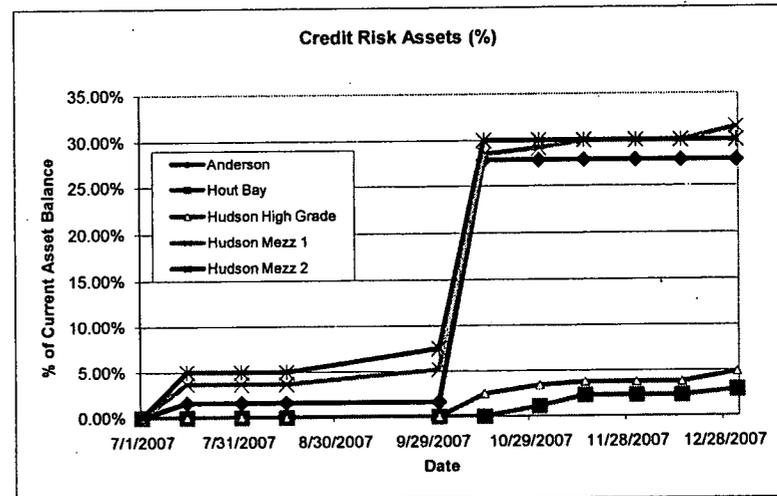
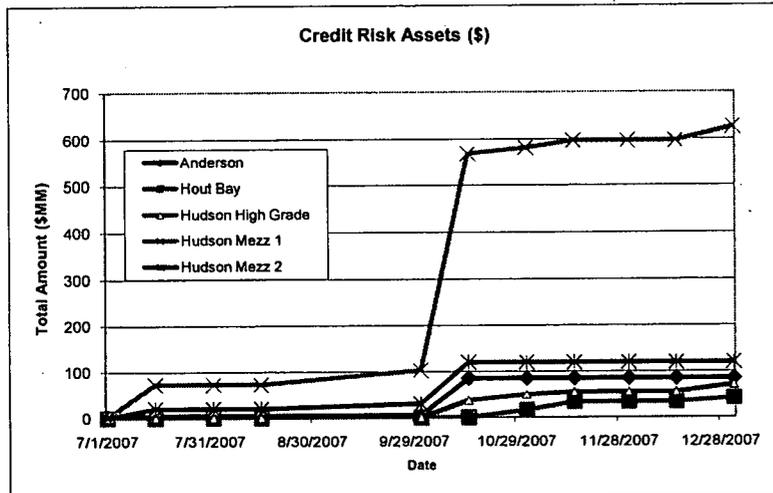
Credit Risk Assets (\$) - Time Series

| As of:    | Anderson   | Hout Bay   | Hudson High Grade | Hudson Mezz 1 | Hudson Mezz 2 |
|-----------|------------|------------|-------------------|---------------|---------------|
| 1-Jul-07  | 0          | 0          | 0                 | 0             | 0             |
| 15-Jul-07 | 5,000,000  | 0          | 0                 | 73,000,000    | 20,000,000    |
| 1-Aug-07  | 5,000,000  | 0          | 0                 | 73,000,000    | 20,000,000    |
| 15-Aug-07 | 5,000,000  | 0          | 0                 | 73,000,000    | 20,000,000    |
| 1-Oct-07  | 5,000,000  | 0          | 0                 | 103,000,000   | 30,000,000    |
| 15-Oct-07 | 85,000,000 | 0          | 37,000,000        | 588,000,000   | 120,000,000   |
| 1-Nov-07  | 85,000,000 | 16,000,000 | 50,050,000        | 581,000,000   | 120,000,000   |
| 15-Nov-07 | 85,000,000 | 33,375,000 | 55,434,000        | 596,500,000   | 120,000,000   |
| 1-Dec-07  | 85,000,000 | 33,375,000 | 55,434,000        | 596,500,000   | 120,000,000   |
| 15-Dec-07 | 85,000,000 | 33,375,000 | 55,434,000        | 596,500,000   | 120,000,000   |
| 1-Jan-08  | 85,000,000 | 41,799,000 | 71,397,000        | 625,000,000   | 120,000,000   |

Credit Risk Assets (%) - Time Series

As % of current asset balance

| As of:    | Anderson | Hout Bay | Hudson High Grade | Hudson Mezz 1 | Hudson Mezz 2 |
|-----------|----------|----------|-------------------|---------------|---------------|
| 1-Jul-07  | 0.00%    | 0.00%    | 0.00%             | 0.00%         | 0.00%         |
| 15-Jul-07 | 1.64%    | 0.00%    | 0.00%             | 3.67%         | 5.00%         |
| 1-Aug-07  | 1.64%    | 0.00%    | 0.00%             | 3.67%         | 5.00%         |
| 15-Aug-07 | 1.64%    | 0.00%    | 0.00%             | 3.67%         | 5.00%         |
| 1-Oct-07  | 1.64%    | 0.00%    | 0.00%             | 5.17%         | 7.50%         |
| 15-Oct-07 | 27.87%   | 0.00%    | 2.51%             | 28.53%        | 30.00%        |
| 1-Nov-07  | 27.87%   | 1.10%    | 3.39%             | 29.18%        | 30.00%        |
| 15-Nov-07 | 27.87%   | 2.30%    | 3.76%             | 29.96%        | 30.00%        |
| 1-Dec-07  | 27.87%   | 2.30%    | 3.76%             | 29.96%        | 30.00%        |
| 15-Dec-07 | 27.87%   | 2.30%    | 3.76%             | 29.96%        | 30.00%        |
| 1-Jan-08  | 27.87%   | 2.88%    | 4.84%             | 31.39%        | 30.00%        |



Document originally produced in excel format; reformatted/margins modified for readability and printing purposes by the Subcommittee. Original document retained in the Subcommittee files.

Permanent Subcommittee on Investigations

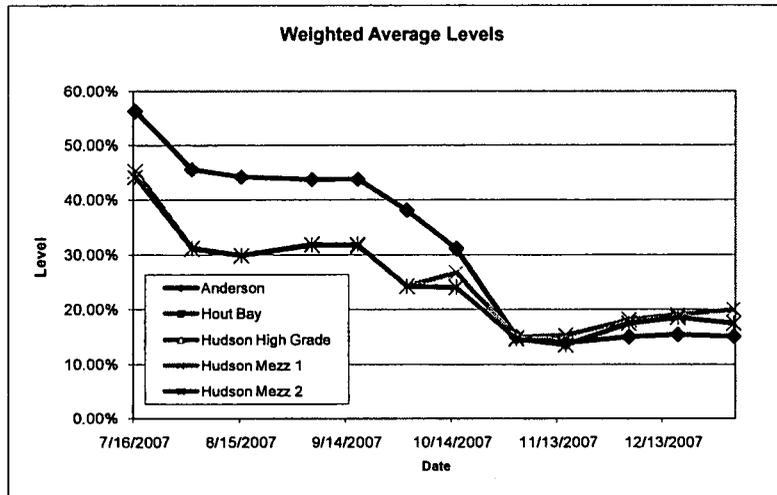
**Moody's Recovery Rates**

**Residential Mortgage Backed Securities**

| Tranche % | Aa     | A      | Baa    | Ba     | B      |
|-----------|--------|--------|--------|--------|--------|
| 5<x<=10   | 55.00% | 45.00% | 40.00% | 30.00% | 20.00% |
| 2<x<=5    | 45.00% | 40.00% | 35.00% | 25.00% | 15.00% |
| x<=2      | 35.00% | 30.00% | 25.00% | 15.00% | 10.00% |

**Time Series - Weighted Average Levels**

| As of:    | Anderson | Hout Bay | Hudson High Grade | Hudson Mezz 1 | Hudson Mezz 2 |
|-----------|----------|----------|-------------------|---------------|---------------|
| 16-Jul-07 | 56.30%   |          |                   | 45.36%        | 44.19%        |
| 1-Aug-07  | 45.61%   |          |                   | 31.24%        | 31.08%        |
| 15-Aug-07 | 44.20%   |          |                   | 29.89%        | 29.84%        |
| 4-Sep-07  | 43.71%   |          |                   | 31.89%        | 31.75%        |
| 17-Sep-07 | 43.78%   |          |                   | 31.54%        | 31.80%        |
| 1-Oct-07  | 38.05%   |          |                   | 24.33%        | 24.29%        |
| 15-Oct-07 | 31.05%   |          |                   | 26.67%        | 24.08%        |
| 1-Nov-07  | 15.05%   |          |                   | 15.02%        | 14.65%        |
| 15-Nov-07 | 14.01%   |          |                   | 15.34%        | 13.57%        |
| 3-Dec-07  | 15.05%   |          |                   | 18.15%        | 17.53%        |
| 17-Dec-07 | 15.43%   |          |                   | 19.07%        | 18.55%        |
| 2-Jan-08  | 15.10%   |          |                   | 19.97%        | 17.49%        |



7/16/07

Table with columns: Deal Name, CUSIP, Name, Orig Face, Sector, Cur Face, Closing Mtdy, Closing SP, Cur Mtdy, Cur SP, 1st Cr. Risk Rtg, MDY Credit Risk Date, SP Credit Risk Date, CDO Risk Date, CDO ID, 1-3M, 3-6M, 6-12M, 1-5Y, 2-5Y, 3-7Y, 5-10Y. Rows include various funding and MBS deals like Anderson Muzzaring Funding, Hudson High Grade Funding, and Hudson Mzzaring Funding.

100

**From:** Lee, Jay  
**Sent:** Wednesday, August 22, 2007 9:27 PM  
**To:** Bieber, Matthew G.; Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcco  
**Cc:** Chaudhary, Omar; Resnick, Mitchell R; Sugioka, Hirotaka  
**Subject:** Re: Asia requests

For #2, let's get whatever marks we provided on any tranches on The Wolf and Point Pleasant in the below time range (doesn't have to be on those precise dates) and we will go from there.

----- Original Message -----

**From:** Bieber, Matthew G.  
**To:** Lee, Jay; Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcco  
**Cc:** Chaudhary, Omar; Resnick, Mitchell R; Sugioka, Hirotaka  
**Sent:** Thu Aug 23 03:13:18 2007  
**Subject:** RE: Asia requests

1) All the WARF's for each deal were pulled from Intex. Spot checked a few that were missing from the attached spreadsheet and was unable to pull them up manually - looks like we're going to have to go with what was sent.

2) LDL

3) I took a look back at the total number of CUSIPs from a look through back in May - and I still see approximately 4500 CUSIPs. They may be looking at total CUSIPs rather than unique CUSIPs. If that's the case, then the 7000 number sounds close to correct - although I think the number back in May was 8050. The marketing book for the deal also mentions approx 4200 unique CUSIPs (though I don't recall whether this was sent to them)

4) Shelly is sending

**From:** Lee, Jay  
**Sent:** Wednesday, August 22, 2007 1:45 PM  
**To:** Lehman, David A.; Creed, Christopher J; Williams, Geoffrey; ficc-spcco  
**Cc:** Chaudhary, Omar; Resnick, Mitchell R; Sugioka, Hirotaka  
**Subject:** Asia requests

Apologies for any requests that have already been sent over separately --

1) HK Life asking again on Timberwolf whether we can get WARF's for deals that were not sent in the triggers file. Please see attached on the "WARF" tab to see what I sent. There were WARF's for 40 of the 55 CDO deals. I originally told them we could not when I first sent the file, but they want to check again.

<< File: Timberwolf CDO Data 2007-08-08.xls >>

2) Tokyo Star wants historical offer-side DM's on Point Pleasant and Timberwolf for the following dates across the capital structure. The purpose is to get more color on how the CDO^2 market has changed since when we marketed the deals to them, and we've already rejected their request to provide generic DM's on all CDO^2 deals on the grounds that the market is too differentiated. Regarding this request, we have already told them the following: a) we might be able to provide anything in writing (verbal only), b) if we can provide levels they will probably be dollar prices (not DM's) and they can use Bloomberg to estimate DM's on a no-loss basis if that's what they really want, c) we might not be able to provide offer-side levels for all dates.

Can we do the best we can to get them what they want?

<Offer DM on Timberwolf>

1-Apr 15-Apr 30-Apr 1-May 15-May 30-May 1-Jun 15-Jun 30-Jun

AAA(senior)  
 AAA(junior)

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2367**

AA  
A  
BBB  
BB

<Offer DM of Point Pleasant>

15-May            30-May            1-Jun 15-Jun            30-Jun

AAA(senior)  
AAA(junior)  
AA  
A  
BBB  
BB

3) Tokyo Star is asking why there is such a big discrepancy between CUSIP counts from May (before they bought) and August (after they bought) on Timberwolf. May's CUSIP counts were much higher (7000+) compared to the data we are now providing (4000+). We told them there is changes in data from third party sources as well as our own techniques for exploding the data. Was wondering if there was any incremental information that you have on this -- if not, we should be able to handle.

4) Orix Life, who is looking at GSC 06-3HG, is asking if we can show the updated ratings on the underlying portfolio (given the recent rating changes, especially the ones announced August 16th on Alt-A downgrades)

**From:** Sparks, Daniel L  
**Sent:** Monday, February 26, 2007 8:48 AM  
**To:** Montag, Tom  
**Subject:** Re: Questions you had asked

Dillon read: 1 bb deal, 50/50 risk.  
Greywolf: 1 bb deal, now basically gs risk because losses thru the greywolf upfront 50 percent first loss

----- Original Message -----

**From:** Montag, Tom  
**To:** Sparks, Daniel L  
**Sent:** Mon Feb 26 08:33:46 2007  
**Subject:** Re: Questions you had asked

Is that our half of the warehouse. Who is doing them with us or is it all ours

----- Original Message -----

**From:** Sparks, Daniel L  
**To:** Montag, Tom  
**Sent:** Mon Feb 26 08:32:06 2007  
**Subject:** Re: Questions you had asked

Roughly 2 bb, and they are the deals to worry about. Focus is super- senior, which if we get done will make them work

----- Original Message -----

**From:** Montag, Tom  
**To:** Sparks, Daniel L  
**Sent:** Mon Feb 26 07:43:29 2007  
**Subject:** RE: Questions you had asked

cdo squared--how big and how dangerous

-----Original Message-----

**From:** Sparks, Daniel L  
**Sent:** Monday, February 26, 2007 7:37 AM  
**To:** Montag, Tom  
**Subject:** Re: Questions you had asked

Roughly 2 bb high grade deals and 2 bb cdo's squared

In client meeting in greenwich and can give more details in hour and half

----- Original Message -----

**From:** Montag, Tom  
**To:** Sparks, Daniel L  
**Sent:** Mon Feb 26 07:31:49 2007  
**Subject:** Re: Questions you had asked

So what is total of cdo warehouse after liquidation by sector

----- Original Message -----

**From:** Sparks, Daniel L  
**To:** Montag, Tom

Sent: Mon Feb 26 06:47:43 2007  
Subject: Re: Questions you had asked

Still subprime, but only outright bbb subprime is in gsc deal we may liquidate. Other subprime in form of a, aa, aaa subprime and in form of a-rated cdo's (greywolf and dillon read).

----- Original Message -----

From: Montag, Tom  
To: Sparks, Daniel L  
Sent: Sun Feb 25 22:49:48 2007  
Subject: Re: Questions you had asked

Thanks. So no warehouse in subprime? What about greywolf-what is in that

----- Original Message -----

From: Sparks, Daniel L  
To: Montag, Tom  
Cc: Ruzika, Richard  
Sent: Sun Feb 25 20:34:19 2007  
Subject: Questions you had asked

Last week the trading desks did the following:

(1) Cover around \$1.5 billion single name subprime BBB- CDS and around \$700mm single name subprime BBB CDS. The desk also net sold over \$400mm BBB- ABX index. Desk is net short, but less than before. Shorts are in senior tranches of indexes sold and in single names. Plan is to continue to trade from short side, cover more single names and sell BBB- index outright.

(2) The CDO business liquidated 3 warehouses for deals of \$530mm (about half risk was subprime related). Business also began liquidation of [REDACTED] - all synthetics done, cash bonds will be sold in next few days. One more CDO warehouse may be liquidated this week - approximately \$300mm with GSC as manager. That will leave us with 2 large CDOs of A-rated CDOs, 2 high grade deals with limited subprime mezz risk, and 2 other small warehouses that are on hold. Getting super-senior done on CDOs is the critical path, and that is where the focus is - for the CDOs of CDOs, NATIXIS (Paris) on Dillion Reed deal and Wincap (London) on Greywolf deal.

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

**From:** Egol, Jonathan  
**Sent:** Monday, May 14, 2007 8:20 AM  
**To:** Wiesel, Elisha  
**Subject:** RE: Gameplan - asset model analysis

Of course -- will you be circulating a draft of the email for Gary?

-----Original Message-----

**From:** Wiesel, Elisha  
**Sent:** Monday, May 14, 2007 8:08 AM  
**To:** Egol, Jonathan  
**Subject:** Re: Gameplan - asset model analysis

Tks. Would value your taking a close look at the email to Gary, want to be 100pct in sync w trading desk in our description of how we think w're going to value the portfolios.

----- Original Message -----

**From:** Egol, Jonathan  
**To:** Wiesel, Elisha; Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Turok, Michael  
**Cc:** Brafman, Lester R  
**Sent:** Mon May 14 08:05:33 2007  
**Subject:** RE: Gameplan - asset model analysis

I think we can look at the 2x CDO CDS scenario Paul provided below as a proxy.

-----Original Message-----

**From:** Wiesel, Elisha  
**Sent:** Monday, May 14, 2007 7:57 AM  
**To:** Egol, Jonathan; Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Turok, Michael  
**Cc:** Brafman, Lester R  
**Subject:** RE: Gameplan - asset model analysis

Can we not incorporate the cds bid/offer by running Paul's analysis on #2 below at shocked RMBS cds levels?

-----Original Message-----

**From:** Egol, Jonathan  
**Sent:** Monday, May 14, 2007 5:28 AM  
**To:** Burchard, Paul; Wiesel, Elisha; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Turok, Michael  
**Cc:** Brafman, Lester R  
**Subject:** Re: Gameplan - asset model analysis

This correlation analysis does not incorporate 2 things:

- cds bid/offer
- cashflow triggers (underlying level)

For names where the underlying longs were externalized, the cdo cds offered side spread is going to be close to 2x the current marked spread for many underliers. It will be important to use the cdo cds trading franchise to source hedges at the bid side of the market.

The downgrade sensitivity of the underlying cdo cashflow triggers means that there is some (hard to quantify) probability that some or all names essentially jump to default.

----- Original Message -----

**From:** Burchard, Paul

1

To: Wiesel, Elisha; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Turok, Michael  
 Cc: Brafman, Lester R  
 Sent: Mon May 14 00:45:22 2007  
 Subject: Re: Gameplan - asset model analysis

One point of this correlation analysis is that it provides a relative value argument about how to hedge the cdo<sup>2</sup> risk. It indicates (as the desk is aware) that it is currently cheaper to buy protection against the cdo<sup>2</sup> at the cdo level than at the rmbs level. To the extent that we can put on this hedge, we can recover the higher (72 cent) price, no matter how bad rmbs looks.

-----  
 Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Wiesel, Elisha  
 To: Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Turok, Michael  
 Cc: Brafman, Lester R  
 Sent: Mon May 14 00:01:17 2007  
 Subject: RE: Gameplan - asset model analysis

David - We spoke briefly to Ben and Edwin earlier this evening and asked them if it would be possible to come up with CDS marks for any missing BBB/BBB- RMBS deals as well as a heuristic for marking any high-grade tranches by vintage. As Paul says below, this would really help us run results through the asset model (as well as through the NAV analysis we'd discussed doing) for CDOs. I realize this might be painful (several thousand underlying RMBS deals might need to be marked) but we'd like to come back to you when we have some stats on what we're missing and brainstorm on a good way to do this.

-----  
 From: Burchard, Paul  
 Sent: Sunday, May 13, 2007 11:05 PM  
 To: Lehman, David A.; Sparks, Daniel L; Wiesel, Elisha; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Turok, Michael  
 Cc: Brafman, Lester R  
 Subject: RE: Gameplan - asset model analysis

We can estimate the value of the Timberwolf CDO<sup>2</sup> by applying a correlation model (the asset model). We have three questions to answer:

1. Based on marks for the single-A CDOs under the CDO<sup>2</sup>, what should be the value of the Timberwolf CDO<sup>2</sup>?
2. Based on marks for the RMBS under the single-A CDOs, what should be the marks on the CDOs that went into (1)?
3. In both (1) and (2), what market evidence do we have for the correlation that takes us from underlier valuation to the valuation one level up?

In brief, the answers we find are:

1. Based on current single-A CDO marks, the A2 tranche of Timberwolf would have a price of 72 cents on the dollar. The price is not sensitive to correlation at these levels.
2. Based on a small sample of single-A CDOs for which we have complete underlier marks, we believe that the risks of the RMBS underliers are frequently not fully reflected in the marks on the CDOs. If the trends in this small sample are extrapolated, the fair spreads on the CDOs could even be double where they are marked now; if that were the case, the price of the A2 tranche of Timberwolf would actually be 35-41 cents on the dollar, depending on the correlation.
3. Recent Abacus CDOs and CDO<sup>2</sup> have been marked with correlations in the 30-50% range. Median sector marks for mezzanine CDOs imply a correlation of 22%.

Clearly, the next step is to get marks on more of the RMBS underliers in order to be

able to run more of the CDOs in Timberwolf through a model.

For (1), we find the following relationship between price of the A2 tranche of Timberwolf, and the correlation. The results are also shown when all the underlier spreads are multiplied by a factor of two, based on the results of (2).

| CDO             | Underlier | Spread | Multiple | Model Price 30% | Model Price 50% | Model Price 70% | Model Price 100% |
|-----------------|-----------|--------|----------|-----------------|-----------------|-----------------|------------------|
| TWOLF 2007-1 A2 | 1         | 72     | 72       | 72              | 73              |                 |                  |
| TWOLF 2007-1 A2 | 2         | 37     | 41       | 44              | 48              |                 |                  |

For (2), we have the following comparison between current spread marks on single-A CDOs, and Gaussian copula model spreads computed from the current spread marks on their underliers (mostly RMBS). The first three CDOs are Timberwolf underliers. In general, this analysis shows that at current underlier marks, single-A CDOs are equity-like (long correlation). However, per (3), market-implied correlations are low, in the range 20-50%.

| CDO              | Sector                     | Mark | Model 30% | Model 50% | Model 70% | Model 100% |
|------------------|----------------------------|------|-----------|-----------|-----------|------------|
| ABAC 2006-HG1A C | CDO <sup>2</sup> Mezzanine |      | 520       | 1667      | 1336      | 1077 710   |
| ADROC 2005-2A C  | CDO High Grade             |      | 275       | 185       | 201       | 192 140    |
| CAMBR 7A C       | CDO Mezzanine              | 665  | 1096      | 938       | 804       | 579        |
| FORTS 2006-1A C  | CDO Mezzanine              |      | 440       | 527       | 527       | 499 425    |
| HUDMZ 2006-1A C  | CDO Mezzanine              |      | 160*      | 1643      | 1378      | 1168 880   |
| HUDMZ 2006-2A C  | CDO Mezzanine              |      | 250*      | 2209      | 1794      | 1490 1105  |

\*No trades currently on these ref obs, so marks may be stale.

---

From: Lehman, David A.  
 Sent: Friday, May 11, 2007 7:37 PM  
 To: Sparks, Daniel L; Wiesel, Elisha; Swenson, Michael; Birnbaum, Josh; Egol, Jonathan; Primer, Jeremy; Burchard, Paul; Turok, Michael  
 Cc: Brafman, Lester R; Lehman, David A.  
 Subject: Gameplan

Following up from this afternoon's meeting -

We are going to better evaluate the CDO<sup>2</sup> risk using three distinct frameworks

- 1) Blended scenario analysis using HPA (Primer)
- 2) Risk neutral/correlation framework, consistent with our current synthetic ABS CDCs (Burchard)
- 3) Simplistic loss assumptions on underlyings / Market Value Coverage (Turok)

Let's look to have something on #1 and #2 to discuss Monday. #3 will likely take some more time give the low coverage...Turok, pls let us know if you can cuff #3 with our current coverage.

To quote Elisha -

"Am thinking we want a concise write-up of each methodology (one paragraph), with a rank-ordered list of assumptions that show directionality and estimated impact of each assumption. Also think we want to see results of bounding analysis in writing using each methodology, with a description of what knobs we turned, and how far, to come up the bounding analysis."

In addition, the specific trading desks are taking a more detailed look @ the ABS/CMBS/CLO/Option Arm/SP CDO assets in the warehouse and in the retained position account (outside of the CDO<sup>2</sup>).

Pls add/comment if there is anything I missed

---

Goldman, Sachs & Co.  
 85 Broad Street | New York, NY 10004

Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917-  
e-mail: david.lehman@gs.com

Goldman  
Sachs

David Lehman  
Fixed Income, Currency & Commodities

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Subcommittee on Investigations**

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**From:** Burchard, Paul  
**Sent:** Sunday, May 20, 2007 1:08 AM  
**To:** Swenson, Michael; Birnbaum, Josh; Lehman, David A.; Egol, Jonathan  
**Cc:** Wiesel, Elisha; Turok, Michael; Primer, Jeremy  
**Subject:** FW: Materials for meeting

FYI - business has asked us for some model prices as part of the discussion about CDO<sup>2</sup> marking.

**From:** Burchard, Paul  
**Sent:** Sunday, May 20, 2007 1:03 AM  
**To:** Brafman, Lester R; Kaprelian, Michael; Alexander, Lee  
**Cc:** Wiesel, Elisha; Turok, Michael; Primer, Jeremy  
**Subject:** Materials for meeting

Here are some model prices for the CDO<sup>2</sup> trades based on two different replication strategies, one hedging one level down at the CDO level, the other hedging two levels down at the RMBS level. The model is a correlation model (the asset model), and we are assuming 30% correlation at the RMBS level and 30% correlation at the CDO level. For tranches this low in the capital structure (except perhaps PTPLS 07-1 A1), given expected losses, a lower correlation like this is appropriate.

|                 | Price based on<br>CDO Marks | Price based on<br>RMBS Marks |
|-----------------|-----------------------------|------------------------------|
| TWOLF 2007-1 A2 | 66                          | 24                           |
| TWOLF 2007-1 B  | 38                          | 15                           |
| PTPLS 2007-1 A1 | 90                          |                              |
| PTPLS 2007-1 A2 | 65                          |                              |
| PTPLS 2007-1 B  | 43                          |                              |
| PTPLS 2007-1 C  | 43                          |                              |
| PTPLS 2007-1 D  | 43                          |                              |

(We will supply PTPLS RMBS numbers on Sunday.)

Initial results from other modeling approaches based on RMBS marks or fundamentals are generally consistent with the much lower RMBS marks found for Timberwolf.

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**From:** Ostrem, Peter L  
**Sent:** Monday, January 15, 2007 2:27 PM  
**To:** Bieber, Matthew G.  
**Subject:** Re: Basis Cap

In an hour. Boarding to Canberra now.

----- Original Message -----

**From:** Bieber, Matthew G.  
**To:** Ostrem, Peter L  
**Sent:** Mon Jan 15 14:26:55 2007  
**Subject:** Re: Basis Cap

I'm on the train - will call your cell

----- Original Message -----

**From:** Ostrem, Peter L  
**To:** Bieber, Matthew G.  
**Sent:** Mon Jan 15 14:25:49 2007  
**Subject:** Re: Basis Cap

Let's discuss. Are you in office?

----- = Redacted by the Permanent  
Subcommittee on Investigations

----- Original Message -----

**From:** Bieber, Matthew G.  
**To:** Ostrem, Peter L  
**Sent:** Mon Jan 15 14:24:47 2007  
**Subject:** Re: Basis Cap

Did you have a chance to talk to george about sales credits? I've gotten a few inquiries so far [REDACTED] and think people are expecting something this week.

As it is right now - we're paying out around 100% in gross p&l, but in light of Dans pushback on friday, I'm not sure what I should pay - or tell salespeople when they ask what they're getting paid.

----- Original Message -----

**From:** Ostrem, Peter L  
**To:** Bieber, Matthew G.  
**Sent:** Mon Jan 15 14:09:55 2007  
**Subject:** Re: Basis Cap

Wambulance. They even tried to claim we never covered the lmm loss. These guys are paranoid and not very sharp. Let's be nice and just sell them stuff going forward.

----- Original Message -----

**From:** Bieber, Matthew G.  
**To:** Ostrem, Peter L  
**Sent:** Mon Jan 15 13:45:57 2007  
**Subject:** Re: Basis Cap

What happened in the meeting? I take it that it did not go well.

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2399**

----- Original Message -----

From: Ostrem, Peter L

To: Bieber, Matthew G.; Rosenblum, David J.; Herrick, Darryl K; Case, Benjamin;  
Wisembaker, Scott

Sent: Mon Jan 15 13:43:34 2007

Subject: Basis Cap

They are acting very unprofessional. Disappointed in their inability to comprehend simple math. Anyways, not a good principal partner for near term. However, they are very interested in TCW managed index equity and want meeting at ASF.

Let's discuss this account when I return.

---

**From:** Swenson, Michael  
**Sent:** Saturday, May 26, 2007 6:03 PM  
**To:** Chin, Edwin; Salem, Deeb; Bruns, William; Kaufman, Jordan  
**Subject:** Fw: ABS Sec\_0525.xls v1.xls

**Attachments:** ABS Sec\_0525.xls v1.xls

P and l looks a little low we expected at least 90 but let's call it good for qtr end - I say we are approved

----- Original Message -----

**From:** Fredman, Sheara  
**To:** Swenson, Michael; Bruns, William; Chin, Edwin; Kaufman, Jordan; Case, Benjamin  
**Cc:** Vodola, Matthew  
**Sent:** Sat May 26 17:57:04 2007  
**Subject:** ABS Sec\_0525.xls v1.xls



ABS Sec\_0525.xls  
v1.xls

<<ABS S c\_0525.xls v1.xls>>

Attached is ABS PNL - PNL is +\$89M

| 05/25/07                      | Mkt      | Daily Profit / (Loss) in 000's |         |               |           |               | Month to Date Profit / (Loss) in 000's |             |               |             |               | Year to Date Profit / (Loss) in 000's |              |               |              |               |
|-------------------------------|----------|--------------------------------|---------|---------------|-----------|---------------|----------------------------------------|-------------|---------------|-------------|---------------|---------------------------------------|--------------|---------------|--------------|---------------|
|                               |          | Pd                             | Trade   | Carry         | Total     | Mkt           | Pd                                     | Trade       | Carry         | Total       | Mkt           | Pd                                    | Trade        | Carry         | Total        |               |
|                               |          |                                |         |               |           |               |                                        |             |               |             |               |                                       |              |               |              |               |
|                               | 76004011 | -                              | -       | (45,937)      | (45,937)  | -             | -                                      | -           | 0             | 0           | -             | -                                     | -            | 0             | 0            |               |
|                               | 76002316 | (1,250)                        | -       | 48,280        | 47,030    | (132,974,530) | (514,960)                              | 134,383,161 | 352,432       | 1,246,102   | (136,466,966) | (2,351,807)                           | 134,681,238  | 2,645,318     | (1,492,217)  |               |
|                               | 76002317 | 46,367                         | -       | 32,784        | 79,151    | 677,323       | (809,708)                              | 2,593       | 936,917       | 807,125     | (1,472,270)   | (2,941,162)                           | 145,330      | 5,901,138     | 1,633,036    |               |
|                               | 76002318 | -                              | -       | 44            | 44        | -             | 3,900                                  | (3,109)     | 2,448         | 3,239       | -             | 76,858                                | (32,138)     | 72,893        | 117,613      |               |
|                               | 76002399 | 11,210                         | -       | (4,034)       | (166)     | (229,578)     | 101,837                                | 231,249     | (2,351)       | 101,158     | (2,460,659)   | 79,250                                | 718,623      | 482,853       | 1,656,638    |               |
|                               | 76002823 | -                              | -       | 5,412         | 5,412     | 19,531        | (59,684)                               | (21,456)    | 152,897       | 91,288      | 19,531        | (206,034)                             | (36,343)     | 758,884       | 483,288      |               |
|                               | 76001856 | -                              | -       | (5,810)       | (5,810)   | 2,987,400     | (2,185,912)                            | (947,257)   | 1,234,263     | 1,088,494   | 7,722,422     | (16,048,229)                          | (837,712)    | 10,829,627    | 1,666,109    |               |
|                               | 76003611 | -                              | -       | (7)           | (7)       | -             | -                                      | -           | (188)         | (188)       | -             | (76)                                  | (227)        | (2,642)       | (2,946)      |               |
|                               |          | 29,174                         | (4,529) | -             | 5,477     | 30,122        | 908,271                                | (124,102)   | (17,087)      | 155,557     | 922,639       | 702,347                               | 168,715      | (384,415)     | 949,612      | 1,436,259     |
| <b>ABS FINANCE SUBTOTAL</b>   |          | 85,501                         | (4,529) | (4,034)       | 40,076    | 117,014       | (128,611,583)                          | (3,588,629) | 133,628,094   | 2,831,976   | 4,259,857     | (131,955,595)                         | (21,222,486) | 134,254,356   | 21,637,683   | 5,497,780     |
|                               |          | -                              | -       | (263,592)     | (263,592) | -             | -                                      | -           | (263,592)     | (263,592)   | -             | -                                     | 507,998      | (263,592)     | 244,407      |               |
|                               | 76004010 | -                              | -       | -             | -         | -             | -                                      | -           | -             | -           | -             | -                                     | -            | -             | -            |               |
| ABS PROP                      | 76001853 | (10,185)                       | 198,362 | -             | 13,571    | 201,747       | (3,882,990)                            | 198,621     | 15,129        | 117,756     | (3,551,484)   | (12,269,856)                          | 520,009      | (110,707)     | 990,449      | (10,870,105)  |
| ABS HEDGE                     | 76001818 | 26,144                         | -       | -             | 1,532     | 27,676        | 1,269,812                              | -           | (13,112)      | 40,318      | 1,297,017     | 3,932,613                             | -            | 301,014       | 481,837      | 4,715,464     |
| ABS TRADING                   | 76001822 | (50,814)                       | 763,728 | (925,594)     | 145,315   | (67,365)      | (13,888,678)                           | 786,678     | 6,602,255     | 1,725,813   | (4,773,932)   | (293,470,048)                         | 4,139,174    | 135,647,621   | 8,728,209    | (144,955,045) |
| ABS Index-Hudson Mez          | 76095989 | (1,597,051)                    | -       | -             | 1,925     | (1,595,126)   | (1,597,051)                            | -           | 27,498        | 1,655       | (1,567,898)   | (46,081,775)                          | -            | (9,989,306)   | 373,827      | (55,697,254)  |
| ABS single name swaps - GSCM  | 76002123 | 344,003                        | -       | -             | 2,448     | 346,450       | (16,638,071)                           | -           | 976,141       | 43,992      | (15,617,938)  | (62,321,938)                          | -            | (4,513,636)   | 612,382      | (66,223,192)  |
| ABS single name swaps         | 76189040 | 5,234,005                      | -       | -             | (6,744)   | 5,227,261     | (4,623,287)                            | -           | (2,369,334)   | (168,431)   | (7,161,052)   | 2,436,062                             | -            | (16,942,109)  | (1,119,040)  | (15,625,087)  |
| ABS single name CDS           | 76095943 | (95,434,073)                   | -       | 53,078,882    | (96,571)  | (42,451,762)  | 47,223,645                             | -           | 85,273,690    | (2,926,933) | 129,570,402   | 733,501,202                           | -            | 59,693,705    | (10,006,478) | 783,188,429   |
| ABS single name CDS 2         | 76095987 | 140,071,737                    | -       | -             | (107,105) | 139,964,632   | (43,569,569)                           | -           | 14,232,439    | (2,968,340) | (32,305,469)  | 709,780,391                           | -            | (25,248,785)  | (14,737,387) | 669,794,220   |
| ABS CDS Ldn                   | 76187712 | 110,812                        | -       | -             | (21)      | 110,791       | (893,744)                              | -           | (595)         | (519)       | (894,857)     | (892,728)                             | -            | 2,641         | (1,857)      | (891,943)     |
| ABS Synthetic Hedge           | 76001817 | (26)                           | -       | -             | 17        | (9)           | (41)                                   | -           | -             | 469         | 428           | 111,407                               | -            | (116,278)     | 4,887        | 16            |
| ABS Index - GSCM              | 76002130 | (6,026,685)                    | -       | (1,822,109)   | 8,835     | (7,839,959)   | (44,227,364)                           | -           | 63,224,376    | 78,211      | 19,075,222    | 104,221,611                           | (13,482,300) | (635,564,431) | 4,485,522    | (540,339,598) |
| TABX/CDS on CDO               | 76095949 | (4,852,115)                    | -       | -             | 1,993     | (4,850,122)   | (23,948,172)                           | -           | 25,017,981    | 259,882     | 1,329,691     | (116,407,341)                         | -            | 122,868,631   | 694,449      | 7,155,739     |
| ABS Prop Deriv                | 76095990 | (276)                          | -       | -             | (13)      | (289)         | 92,378                                 | -           | -             | (243)       | 92,135        | 182,694                               | -            | -             | (379)        | 182,315       |
| ABS Index - Strategic (GSCO)  | 76001858 | -                              | -       | -             | -         | -             | -                                      | -           | -             | -           | -             | 4,183,695                             | -            | (3,864,457)   | -            | 319,238       |
| CDO Equity                    | 76004001 | -                              | -       | -             | (86)      | (86)          | -                                      | -           | -             | (2,420)     | (2,420)       | 0                                     | -            | (0)           | (15,389)     | (15,389)      |
| Equity Equities-Derivatives   | 76004003 | 108,756                        | -       | -             | (617)     | 108,139       | (70,760)                               | -           | 30,844        | (17,134)    | (57,050)      | 30,270,977                            | -            | (1,461,127)   | (146,041)    | 28,663,808    |
| Error                         | 76004008 | -                              | -       | -             | -         | -             | -                                      | -           | -             | -           | -             | -                                     | -            | -             | -            | -             |
| ABS CDO                       | 76004009 | -                              | -       | -             | 4,776     | 4,776         | 221,719                                | -           | (271)         | 82,238      | 303,686       | 443,437                               | -            | 335           | 118,945      | 562,718       |
| RMBS Transition Hedge         | 76004004 | 11,544                         | -       | -             | (56)      | 11,487        | 451,069                                | -           | (17,146)      | 29          | 433,951       | 510,375                               | -            | 37,472        | 2,003        | 549,850       |
| RMBS Transition               | 76004005 | (199,392)                      | (3,133) | -             | (49,999)  | (252,525)     | (5,245,829)                            | (3,133)     | -             | 412,741     | (4,836,222)   | (51,001,397)                          | (241,714)    | 79            | 1,927,699    | (49,315,334)  |
| CDO Transition                | 76004007 | 175,000                        | -       | (107,881,800) | 922,190   | (107,764,610) | 657,051                                | 946,730     | (107,835,704) | 5,834,452   | (95,397,472)  | (96,606,594)                          | 2,382,716    | (128,528,739) | 6,997,197    | (215,755,419) |
| GDO Transition Hedge          | 76095948 | 8,141,969                      | -       | 874           | (19,133)  | 8,123,690     | 4,947,797                              | -           | (10,220,887)  | (485,206)   | (5,758,295)   | 121,060,078                           | -            | (222,288,951) | (1,841,798)  | (103,070,671) |
| CDO warehouse transition synt | 76009860 | (64,120,575)                   | -       | -             | 14,069    | (64,106,506)  | (96,473,732)                           | -           | 396,208       | 45,824      | (96,031,701)  | (128,826,890)                         | -            | 792,416       | 77,578       | (127,956,896) |

- = Redacted by the Permanent Subcommittee on Investigations



**Retained & Warehouse - Risk****7/12/2007**Current Face

|                               | 5/25/2007        | Today        |            |
|-------------------------------|------------------|--------------|------------|
|                               | Notionals (\$mm) |              | Difference |
| <b>Retained CDOs</b>          |                  |              |            |
| "S" tranche                   | 65               | 49           | 17         |
| Super Senior                  | 1,421            | 1,421        | -          |
| Mezz AAA                      | 458              | 291          | 167        |
| AA                            | 379              | 274          | 105        |
| A                             | 185              | 164          | 22         |
| BBB                           | 146              | 146          | -          |
| BB                            | 29               | 29           | -          |
| Equity                        | 159              | 156          | 3          |
| <b>Total - Retained</b>       | <b>2,843</b>     | <b>2,530</b> | <b>313</b> |
| <b>Warehouse Transition</b>   |                  |              |            |
| WH Assets - SP CDO cash + CDS | 742              | 599          | 143        |
| WH Assets - RMBS              | 390              | 67           | 323        |
| WH Assets - CMBS              | 119              | -            | 119        |
| WH Assets - CLO               | 70               | -            | 70         |
| <b>Total - WH Transition</b>  | <b>1,320</b>     | <b>666</b>   | <b>654</b> |
| <b>Hedges</b>                 |                  |              |            |
| Hedges - SP CDO CDS           | 153              | 341          | (188)      |
| Hedges - ABX AAA              | 1,550            | 1,550        | -          |
| Hedges - ABX AA and A         | 1,109            | 662          | 447        |
| Hedges - ABX BBB/BBB-         | 649              | 219          | 430        |
| Hedges - CMBX BBB             | 50               | -            | 50         |
| <b>Total - Hedges</b>         | <b>3,511</b>     | <b>2,772</b> | <b>739</b> |

Permanent Subcommittee on Investigations

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| B/S | Qty (\$mm) | Bond                         | Price  | Trade Date | Ctr Prty Client |
|-----|------------|------------------------------|--------|------------|-----------------|
| S   | 1.7        | TWOLF 0701 B REGS            | 78.25  | 7/11/2007  | BANK HAPOAL/    |
| S   | 6.8        | TWOLF 0701 B REGS            | 78.25  | 7/5/2007   | BANK HAPOAL/    |
| S   | 20         | PTPLS 0701 A1 REGS           | 90.70  | 6/19/2007  | TOKYO STAR /    |
| S   | 50         | TWOLF 0701 A2 144A           | 84.33  | 6/13/2007  | BASIS CAPITAL   |
| S   | 50         | TWOLF 0701 B 144A            | 77.31  | 6/13/2007  | BASIS CAPITAL   |
| S   | 3          | COOLIDGE EQUITY              | 87.00  | 6/11/2007  | [REDACTED]      |
| S   | 20         | TWOLF 0701 A2 144A           | 84.00  | 6/11/2007  | CARLYLE BLU/    |
| S   | 10         | ALTIUS I C REGS              | 94.00  | 6/11/2007  | [REDACTED]      |
| S   | 56         | TWOLF 0701 A2 REGS           | 84.50  | 6/11/2007  | HUNGKUK LIFE    |
| S   | 17.5       | ALTIUS III S 144A            | 100.07 | 6/8/2007   | [REDACTED]      |
| S   | 10         | ALTIUS IV B REGS             | 100.00 | 6/5/2007   | [REDACTED]      |
| S   | 11.625     | ALTIUS IV C REGS             | 92.68  | 6/4/2007   | [REDACTED]      |
| S   | 36         | ALTIUS IV B REGS             | 98.41  | 6/4/2007   | [REDACTED]      |
| S   | 1.4        | BNLI 061A A2                 | 96.93  | 6/1/2007   | [REDACTED]      |
| S   | 20         | TWOLF 0701 A2 REGS           | 83.90  | 5/30/2007  | TOKYO STAR /    |
| S   | 11         | TWOLF 0701 INCOME NOTE REGS  | 70.00  | 5/24/2007  | GREYWOLF CA/    |
| S   | 40         | PTPLS 0701 A2 144A           | 91.00  | 5/24/2007  | PARAMAX CAP/    |
| S   | 40         | TWOLF 0701 A2 144A           | 87.00  | 5/24/2007  | PARAMAX CAP/    |
| S   | 10         | FORTIUS II A2 144A           | 92.60  | 5/23/2007  | [REDACTED]      |
| S   | 800        | DSQF VII A1A 144A            | 99.37  | 5/22/2007  | [REDACTED]      |
| S   | 620        | DSQF VII A1A 144A            | 99.45  | 5/22/2007  | [REDACTED]      |
| S   | 150        | DSQF VII A1A 144A            | 99.50  | 5/18/2007  | [REDACTED]      |
| S   | 30         | ALTIUS IV A2B 144A           | 99.765 | 5/16/2007  | [REDACTED]      |
| S   | 20         | ALTIUS IV B 144A             | 100    | 5/16/2007  | [REDACTED]      |
| S   | 3          | ALTIUS IV D REGS             | 100    | 5/16/2007  | [REDACTED]      |
| S   | 2          | ALTIUS IV INC NOTES REGS     | 100    | 5/16/2007  | [REDACTED]      |
| S   | 50         | ALTIUS IV A2A REGS           | 100    | 5/15/2007  | [REDACTED]      |
| S   | 13         | ALTIUS IV A2B 144A           | 100    | 5/15/2007  | [REDACTED]      |
| S   | 13         | ALTIUS IV A2B 144A           | 100    | 5/15/2007  | [REDACTED]      |
| S   | 5          | ALTIUS IV C 144A             | 97.131 | 5/15/2007  | GM PENSION      |
| S   | 3          | ALTIUS IV C REGS             | 97.131 | 5/15/2007  | [REDACTED]      |
| S   | 5          | ALTIUS IV D 144A             | 88.939 | 5/15/2007  | [REDACTED]      |
| S   | 3          | ALTIUS IV INC NOTES 144A     | 100    | 5/15/2007  | [REDACTED]      |
| S   | 10         | WESTC 061A B                 | 95.85  | 5/11/2007  | [REDACTED]      |
| S   | 1.6        | CAMBER 7 E REGS              | 54.95  | 5/10/2007  | [REDACTED]      |
| S   | 13         | CAMBER 7 INC NOTES REGS      | 48.00  | 5/10/2007  | [REDACTED]      |
| S   | 2          | GSC 063G C 144A              | 85.50  | 5/9/2007   | [REDACTED]      |
| S   | 50         | TWOLF 0701 A1A 144A          | 99.47  | 5/2/2007   | RABOBANK -      |
| S   | 20         | PTPLS 0701 A2 144A           | 91.3   | 4/24/2007  | MONEYGRAM I     |
| S   | 6          | DSQF VII A3 144A             | 95.39  | 4/24/2007  | [REDACTED]      |
| S   | 20         | TWOLF 0701 A2 144A           | 87.79  | 4/23/2007  | MONEYGRAM I     |
| S   | 15         | PTPLS 0701 D REGS            | 81.72  | 4/19/2007  | BASIS CAPIT     |
| S   | 4          | HUDMZ 061 INCOME NOTES REGS  | 81     | 4/16/2007  | DILLON READ     |
| S   | 3          | ANDY 0701 S 144A             | 100    | 4/13/2007  | MBIA CAPITA     |
| S   | 7          | GSC 063G C 144A              | 84.79  | 4/12/2007  | [REDACTED]      |
| S   | 128        | PTPLS 0701 A1 144A           | 100    | 4/11/2007  | DILLON READ     |
| S   | 85         | PTPLS 0701 A2 144A           | 100    | 4/11/2007  | DILLON READ     |
| S   | 50         | PTPLS 0701 B 144A            | 100    | 4/11/2007  | DILLON READ     |
| S   | 14         | PTPLS 0701 C 144A            | 100    | 4/11/2007  | DILLON READ     |
| S   | 16         | PTPLS 0701 D REGS            | 100    | 4/11/2007  | DILLON READ     |
| S   | 10         | PTPLS 0701 INCOME NOTES REGS | 100    | 4/11/2007  | DILLON READ     |
| S   | 8          | PTPLS 0701 C REGS            | 87.57  | 4/10/2007  | PLENUM ASSE     |
| S   | 11         | PTPLS 0701 D REGS            | 88.39  | 4/10/2007  | MARINER BRI     |
| S   | 15         | LOCH 0601 B 144A             | 90     | 4/6/2007   | [REDACTED]      |
| S   | 20         | TWOLF 0701 C REGS            | 95.15  | 4/4/2007   | GREYWOLF CA     |
| S   | 2          | ANDY 0701 A1B 144A           | 97.39  | 4/3/2007   | BENEFICIAL      |
| S   | 16         | TWOLF 0701 C REGS            | 72.5   | 3/28/2007  | POLYGON INV     |
| S   | 4          | FORTIUS II D REGS            | 83.11  | 3/28/2007  | [REDACTED]      |

\* in CDS format  
\* in CDS format

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations

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|   |     |                             |        |           |             |
|---|-----|-----------------------------|--------|-----------|-------------|
| S | 5   | HUDMZ 061 D REGS            | 83.23  | 3/28/2007 | MARINER BRI |
| S | 5   | COOL C 144A                 | 87.45  | 3/27/2007 | [REDACTED]  |
| S | 11  | ANDY 0701 A2 144A           | 97.24  | 3/26/2007 | PRINCETON A |
| S | 3   | BNLI 061A A2                | 96.93  | 3/22/2007 | [REDACTED]  |
| S | 5   | ANDY 0701 A2 144A           | 96.23  | 3/21/2007 | PIMCO - USA |
| S | 10  | ANDY 0701 C 144A            | 92.38  | 3/21/2007 | GREYWOLF CA |
| S | 9   | BNLI 061A A2                | 96.93  | 3/21/2007 | [REDACTED]  |
| S | 15  | ANDY 0701 A2 144A           | 96.54  | 3/20/2007 | MONEYGRAM I |
| S | 5   | ANDY 0701 B 144A            | 95.5   | 3/20/2007 | MONEYGRAM I |
| S | 50  | TWOLF 0701 A1A 144A         | 99.45  | 3/13/2007 | MBIA CAPITA |
| S | 200 | TWOLF 0701 A1B 144A         | 100    | 3/13/2007 | BEAR STEARN |
| S | 100 | TWOLF 0701 A1C 144A         | 99.71  | 3/13/2007 | BEAR STEARN |
| S | 100 | TWOLF 0701 A1D 144A         | 99.7   | 3/13/2007 | BEAR STEARN |
| S | 30  | TWOLF 0701 D REGS           | 92.41  | 3/13/2007 | GREYWOLF CA |
| S | 11  | TWOLF 0701 INCOME NOTE REGS | 100    | 3/13/2007 | GREYWOLF CA |
| S | 11  | ANDY 0701 D REGS            | 108.21 | 3/12/2007 | GSCP (NJ) L |
| S | 32  | GSC 063G A1B 144A           | 99.07  | 3/9/2007  | [REDACTED]  |
| S | 40  | DSQF VII A2 144A            | 99.01  | 3/8/2007  | [REDACTED]  |
| S | 15  | FORTIUS II A2 144A          | 97.91  | 3/2/2007  | [REDACTED]  |
| S | 5   | FORTIUS II B 144A           | 94.24  | 3/2/2007  | [REDACTED]  |
| S | 1   | CAMBER 7 INC NOTES REGS     | 100    | 2/28/2007 | [REDACTED]  |
| S | 4   | DSQF VII A3 144A            | 99.44  | 2/28/2007 | [REDACTED]  |
| S | 125 | HUDMZ 062 A1 144A           | 98.51  | 2/21/2007 | [REDACTED]  |
| S | 1   | DSQF VII E 144A             | 90     | 2/20/2007 | [REDACTED]  |
| S | 365 | CAMBER 7 A1 144A            | 100    | 2/16/2007 | [REDACTED]  |
| S | 8   | HUDMZ 061 C 144A            | 93.9   | 2/14/2007 | DILLON READ |

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10/11/07

**Permanent Subcommittee on Investigations**

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Hedges - ABX AAA  
Hedges - ABX AA and A  
Hedges - ABX BBB/BBB-  
Hedges - CMBX BBB

|       |        |       |        |
|-------|--------|-------|--------|
| 1,550 | 100.13 | 1,552 |        |
| 662   | 92.75  | 614   |        |
| 219   | 68.24  | 149   | 68.237 |

|                                     |           |    |       |
|-------------------------------------|-----------|----|-------|
| <b>Hedges - ABX BBB/BBB- Bkdown</b> | 06-2 BBB  | 60 | 63    |
|                                     | 06-2 BBB- | 54 | 54.75 |
|                                     | 06-1 BBB  | 56 | 82.25 |
|                                     | 06-1 BBB- | 49 | 73.5  |

SP CDO Debt

| Tranche              | CUSIP      | Deal           | Class | Mdys | S&P  | Deal Type   | 5/25/07 |              |         | Seen A  |       |        | Current |         | Market Value 5/25       | Current Mkt Value |  |
|----------------------|------------|----------------|-------|------|------|-------------|---------|--------------|---------|---------|-------|--------|---------|---------|-------------------------|-------------------|--|
|                      |            |                |       |      |      |             | Face    | Current Face | Change  | 5/25/07 | Mark  | Mark   | Change  | Mark    |                         |                   |  |
| "S" tranche          | [REDACTED] | [REDACTED]     | S     | Aaa  | AAA  | High grade  | 16.7    | -            | (16.7)  | 100.0%  | 0.0%  | n/a    | 16.72   | -       | "S" tranche High grade  |                   |  |
| "S" tranche          | 88714PAA4  | Timberwolf     | S1    | Aaa  | AAA  | CDO-squared | 9.0     | 9.0          | -       | 100.0%  | 99.5% | (0.01) | 9.00    | 9.0     | "S" tranche CDO-squared |                   |  |
| "S" tranche          | 88714PAK2  | Timberwolf     | S2    | Aaa  | AAA  | CDO-squared | 8.3     | 8.3          | -       | 100.0%  | 99.5% | (0.01) | 8.30    | 8.3     | "S" tranche CDO-squared |                   |  |
| "S" tranche          | [REDACTED] | [REDACTED]     | S     | Aaa  | AAA  | High grade  | 20.0    | 20.0         | -       | 100.0%  | 99.5% | (0.01) | 20.00   | 19.9    | "S" tranche High grade  |                   |  |
| "S" tranche          | [REDACTED] | [REDACTED]     | S     | Aaa  | AAA  | Mezz        | 5.3     | 5.3          | -       | 100.0%  | 99.5% | (0.01) | 5.30    | 5.3     | "S" tranche Mezz        |                   |  |
| "S" tranche          | 730594AA6  | Point Pleasant | S     | Aaa  | AAA  | CDO-squared | 6.0     | 6.0          | -       | 100.0%  | 99.5% | (0.01) | 6.00    | 6.0     | "S" tranche CDO-squared |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1-e  | Aaa  | AAA  | High grade  | 1,085.0 | 1,085.0      | -       | 99.5%   | 96.5% | (0.03) | 1079.58 | 1,047.0 | Super Senior High grade |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1    | Aaa  | AAA  | Mezz        | 115.0   | 115.0        | -       | 95.0%   | 85.0% | (0.10) | 109.25  | 97.8    | Super Senior Mezz       |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1    | Aaa  | AAA  | Mezz        | 40.0    | 40.0         | -       | 99.8%   | 99.0% | (0.01) | 39.92   | 39.6    | Super Senior Mezz       |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1-a  | Aaa  | AAA  | Mezz        | 130.0   | 130.0        | -       | 98.7%   | 90.0% | (0.09) | 128.31  | 117.0   | Super Senior Mezz       |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1-b  | Aaa  | AAA  | Mezz        | 51.0    | 51.0         | -       | 94.8%   | 84.0% | (0.11) | 48.35   | 42.8    | Super Senior Mezz       |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | High grade  | 1.8     | 1.8          | -       | 97.5%   | 91.0% | (0.06) | 1.75    | 1.6     | Mezz AAA High grade     |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | Mezz        | 15.0    | 15.0         | -       | 89.8%   | 70.0% | (0.20) | 13.47   | 10.5    | Mezz AAA Mezz           |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | High grade  | 30.5    | 30.5         | -       | 93.5%   | 76.0% | (0.18) | 28.52   | 23.2    | Mezz AAA High grade     |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | High grade  | 3.2     | 1.9          | (1.4)   | 95.0%   | 80.0% | (0.15) | 3.09    | 1.5     | Mezz AAA High grade     |                   |  |
| Mezz AAA             | 88714PAF3  | Timberwolf     | A2    | Aaa  | AAA  | CDO-squared | 245.0   | 99.0         | (146.0) | 80.0%   | 60.0% | (0.20) | 196.00  | 59.4    | Mezz AAA CDO-squared    |                   |  |
| Mezz AAA             | 730594AB4  | Point Pleasant | A1    | Aaa  | AAA  | CDO-squared | 127.5   | 107.5        | (20.0)  | 90.0%   | 77.0% | (0.13) | 114.72  | 62.8    | Mezz AAA CDO-squared    |                   |  |
| Mezz AAA             | 730594AC2  | Point Pleasant | A2    | Aaa  | AAA  | CDO-squared | 35.0    | 35.0         | -       | 82.5%   | 65.0% | (0.18) | 28.88   | 22.8    | Mezz AAA CDO-squared    |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | Mezz        | 40.0    | 40.0         | -       | 80.0%   | 62.5% | (0.18) | 32.00   | 25.0    | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | High grade  | 46.0    | -            | (46.0)  | 98.0%   | 30.0% | (0.68) | 45.08   | -       | AA High grade           |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | Mezz        | 7.0     | 7.0          | -       | 78.3%   | 57.5% | (0.21) | 5.48    | 4.0     | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | A3    | Aa2  | AA   | Mezz        | 5.5     | 5.5          | -       | 95.0%   | 90.0% | (0.05) | 5.23    | 5.0     | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa1  | AA   | High grade  | 10.0    | 10.0         | -       | 89.5%   | 62.5% | (0.27) | 8.95    | 6.3     | AA High grade           |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | Mezz        | 37.7    | 37.7         | -       | 87.8%   | 70.0% | (0.18) | 33.10   | 26.4    | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | Timberwolf     | B     | Aa2  | AA   | CDO-squared | 107.0   | 48.5         | (58.5)  | 65.0%   | 55.0% | (0.10) | 69.55   | 26.7    | AA CDO-squared          |                   |  |
| AA                   | 443860AD3  | Hudson Mz 06-1 | B     | Aa2  | AA   | Mezz        | 51.0    | 51.0         | -       | 82.0%   | 60.0% | (0.22) | 41.82   | 30.6    | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | Mezz        | 24.5    | 24.5         | -       | 71.0%   | 50.0% | (0.21) | 17.40   | 12.3    | AA Mezz                 |                   |  |
| AA                   | 730594AD0  | Point Pleasant | B     | Aa2  | AA   | CDO-squared | 50.0    | 50.0         | -       | 65.0%   | 50.0% | (0.15) | 32.50   | 25.0    | AA CDO-squared          |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 10.0    | -            | (10.0)  | 93.5%   | 0.0%  | n/a    | 9.35    | -       | A High grade            |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 11.6    | -            | (11.6)  | 93.8%   | 0.0%  | n/a    | 10.90   | -       | A High grade            |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A3   | A-   | Mezz        | 0.8     | 0.8          | -       | 82.5%   | 80.0% | (0.13) | 0.58    | 0.5     | A Mezz                  |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 6.0     | 6.0          | -       | 84.0%   | 50.0% | (0.34) | 5.04    | 3.0     | A High grade            |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 24.6    | 24.6         | -       | 87.0%   | 50.0% | (0.37) | 21.40   | 12.3    | A High grade            |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | Mezz        | 6.8     | 6.8          | -       | 91.7%   | 12.0% | (0.80) | 6.21    | 0.8     | A Mezz                  |                   |  |
| A                    | 443860AE1  | Hudson Mz 06-1 | C     | A2   | A    | Mezz        | 109.5   | 109.5        | -       | 60.0%   | 10.0% | (0.50) | 65.70   | 11.0    | A Mezz                  |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | Mezz        | 6.0     | 6.0          | -       | 55.0%   | 25.0% | (0.30) | 3.30    | 1.5     | A Mezz                  |                   |  |
| A                    | 730594AE8  | Point Pleasant | C     | A2   | A    | CDO-squared | 10.1    | 10.1         | -       | 55.0%   | 30.0% | (0.25) | 5.56    | 3.0     | A CDO-squared           |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 12.9    | 12.9         | -       | 70.7%   | 40.0% | (0.31) | 9.13    | 5.2     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 3.9     | 3.9          | -       | 89.0%   | 30.0% | (0.59) | 3.47    | 1.2     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 16.4    | 16.4         | -       | 75.0%   | 40.0% | (0.35) | 12.30   | 6.6     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 4.7     | 4.7          | -       | 85.5%   | 65.0% | (0.21) | 3.99    | 3.0     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 5.0     | 5.0          | -       | 80.2%   | 30.0% | (0.50) | 3.98    | 1.5     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 1.9     | 1.9          | -       | 81.5%   | 65.0% | (0.17) | 1.59    | 1.3     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 1.4     | 1.4          | -       | 83.0%   | 55.0% | (0.28) | 1.18    | 0.8     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | CDO-squared | 14.0    | 14.0         | -       | 67.6%   | 45.0% | (0.23) | 9.46    | 6.3     | BBB CDO-squared         |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | C1    | Baa2 | BBB  | Mezz        | 1.7     | 1.7          | -       | 55.0%   | 45.0% | (0.10) | 0.93    | 0.8     | BBB Mezz                |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 2.7     | 2.7          | -       | 65.5%   | 65.0% | (0.22) | 2.31    | 1.7     | BBB High grade          |                   |  |
| BBB                  | 443860AF8  | Hudson Mz 06-1 | D     | Baa2 | BBB  | Mezz        | 58.6    | 58.6         | -       | 52.0%   | 10.0% | (0.42) | 30.49   | 5.9     | BBB Mezz                |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa1 | BBB+ | Mezz        | 13.2    | 13.2         | -       | 45.0%   | 10.0% | (0.35) | 5.94    | 1.3     | BBB Mezz                |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | E     | Baa3 | BBB- | Mezz        | 2.0     | 2.0          | -       | 40.0%   | 10.0% | (0.30) | 0.80    | 0.2     | BBB Mezz                |                   |  |
| BBB                  | 730591AA2  | Point Pleasant | D     | Baa2 | BBB  | CDO-squared | 3.0     | 3.0          | -       | 50.0%   | 25.0% | (0.25) | 1.50    | 0.8     | BBB CDO-squared         |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | B     | Baa1 |      | Mezz        | 5.0     | 5.0          | -       | 15.0%   | 15.0% | -      | 0.75    | 0.8     | BBB Mezz                |                   |  |
| BB                   | [REDACTED] | [REDACTED]     | E     | Ba1  | BB+  | Mezz        | 7.7     | 7.7          | -       | 50.0%   | 10.0% | (0.40) | 3.83    | 0.8     | BB Mezz                 |                   |  |
| BB                   | [REDACTED] | [REDACTED]     | D     | Ba1  | BB+  | Mezz        | 2.8     | 2.8          | -       | 56.0%   | 30.0% | (0.26) | 1.56    | 0.8     | BB Mezz                 |                   |  |
| BB                   | 443860AG6  | Hudson Mz 06-1 | E     | Ba1  | BB+  | Mezz        | 11.0    | 11.0         | -       | 47.0%   | 10.0% | (0.37) | 5.17    | 1.1     | BB Mezz                 |                   |  |
| BB                   | [REDACTED] | [REDACTED]     | B     | Ba2  | BBB  | Mezz        | 8.0     | 8.0          | -       | 0.5%    | 0.5%  | -      | 0.04    | 0.0     | BB Mezz                 |                   |  |
| Total / Weighted Avg |            |                |       |      |      |             | 2,684.1 | 2,373.9      |         |         |       |        |         |         |                         |                   |  |

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## SP CDO Equity

|                      | Transaction                   | Scen A       |              |        | 5/25/07      |              |        | Current Mkt Value | Comments                                                                                                    |
|----------------------|-------------------------------|--------------|--------------|--------|--------------|--------------|--------|-------------------|-------------------------------------------------------------------------------------------------------------|
|                      |                               | 5/25/07 Face | Current Face | Change | 5/25/07 Mark | Current Mark | Change |                   |                                                                                                             |
| 2002-2004 High Grade | [REDACTED]                    | 4.0          | 4.0          | -      | 50.0%        | 40.0%        | (0.1)  | 2.0               | 1.6 2002-2004 vintage high grade - seasoned portfolio in good shape                                         |
| 2002-2004 High Grade | [REDACTED]                    | 2.0          | 2.0          | -      | 50.0%        | 40.0%        | (0.1)  | 1.0               | 0.8 2002-2004 vintage high grade - seasoned portfolio in good shape                                         |
| 2002-2004 High Grade | [REDACTED]                    | 1.2          | 1.2          | -      | 60.0%        | 48.6%        | (0.1)  | 0.7               | 0.5589 2002-2004 vintage high grade - seasoned portfolio in good shape                                      |
| 2002-2004 High Grade | [REDACTED]                    | 1.5          | 1.5          | -      | 60.0%        | 45.0%        | (0.2)  | 0.9               | 0.675 2002-2004 vintage high grade - seasoned portfolio in good shape                                       |
| 2005-2006 High Grade | [REDACTED]                    | 2.0          | 2.0          | -      | 70.0%        | 56.7%        | (0.1)  | 1.4               | 1.134 2005 vintage high grade - no exposure to 2006 subprime                                                |
| 2005-2006 High Grade | [REDACTED]                    | 4.0          | 4.0          | -      | 59.0%        | 45.0%        | (0.1)  | 2.4               | 1.8 2005 vintage high grade - no exposure to 2006 subprime                                                  |
| 2005-2006 High Grade | [REDACTED]                    | 2.8          | 2.8          | -      | 55.0%        | 30.0%        | (0.3)  | 1.5               | 0.84 2005-2006 vintage high grade - single-A minimum, no problems in portfolio                              |
| 2005-2006 High Grade | [REDACTED]                    | 2.7          | 2.7          | -      | 55.0%        | 44.0%        | (0.1)  | 1.5               | 1.18976 2005-2006 vintage high grade - single-A minimum, no problems in portfolio                           |
| 2005-2006 High Grade | [REDACTED]                    | 3.5          | 3.5          | -      | 55.0%        | 44.0%        | (0.1)  | 1.9               | 1.54 2006 vintage high grade - single-A minimum, no problems in portfolio                                   |
| 2005-2006 High Grade | [REDACTED]                    | 4.5          | 4.5          | -      | 59.0%        | 20.0%        | (0.4)  | 2.6               | 0.894 2006 vintage high grade - single-A minimum, no problems in portfolio                                  |
| 2005-2006 High Grade | [REDACTED]                    | 5.0          | 5.0          | -      | 52.0%        | 25.0%        | (0.3)  | 2.6               | 1.25 2006 vintage high grade - single-A minimum, no problems in portfolio                                   |
| 2005-2006 High Grade | [REDACTED]                    | 4.5          | 4.5          | -      | 86.0%        | 10.0%        | (0.8)  | 3.9               | 0.45 2006 vintage high grade - 100% prime and Alt-A RMBS                                                    |
| 2005-2006 High Grade | [REDACTED]                    | 4.0          | 4.0          | -      | 60.0%        | 48.6%        | (0.1)  | 2.4               | 1.9197 2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems        |
| 2005-2006 High Grade | [REDACTED]                    | 3.0          | 3.0          | -      | 20.0%        | 30.0%        | 0.1    | 0.6               | 0.9099 2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems        |
| 2005-2006 High Grade | [REDACTED]                    | 4.0          | 4.0          | -      | 20.0%        | 16.2%        | (0.0)  | 0.8               | 0.648 2005 vintage high grade - credit is in good shape, but has experienced cashflow problems related to   |
| 2005-2006 High Grade | [REDACTED]                    | 4.6          | 4.6          | -      | 60.0%        | 48.6%        | (0.1)  | 2.8               | 2.25504 2005 vintage high grade - credit is in good shape, but has experienced cashflow problems related to |
| 2005-2006 High Grade | [REDACTED]                    | 2.8          | 2.8          | -      | 81.6%        | 15.0%        | (0.7)  | 2.2               | 0.4125                                                                                                      |
| 2005-2006 High Grade | [REDACTED]                    | 2.0          | 2.0          | -      | 55.0%        | 15.0%        | (0.4)  | 1.1               | 0.3 2006 vintage high grade - portfolio has 0.5% in single-A second liens                                   |
| 2001-2005 Mezz       | [REDACTED]                    | 3.3          | 3.3          | -      | 1.0%         | 0.8%         | (0.0)  | 0.0               | 0.026325 2001 vintage mezz deal - likely no further distributions to equity                                 |
| 2001-2005 Mezz       | [REDACTED]                    | 4.9          | 4.9          | -      | 59.0%        | 10.0%        | (0.5)  | 2.9               | 0.49 2004-2005 vintage mezz deal - seasoned portfolio in good shape                                         |
| 2001-2005 Mezz       | [REDACTED]                    | 5.4          | 2.4          | (3.0)  | 57.0%        | 46.2%        | (0.1)  | 3.1               | 1.10808 2004-2005 vintage mezz deal - seasoned portfolio in good shape                                      |
| 2001-2005 Mezz       | [REDACTED]                    | 2.0          | 2.0          | -      | 58.0%        | 47.0%        | (0.1)  | 1.2               | 0.9396 2004-2005 vintage mezz deal - seasoned portfolio in good shape                                       |
| 2006 Mezz            | [REDACTED]                    | 9.0          | 9.0          | -      | 56.0%        | 1.0%         | (0.6)  | 5.0               | 0.09 2006 vintage mezz deal - 40% RMBS double-B                                                             |
| 2006 Mezz            | [REDACTED]                    | 5.0          | 5.0          | -      | 67.0%        | 5.0%         | (0.6)  | 3.4               | 0.25 2006 vintage mezz deal - 100% ABX 06-1 and 06-1 BBB and BBB-                                           |
| 2006 Mezz            | Hudson Mezzanine 2006-1, Ltd. | 2.5          | 2.5          | -      | 50.0%        | 5.0%         | (0.5)  | 1.3               | 0.125 2006 vintage mezz deal - 60% ABX 06-1 and 06-1 BBB and BBB-                                           |
| 2006 Mezz            | [REDACTED]                    | 12.4         | 12.4         | -      | 50.0%        | 20.0%        | (0.3)  | 6.2               | 2.484 2006 vintage mezz deal - 100% RMBS portfolio                                                          |
| 2006 Mezz            | Anderson                      | 20.9         | 20.9         | -      | 57.0%        | 10.0%        | (0.5)  | 11.9              | 2.0935 2006 vintage mezz deal - 100% RMBS portfolio                                                         |
| CDO-squared          | [REDACTED]                    | 12.0         | 12.0         | -      | 68.0%        | 50.0%        | (0.2)  | 8.2               | 6 2005-2006 vintage single-A deal - quasi-CDO squared with 40% single-A CDOs in portfolio                   |
| CDO-squared          | [REDACTED]                    | 13.5         | 13.5         | -      | 71.0%        | 20.0%        | (0.5)  | 9.6               | 2.7 2005-2006 vintage mezz deal - quasi-CDO squared with 40% triple-B CDOs in portfolio                     |
| CDO-squared          | Point Pleasant                | 10.1         | 10.1         | -      | 71.0%        | 15.0%        | (0.6)  | 7.2               | 1.51275 2005-2006 vintage 100% single-A CDO-squared                                                         |
| Total / Weighted Avg |                               | 159.0        | 156.0        |        | 92.2         | 37.0         |        |                   |                                                                                                             |

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

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Warehouse Transition Account

1b.c.270

| CUSIP                              | NAME                       | Sector | Original Face | Current F | Current Face | Moody's | S&P  | Warehouse | Synthetic? | Coupon / Premium / Margin | Current Mark |
|------------------------------------|----------------------------|--------|---------------|-----------|--------------|---------|------|-----------|------------|---------------------------|--------------|
| 00389PAC9                          | ACABS 2006-2A A2L          | SP CDO | 8,500,000     | 1.00      | 8,475,953    | Aa2     | AA   |           | no         | 0.53%                     | 60.00%       |
| 11838WAC8                          | BUCK 2006-3A D             | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 1.25%                     | 44.00%       |
| 13189BAF8                          | Camber 7 Plc C             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | no         | 2.00%                     | 30.00%       |
| 13189BAF8                          | CAMBR 7A C                 | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 2.00%                     | 30.00%       |
| 13189BAF8                          | CAMBR 7A C                 | SP CDO | 6,000,000     | 1.00      | 6,000,000    | A2      | A    |           | no         | 2.00%                     | 30.00%       |
| 12777CAE9                          | CRNMZ 2006-2A C            | SP CDO | 2,750,000     | 1.00      | 2,750,000    | A2      | A    |           | no         | 1.35%                     | 30.00%       |
| 26442AAD0                          | DUKEF 2006-12A A3          | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | no         | 1.50%                     | 50.00%       |
| 23911AAE7                          | DVSQ 2006-7A B             | SP CDO | 11,000,000    | 1.00      | 11,000,000   | Aa2     | AA   |           | no         | 0.50%                     | 73.00%       |
| 38521TAJ5                          | GRAND 2006-2A B            | SP CDO | 6,000,000     | 1.00      | 6,000,000    | Aa2     | AA   |           | no         | 0.53%                     | 62.00%       |
| 40538UAC6                          | HLCDO 2006-1A B            | SP CDO | 8,400,000     | 1.00      | 8,400,000    | Aa2     | AA   |           | no         | 0.54%                     | 63.00%       |
| 443860AD3                          | HUDMZ 2006-1A B            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | Aa2     | AA   |           | no         | 0.62%                     | 60.00%       |
| 443860AE1                          | HUDMZ 2006-1A C            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | no         | 1.60%                     | 10.00%       |
| 46803EAD5                          | IXCBO 2006-3A A3L          | SP CDO | 9,000,000     | 1.00      | 9,000,000    | A2      | A    |           | no         | 1.40%                     | 47.00%       |
| 487520AJ7                          | KEFT 2006-1A 5             | SP CDO | 6,000,000     | 1.00      | 6,000,000    | A2      | A    |           | no         | 1.35%                     | 37.00%       |
| 53959PAB0                          | LOCH 2006-1A A             | SP CDO | 5,000,000     | 0.98      | 4,949,488    | Aaa     | AAA  |           | no         | 0.45%                     | 80.00%       |
| 53959PAC8                          | LOCH 2006-1A B             | SP CDO | 15,000,000    | 0.99      | 14,840,889   | Aa2     | AA   |           | no         | 0.55%                     | 62.00%       |
| 59802RAL0                          | MIDOR 2006-1A C            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 1.30%                     | 30.00%       |
| 62864UAL2                          | MYSPT 061A C               | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 1.45%                     | 30.00%       |
| 68630QAF4                          | ORIN 20062 C1              | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | no         | 1.50%                     | 25.00%       |
| 74732AAD9                          | PYXIS 2006-1A C            | SP CDO | 14,000,000    | 1.00      | 14,000,000   | A2      | A    |           | no         | 1.40%                     | 30.00%       |
| 87337YAD8                          | TABS CDO 066 A3            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | no         | 1.40%                     | 30.00%       |
| 89054BAE3                          | TOPG 062A B                | SP CDO | 12,000,000    | 1.00      | 12,000,000   | A2      | A    |           | no         | 1.45%                     | 30.00%       |
| 21644AAE9                          | COOL D 144A                | SP CDO | 2,000,000     | 0.90      | 1,802,966    | Baa2    | BBB  |           | no         | 2.75%                     | 45.00%       |
| 23910WAA8                          | DSQF VI D 144A             | SP CDO | 3,125,000     | 0.99      | 3,096,875    | Baa2    | BBB  |           | no         | 3.00%                     | 43.00%       |
| 36293XAH0                          | GSTREET D 144A             | SP CDO | 5,000,000     | 0.94      | 4,722,483    | Baa2    | BBB  |           | no         | 3.00%                     | 60.00%       |
| 52902YAN5                          | LEXN 073A E                | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A3      | A-   |           | no         | 2.00%                     | 42.00%       |
| 85234AAJ5                          | STACK 062A VI              | SP CDO | 5,000,000     | 1.00      | 5,000,000    | Baa2    | BBB  |           | no         | 4.00%                     | 21.00%       |
| 85768TAG4                          | START 05CA D               | SP CDO | 5,000,000     | 0.98      | 4,923,175    | A2      | A-   |           | no         | 2.40%                     | 57.00%       |
| 053500AG9                          | AVNTI 2006-1A B            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.00%                     |              |
| 12777CAE9                          | CRNMZ 2006-2A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.85%                     |              |
| 13189BAF8                          | CAMBR 7A C                 | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 2.55%                     |              |
| 13189TAE2                          | CAMBR 6A D                 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.16%                     |              |
| 362470AC0                          | GSCSF 2005-1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.01%                     |              |
| 46426RAE9                          | ICM 2005-2A C              | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.75%                     |              |
| 49916RAE0                          | KNOLL 2006-2A C            | SP CDO | 10,000,000    | 1.00      | 9,976,220    | A2      | A    |           | yes        | 2.20%                     |              |
| 530150AL5                          | LBRTS 2006-1A D            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.65%                     |              |
| 53160QAC1                          | LBRC 2006-1A C             | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.60%                     |              |
| 578325AD4                          | MAYF 2006-1A A3L           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.10%                     |              |
| 59802RAL0                          | MIDOR 2006-1A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.20%                     |              |
| 612181AJ6                          | MNPT 2006-2A A4            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.05%                     |              |
| 62864UAL2                          | MYSPT 2006-1A C            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 1.75%                     |              |
| 83743LAD0                          | SCF 6A C                   | SP CDO | 10,000,000    | 0.96      | 9,613,457    | A2      | A    |           | yes        | 2.10%                     |              |
| 89643PAD2                          | TRNTY 2005-1A B            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A3      | A-   |           | yes        | 2.20%                     |              |
| 925338AD7                          | VERT 2006-2A A3            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 2.00%                     |              |
| 000829AD3                          | ACABS 2006-AQA A3          | SP CDO | 30,000,000    | 1.00      | 30,000,000   | A2      | A    |           | yes        | 1.70%                     |              |
| 142146AE9                          | CACDO 2006-1A C1           | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.55%                     |              |
| 26139UAD4                          | DRACO 2007-1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.85%                     |              |
| 53160QAC1                          | LBRC 2006-1A C             | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.70%                     |              |
| 65882WAE5                          | NCOVE 2006-3A C            | SP CDO | 7,500,000     | 0.98      | 7,335,668    | A3      | A-   |           | yes        | 1.85%                     |              |
| 68626VAC6                          | ORIN 2006-1 C              | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.70%                     |              |
| 74732AAD9                          | PYXIS 2006-1A C            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.70%                     |              |
| 11838WAC8                          | BUCK 2006-3A D             | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 1.50%                     |              |
| 13189LAD1                          | CAMBR 5A B                 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A3      | A-   |           | yes        | 2.26%                     |              |
| 12777CAE9                          | CRNMZ 2006-2A C            | SP CDO | 7,750,000     | 1.00      | 7,750,000    | A2      | A    |           | yes        | 1.62%                     |              |
| 17305CAD1                          | CTIUS 2006-1A C            | SP CDO | 10,000,000    | 0.91      | 9,072,767    | A2      | A    |           | yes        | 1.61%                     |              |
| 23910VAH5                          | DVSQ 2006-6A C             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.47%                     |              |
| 36106BAD1                          | FRLNG 2006-1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.76%                     |              |
| 38521TAL0                          | GRAND 2006-2A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A3      | A-   |           | yes        | 1.51%                     |              |
| 46426TAD5                          | ICM 2006-HG1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.52%                     |              |
| 46265BAJ7                          | IPSW 2006-1A C             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.75%                     |              |
| 490562AG0                          | KENT 2006-2A C             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.80%                     |              |
| 59802RAL0                          | MIDOR 2006-1A C            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 1.67%                     |              |
| 68619PAA2                          | ORPT 2006-1A D             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.35%                     |              |
| 89054BAE3                          | TOPG 2006-2A B             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.00%                     |              |
| 87337YAF3                          | TABS 2006-6A B2            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | BBB     | Baa2 |           | yes        | 4.55%                     |              |
| <b>CDS that have been unwound:</b> |                            |        |               |           |              |         |      |           |            |                           |              |
| 53160QAC1                          | LBRC 2006-1A C             | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.60%                     |              |
| 925338AD7                          | Vertical ABS CDO 2006-2 A3 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.91%                     |              |
| 925345AE0                          | Vertical ABS CDO 2006-1 A3 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.91%                     |              |
| 13189TAE2                          | CAMBR 6A D                 | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.73%                     |              |
| 12776YAD4                          | CRNMZ 2006-1A 5            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.67%                     |              |
| 26441NAD3                          | DUKEF 06-10A A3            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.47%                     |              |
| 37638NAD3                          | GLCR 2006-4A C             | SP CDO | 15,000,000    | 0.99      | 14,904,457   | A2      | A    |           | yes        | 1.67%                     |              |
| 45072HAJ9                          | IXCBO 2006-2A C            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.67%                     |              |
| 13189TAE2                          | CAMBR 6A D                 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.13%                     |              |
| 12776YAD4                          | CRNMZ 2006-1A 5            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.86%                     |              |
| 46426YAC8                          | ICM 2006-S2A-A3L           | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.30%                     |              |
| 487520AJ7                          | KEFT 2006-1A 5             | SP CDO | 4,000,000     | 1.00      | 4,000,000    | A2      | A    |           | yes        | 1.89%                     |              |
| 62864UAL2                          | MYSPT 2006-1A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.27%                     |              |
| 85233TAD8                          | STAK 2006-1A 5             | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.20%                     |              |
| 87337YAC0                          | TABS 2006-6A A2            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | Aa2     | AA   |           | yes        | 0.66%                     |              |
| 94769WAG8                          | WEBS 2006-1A A3L           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.82%                     |              |

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WH Summary RMBS

| Bond           | Pos<br>(MM) | C/F<br>(MM) | Spread<br>Bid | Cusip        | Mkt Value |
|----------------|-------------|-------------|---------------|--------------|-----------|
| ACCR 071 M6    | 3           | 3           |               | 65 00438QAK0 | 1.95      |
| JPMAC 06RM1 M6 | 7.278       | 7.278       |               | 65 46629NAM5 | 4.7307    |
| LBMLT 067 M6   | 10.378      | 10.378      |               | 60 54251TAL3 | 6.2268    |
| LBMLT 068 M6   | 3.33        | 3.33        |               | 60 54251UAL0 | 1.998     |
| LBMLT 069 M6   | 6           | 6           |               | 60 54251WAL6 | 3.6       |
| MLMI 06MLN1 M6 | 4           | 4           |               | 72 59023AAL0 | 2.88      |
| SABR 06NC3 M5  | 2           | 2           |               | 82 81377CAH1 | 1.64      |
| SAST 063 M6    | 4           | 4           |               | 62 80556AAK3 | 2.48      |
| BLTN 061A A1   | 27          | 27          |               | 98 058521AA3 | 26.46     |
|                |             | 66.986      |               |              | 51.9655   |

77.57666

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SP CDO Hedges

| CUSIP     | NAME              | Sector         | Original Face    | Current Factor | Current Face      | Coupon /<br>Premium /<br>Margin |
|-----------|-------------------|----------------|------------------|----------------|-------------------|---------------------------------|
| 88714PAF3 | TWOLF 2007-1A A2  | CDO Squared    | \$ 50,000,000.00 | 1              | \$ 50,000,000.00  | 90                              |
| 88714PAG1 | TWOLF 2007-1A B   | CDO Squared    | \$ 50,000,000.00 | 1              | \$ 50,000,000.00  | 140                             |
| 878046AE1 | TAZ 2006-1A B     | CDO Mezzanine  | \$ 15,000,000.00 | 1              | \$ 15,000,000.00  | 305                             |
| 08861KAB2 | BFCSL 2006-1A C   | CDO Mezzanine  | \$ 15,000,000.00 | 1              | \$ 15,000,000.00  | 260                             |
| 464267AC7 | ICM 2006-HG1A A2  | CDO Mezzanine  | \$ 15,000,000.00 | 1              | \$ 15,000,000.00  | 125                             |
| 413358AC6 | HARP 2006-1A B    | CDO High Grade | \$ 15,000,000.00 | 1              | \$ 15,000,000.00  | 50                              |
| 296605AD0 | ESPF 2006-1A A4   | CDO High Grade | \$ 15,000,000.00 | 1              | \$ 15,000,000.00  | 350                             |
| 26450BAC9 | DUKEF 2006-HG5A   | CDO High Grade | \$ 15,000,000.00 | 1              | \$ 15,000,000.00  | 250                             |
| 068325AB5 | BARM 2006-1A A2   | CDO Mezzanine  | \$ 12,500,000.00 | 1              | \$ 12,500,000.00  | 177                             |
| 13189TAE2 | CAMBR 6A D        | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 145                             |
| 92534FAD0 | VRGO 2006-1A A3   | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 274                             |
| 80918HAE5 | SCORP 2006-1A B   | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 65                              |
| 402552AE3 | GSATL 2007-1A B   | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 375                             |
| 53160QAC1 | LBRAC 2006-1A C   | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 645                             |
| 13189BAE1 | CAMBR 7A B        | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 275                             |
| 62864UAL2 | MYSPT 2006-1A C   | CDO Mezzanine  | \$ 7,500,000.00  | 1              | \$ 7,500,000.00   | 575                             |
| 02076YAC4 | ALPHA 2007-1A 3   | CDO Mezzanine  | \$ 7,500,000.00  | 1              | \$ 7,500,000.00   | 400                             |
| 00081NAC5 | ACABS 2005-1A A2  | CDO Mezzanine  | \$ 7,500,000.00  | 1              | \$ 7,500,000.00   | 102                             |
| 26441EAE1 | DUKEF 2005-HG1A   | CDO High Grade | \$ 7,500,000.00  | 1              | \$ 7,500,000.00   | 185                             |
| 02076YAA8 | ALPHA 2007-1A 2   | CDO Mezzanine  | \$ 6,250,000.00  | 1              | \$ 6,250,000.00   | 231                             |
| 26450AAA5 | DUKEF 2005-9A A1  | CDO Mezzanine  | \$ 6,250,000.00  | 1              | \$ 6,250,000.00   | 102                             |
| 45072HAJ9 | IXCBO 2006-2A C   | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 132                             |
| 45072HAJ9 | IXCBO 2006-2A C   | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 132                             |
| 26442AAD0 | DUKEF 2006-12A A3 | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 202                             |
| 45072HAJ9 | IXCBO 2006-2A C   | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 145                             |
| 50011PAC0 | KDIAC 2006-1A B   | CDO High Grade | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 65                              |
| 925338AC9 | VERT 2006-2A A2   | CDO Mezzanine  | \$ 4,776,000.00  | 1              | \$ 4,776,000.00   | 137                             |
| 053500AE4 | AVNTI 2006-1A A3  | CDO Mezzanine  | \$ 4,776,000.00  | 1              | \$ 4,776,000.00   | 77                              |
| 13189BAE1 | CAMBR 7A B        | CDO Mezzanine  | \$ 4,776,000.00  | 1              | \$ 4,776,000.00   | 77                              |
| 49916RAD2 | KNOLL 2006-2A B   | CDO Mezzanine  | \$ 4,350,000.00  | 0.997621988    | \$ 4,339,655.65   | 213                             |
| 925338AC9 | VERT 2006-2A A2   | CDO Mezzanine  | \$ 3,000,000.00  | 1              | \$ 3,000,000.00   | 137                             |
| 13189BAE1 | CAMBR 7A B        | CDO Mezzanine  | \$ 3,000,000.00  | 1              | \$ 3,000,000.00   | 77                              |
| 053500AE4 | AVNTI 2006-1A A3  | CDO Mezzanine  | \$ 3,000,000.00  | 1              | \$ 3,000,000.00   | 77                              |
| 00082NAC4 | ACABS 2005-2A A2V | CDO Mezzanine  | \$ 2,500,000.00  | 0.876414657    | \$ 2,191,036.64   | 312                             |
| 068325AC3 | BARM 2006-1A B    | CDO Mezzanine  | \$ 2,500,000.00  | 1              | \$ 2,500,000.00   | 312                             |
| 12777CAC3 | CRNMZ 2006-2A B1  | CDO Mezzanine  | \$ 2,500,000.00  | 1              | \$ 2,500,000.00   | 312                             |
| 85233XAB3 | STAK 2005-2A C    | CDO Mezzanine  | \$ 2,500,000.00  | 1              | \$ 2,500,000.00   | 312                             |
| 00082NAC4 | ACABS 2005-2A A2V | CDO Mezzanine  | \$ 2,500,000.00  | 0.876414657    | \$ 2,191,036.64   | 312                             |
| 053500AE4 | AVNTI 2006-1A A3  | CDO Mezzanine  | \$ 2,500,000.00  | 1              | \$ 2,500,000.00   | 312                             |
| 14167CAC7 | CABAY 2006-1A A2  | CDO Mezzanine  | \$ 2,500,000.00  | 1              | \$ 2,500,000.00   | 312                             |
| 12498YAC3 | CBCL 16A B        | CDO Mezzanine  | \$ 2,500,000.00  | 1              | \$ 2,500,000.00   | 312                             |
| 925338AC9 | VERT 2006-2A A2   | CDO Mezzanine  | \$ 2,224,000.00  | 1              | \$ 2,224,000.00   | 137                             |
| 13189BAE1 | CAMBR 7A B        | CDO Mezzanine  | \$ 2,224,000.00  | 1              | \$ 2,224,000.00   | 77                              |
| 053500AE4 | AVNTI 2006-1A A3  | CDO Mezzanine  | \$ 2,224,000.00  | 1              | \$ 2,224,000.00   | 77                              |
| 49916RAD2 | KNOLL 2006-2A B   | CDO Mezzanine  | \$ 2,025,000.00  | 0.997621988    | \$ 2,020,184.53   | 213                             |
| 62864UAL2 | MYSPT 2006-1A C   | CDO Mezzanine  | \$ 2,000,000.00  | 1              | \$ 2,000,000.00   | 575                             |
| 49916RAD2 | KNOLL 2006-2A B   | CDO Mezzanine  | \$ 1,125,000.00  | 0.997621988    | \$ 1,122,324.74   | 213                             |
| 05539MAD2 | BFCGE 2006-1A A3L | CDO Mezzanine  | \$ 500,000.00    | 0.99088516     | \$ 495,442.58     | 225                             |
| 085558AE4 | BNLI 2006-1A A2   | CDO High Grade | \$ 5,000,000.00  | 0.977047155    | \$ 4,885,235.77   | 250                             |
| 85768PAB3 | START 2005-AA B   | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 407                             |
| 74956AAC0 | RFCCD 2005-3A C   | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 585                             |
| 61239QAD9 | MONT 2006-1A A3   | CDO Mezzanine  | \$ 5,000,000.00  | 0.978072085    | \$ 4,890,360.42   | 250                             |
| 13189BAE1 | CAMBR 7A B        | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 572                             |
| 92534EAD3 | VERT 2005-1A C    | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 445                             |
| 85233VAC5 | STACK 2004-1A C   | CDO Mezzanine  | \$ 5,000,000.00  | 1              | \$ 5,000,000.00   | 405                             |
| 722694AD8 | PINEM 2005-A C    | CDO Mezzanine  | \$ 10,000,000.00 | 1              | \$ 10,000,000.00  | 175                             |
| 417214AC7 | HARTS 2007-1A A2  | CLO            | \$ 1,600,000.00  | 1              | \$ 1,599,642.12   | 380                             |
|           |                   |                |                  |                | \$ 340,734,919.09 |                                 |

1073-2

**From:** ficc-ops-cdopricing  
**Sent:** Thursday, July 05, 2007 12:08 PM  
**To:** jkrause@moneygram.com; njones@moneygram.com  
**Cc:** ficc-ops-cdopricing; Gilligan, Brendan [Sec Div]  
**Subject:** MoneyGram Marks from GS as of 06/29/07

| Description      | Identifier | Cash Bid Price | Bid for Protection | Size |
|------------------|------------|----------------|--------------------|------|
| ANDY 2007-1A A2  | 034050AD6  | 90.16295       | 91.91295           | 3mm  |
| ANDY 2007-1A B   | 034050AE4  | 82.15          | 85.15              | 3mm  |
| [REDACTED]       | [REDACTED] | 92.14          | 93.64              | 3mm  |
| [REDACTED]       | [REDACTED] | 86.3           | 88.3               | 3mm  |
| [REDACTED]       | [REDACTED] | 80.2052        | 83.2052            | 3mm  |
| PTPLS 2007-1A A2 | 730594AC2  | 81             | 84                 | 3mm  |
| [REDACTED]       | [REDACTED] | 98.3125        | NA                 | 3mm  |
| TWOLF 2007-1A A2 | 88714PAF3  | 83             | 86                 | 3mm  |
| [REDACTED]       | [REDACTED] | 80.32          | 83.32              | 3mm  |
| [REDACTED]       | [REDACTED] | 70.37          | 73.37              | 3mm  |

Disclaimer: The attached information regarding the valuation of instruments is being provided at your request for your consideration and internal use only and not for the purpose of soliciting or recommending any action by you. You should carefully review the explanations that are included with the attached information and ensure that you understand the information that is being provided. Any questions regarding the nature of this information should be raised promptly with your Goldman Sachs contact person. The valuation listed in the attached information represents (i) the bid price at which Goldman, Sachs or one of its affiliates ("Goldman Sachs") would have been prepared to buy the specified instrument; and, (ii) if applicable, the price at which Goldman Sachs would have been prepared to enter into a credit default product by which Goldman Sachs would buy protection on the specified instrument. In each case, the valuation is valid only as of the open of business in New York on the date of the information; such valuation is not applicable at any other time. Moreover, such valuation may be affected by orders entered or transactions executed by us or other market participants after the time of the valuation. In addition, the valuations listed in the attached information are expressed in terms of a position in the relevant instrument of a specified size, which is not necessarily the size of any actual position, and the valuation is applicable only with respect to the specified size. The valuation does not indicate a price at which Goldman Sachs would be willing to enter into a transaction with respect to any other size, nor does it reflect a valuation that relates to (or may be extrapolated to) a position or transaction of any other size. In the future, Goldman Sachs may change the transaction size for which valuations are provided without notice. Because the valuations included in the attached information relate to different types of instruments, these valuations should not be used as the basis for determining a mid-market valuation. The valuations listed in the attached information do not necessarily reflect your entire portfolio. In determining the valuation of an instrument, Goldman Sachs might not take into account certain factors, including, without limitation, liquidity adjustments appropriate given the position size. In addition, the considerations and approach utilized in preparing such valuations may differ from those utilized by Goldman Sachs in valuing positions for purposes of its own books and records. Without limitation of the foregoing, Goldman Sachs may utilize valuation models for its own books to generate mid-market valuations that differ from the mid-point between bids and offers used to value client positions.

[REDACTED] = Redacted by the Permanent  
 Subcommittee on Investigations

Permanent Subcommittee on Investigations  
 Wall Street & The Financial Crisis  
 Report Footnote #2406

**Retained & Warehouse - Risk****6/29/2007**Current Face

| Sector                        | Notionals (\$mm) |              | Difference |
|-------------------------------|------------------|--------------|------------|
|                               | 5/25/2007        | Today        |            |
| <b>Retained CDOs</b>          |                  |              |            |
| "S" tranche                   | 65               | 49           | 17         |
| Super Senior                  | 1,421            | 1,421        | -          |
| Mezz AAA                      | 458              | 291          | 167        |
| AA                            | 379              | 283          | 96         |
| A                             | 185              | 164          | 22         |
| BBB                           | 146              | 146          | -          |
| BB                            | 29               | 29           | -          |
| Equity                        | 159              | 156          | 3          |
| <b>Total - Retained</b>       | <b>2,843</b>     | <b>2,538</b> | <b>305</b> |
| <b>Warehouse Transition</b>   |                  |              |            |
| WH Assets - SP CDO cash + CDS | 742              | 600          | 142        |
| WH Assets - RMBS              | 390              | 67           | 323        |
| WH Assets - CMBS              | 119              | -            | 119        |
| WH Assets - CLO               | 70               | -            | 70         |
| <b>Total - WH Transition</b>  | <b>1,320</b>     | <b>667</b>   | <b>653</b> |
| <b>Hedges</b>                 |                  |              |            |
| Hedges - SP CDO CDS           | 153              | 341          | (188)      |
| Hedges - ABX AAA              | 1,550            | 1,550        | -          |
| Hedges - ABX AA and A         | 1,109            | 662          | 447        |
| Hedges - ABX BBB/BBB-         | 649              | 359          | 290        |
| Hedges - CMBX BBB             | 50               | -            | 50         |
| <b>Total - Hedges</b>         | <b>3,511</b>     | <b>2,912</b> | <b>599</b> |

# Retained & Warehouse - Risk

6/29/2007

Market Value

|                         | 5/25/2007               | Today        |                   |
|-------------------------|-------------------------|--------------|-------------------|
| <u>Sector</u>           | <u>Notionals (\$mm)</u> |              | <u>Difference</u> |
| <u>Retained CDOs</u>    |                         |              |                   |
| "S" tranche             | 65                      | 49           | 17                |
| Super Senior            | 1,405                   | 1,389        | 16                |
| Mezz AAA                | 386                     | 237          | 150               |
| AA                      | 291                     | 200          | 92                |
| A                       | 128                     | 89           | 39                |
| BBB                     | 88                      | 66           | 22                |
| BB                      | 11                      | 8            | 3                 |
| Equity                  | 92                      | 71           | 21                |
| <b>Total - Retained</b> | <b>2,467</b>            | <b>2,108</b> | <b>359</b>        |

Warehouse

|                               |              |            |            |
|-------------------------------|--------------|------------|------------|
| <u>Transition</u>             |              |            |            |
| WH Assets - SP CDO cash + CDS | 518          | 407        | 111        |
| WH Assets - RMBS              | 341          | 49         | 291        |
| WH Assets - CMBS              | 104          | -          | 104        |
| WH Assets - CLO               | 54           | -          | 54         |
| <b>Total - WH Transition</b>  | <b>1,016</b> | <b>456</b> | <b>560</b> |

Hedges

|                       |              |              |            |
|-----------------------|--------------|--------------|------------|
| Hedges - SP CDO CDS   | 142          | 301          | (160)      |
| Hedges - ABX AAA      | 1,553        | 1,553        | -          |
| Hedges - ABX AA and A | 1,094        | 631          | 464        |
| Hedges - ABX BBB/BBB- | 530          | 262          | 267        |
| Hedges - CMBX BBB     | 52           | -            | 52         |
| <b>Total - Hedges</b> | <b>3,371</b> | <b>2,748</b> | <b>571</b> |

1000

SP CDO Debt

| Tranche              | CUSIP      | Deal           | Class | Mdys | S&P  | Deal Type   | 5/25/07 |              |         | Scen A  |        |        | Current |         | Market Value 5/25       | Current Mkt Value |  |
|----------------------|------------|----------------|-------|------|------|-------------|---------|--------------|---------|---------|--------|--------|---------|---------|-------------------------|-------------------|--|
|                      |            |                |       |      |      |             | Face    | Current Face | Change  | 5/25/07 | Mark   | Mark   | Change  | Mark    |                         |                   |  |
| "S" tranche          | [REDACTED] | [REDACTED]     | S     | Aaa  | AAA  | High grade  | 16.7    | -            | (16.7)  | 100.0%  | 100.0% | -      | 16.72   | -       | "S" tranche High grade  |                   |  |
| "S" tranche          | 88714PA44  | Timberwolf     | S1    | Aaa  | AAA  | CDO-squared | 9.0     | 9.0          | -       | 100.0%  | 100.0% | -      | 9.00    | 9.0     | "S" tranche CDO-squared |                   |  |
| "S" tranche          | 88714PAK2  | Timberwolf     | S2    | Aaa  | AAA  | CDO-squared | 8.3     | 8.3          | -       | 100.0%  | 100.0% | -      | 8.30    | 8.3     | "S" tranche CDO-squared |                   |  |
| "S" tranche          | [REDACTED] | [REDACTED]     | S     | Aaa  | AAA  | High grade  | 20.0    | 20.0         | -       | 100.0%  | 100.0% | -      | 20.00   | 20.0    | "S" tranche High grade  |                   |  |
| "S" tranche          | [REDACTED] | [REDACTED]     | S     | Aaa  | AAA  | Mezz        | 5.3     | 5.3          | -       | 100.0%  | 100.0% | -      | 5.30    | 5.3     | "S" tranche Mezz        |                   |  |
| "S" tranche          | 730594AA8  | Point Pleasant | S     | Aaa  | AAA  | CDO-squared | 6.0     | 6.0          | -       | 100.0%  | 100.0% | -      | 6.00    | 6.0     | "S" tranche CDO-squared |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1-e  | Aaa  | AAA  | High grade  | 1,085.0 | 1,085.0      | -       | 99.5%   | 98.5%  | (0.01) | 1079.58 | 1,069.1 | Super Senior High grade |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1    | Aaa  | AAA  | Mezz        | 115.0   | 115.0        | -       | 95.0%   | 92.5%  | (0.03) | 109.25  | 106.3   | Super Senior Mezz       |                   |  |
| Super Senior         | [REDACTED] | [REDACTED]     | A1    | Aaa  | AAA  | Mezz        | 40.0    | 40.0         | -       | 99.8%   | 99.3%  | (0.01) | 39.92   | 39.7    | Super Senior Mezz       |                   |  |
| Super Senior         | 034050AB0  | Anderson       | A1-a  | Aaa  | AAA  | Mezz        | 130.0   | 130.0        | -       | 98.7%   | 97.3%  | (0.01) | 128.31  | 126.4   | Super Senior Mezz       |                   |  |
| Super Senior         | 034050AC8  | Anderson       | A1-b  | Aaa  | AAA  | Mezz        | 51.0    | 51.0         | -       | 94.8%   | 93.0%  | (0.02) | 48.35   | 47.4    | Super Senior Mezz       |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | High grade  | 1.8     | 1.8          | -       | 97.5%   | 96.0%  | (0.01) | 1.75    | 1.7     | Mezz AAA High grade     |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | Mezz        | 15.0    | 15.0         | -       | 89.8%   | 83.3%  | (0.06) | 13.47   | 12.5    | Mezz AAA Mezz           |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | High grade  | 30.5    | 30.5         | -       | 93.5%   | 86.4%  | (0.07) | 28.52   | 26.4    | Mezz AAA High grade     |                   |  |
| Mezz AAA             | [REDACTED] | [REDACTED]     | A2    | Aaa  | AAA  | High grade  | 3.2     | 1.9          | (1.4)   | 95.0%   | 92.4%  | (0.03) | 3.09    | 1.7     | Mezz AAA High grade     |                   |  |
| Mezz AAA             | [REDACTED] | Timberwolf     | A2    | Aaa  | AAA  | CDO-squared | 245.0   | 99.0         | (146.0) | 80.0%   | 75.0%  | (0.05) | 198.00  | 74.3    | Mezz AAA CDO-squared    |                   |  |
| Mezz AAA             | 730594AB4  | Point Pleasant | A1    | Aaa  | AAA  | CDO-squared | 127.5   | 107.5        | (20.0)  | 90.0%   | 87.0%  | (0.03) | 114.72  | 93.5    | Mezz AAA CDO-squared    |                   |  |
| Mezz AAA             | 730594AC2  | Point Pleasant | A2    | Aaa  | AAA  | CDO-squared | 35.0    | 35.0         | -       | 82.5%   | 76.0%  | (0.06) | 28.88   | 26.6    | Mezz AAA CDO-squared    |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | Mezz        | 40.0    | 40.0         | -       | 80.0%   | 72.1%  | (0.08) | 32.00   | 28.8    | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | High grade  | 46.0    | -            | (46.0)  | 98.0%   | 0.0%   | (0.98) | 45.08   | -       | AA High grade           |                   |  |
| AA                   | 347203AE1  | Fort Denison   | B     | Aa2  | AA   | Mezz        | 7.0     | 7.0          | -       | 78.3%   | 68.4%  | (0.10) | 5.48    | 4.8     | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | A3    | Aa2  | AA   | Mezz        | 5.5     | 5.5          | -       | 95.0%   | 90.4%  | (0.05) | 5.23    | 5.0     | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa1  | AA   | High grade  | 10.0    | 10.0         | -       | 89.5%   | 75.9%  | (0.14) | 8.95    | 7.8     | AA High grade           |                   |  |
| AA                   | 034050AE4  | Anderson       | B     | Aa2  | AA   | Mezz        | 37.7    | 37.7         | -       | 87.8%   | 82.9%  | (0.05) | 33.10   | 31.2    | AA Mezz                 |                   |  |
| AA                   | 88714PAG1  | Timberwolf     | B     | Aa2  | AA   | CDO-squared | 107.0   | 57.0         | (50.0)  | 65.0%   | 66.3%  | 0.01   | 69.55   | 37.8    | AA CDO-squared          |                   |  |
| AA                   | 443860AD3  | Hudson Mz 06-1 | B     | Aa2  | AA   | Mezz        | 51.0    | 51.0         | -       | 82.0%   | 74.2%  | (0.08) | 41.82   | 37.9    | AA Mezz                 |                   |  |
| AA                   | [REDACTED] | [REDACTED]     | B     | Aa2  | AA   | Mezz        | 24.5    | 24.5         | -       | 71.0%   | 63.2%  | (0.08) | 17.40   | 15.5    | AA Mezz                 |                   |  |
| AA                   | 730594AD0  | Point Pleasant | B     | Aa2  | AA   | CDO-squared | 50.0    | 50.0         | -       | 65.0%   | 62.0%  | (0.03) | 32.50   | 31.0    | AA CDO-squared          |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 10.0    | -            | (10.0)  | 93.5%   | 0.0%   | (0.94) | 9.35    | -       | A High grade            |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 11.6    | -            | (11.6)  | 93.8%   | 0.0%   | n/a    | 10.90   | -       | A High grade            |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A3   | A-   | Mezz        | 0.6     | 0.6          | -       | 92.5%   | 92.5%  | -      | 0.58    | 0.6     | A Mezz                  |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 6.0     | 6.0          | -       | 84.0%   | 67.0%  | (0.17) | 5.04    | 4.0     | A High grade            |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | High grade  | 24.6    | 24.6         | -       | 87.0%   | 67.2%  | (0.20) | 21.40   | 16.5    | A High grade            |                   |  |
| A                    | 034050AF1  | Anderson       | C     | A2   | A    | Mezz        | 6.8     | 6.8          | -       | 91.7%   | 78.8%  | (0.13) | 6.21    | 5.3     | A Mezz                  |                   |  |
| A                    | 443860AE1  | Hudson Mz 06-1 | C     | A2   | A    | Mezz        | 109.5   | 109.5        | -       | 60.0%   | 50.8%  | (0.09) | 65.70   | 55.8    | A Mezz                  |                   |  |
| A                    | [REDACTED] | [REDACTED]     | C     | A2   | A    | Mezz        | 6.0     | 6.0          | -       | 55.0%   | 40.9%  | (0.14) | 3.30    | 2.5     | A Mezz                  |                   |  |
| A                    | 730594AE8  | Point Pleasant | C     | A2   | A    | CDO-squared | 10.1    | 10.1         | -       | 55.0%   | 48.0%  | (0.07) | 5.56    | 4.8     | A CDO-squared           |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 12.9    | 12.9         | -       | 70.7%   | 56.4%  | (0.14) | 9.13    | 7.3     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 3.9     | 3.9          | -       | 89.0%   | 74.6%  | (0.14) | 3.47    | 2.9     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 16.4    | 16.4         | -       | 75.0%   | 55.7%  | (0.19) | 12.30   | 9.1     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 4.7     | 4.7          | -       | 85.5%   | 83.3%  | (0.02) | 3.99    | 3.9     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 5.0     | 5.0          | -       | 80.2%   | 36.4%  | (0.44) | 3.98    | 1.8     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 1.9     | 1.9          | -       | 81.5%   | 73.7%  | (0.08) | 1.59    | 1.4     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 1.4     | 1.4          | -       | 83.0%   | 69.8%  | (0.13) | 1.18    | 1.0     | BBB High grade          |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | CDO-squared | 14.0    | 14.0         | -       | 67.6%   | 53.1%  | (0.15) | 9.46    | 7.4     | BBB CDO-squared         |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | C1    | Baa2 | BBB  | Mezz        | 1.7     | 1.7          | -       | 55.0%   | 55.0%  | -      | 0.93    | 0.9     | BBB Mezz                |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa2 | BBB  | High grade  | 2.7     | 2.7          | -       | 86.5%   | 72.2%  | (0.14) | 2.31    | 1.9     | BBB High grade          |                   |  |
| BBB                  | 443860AF6  | Hudson Mz 06-1 | D     | Baa2 | BBB  | Mezz        | 58.6    | 58.6         | -       | 52.0%   | 37.3%  | (0.15) | 30.49   | 21.9    | BBB Mezz                |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | D     | Baa1 | BBB+ | Mezz        | 13.2    | 13.2         | -       | 45.0%   | 30.3%  | (0.15) | 5.94    | 4.0     | BBB Mezz                |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | E     | Baa3 | BBB- | Mezz        | 2.0     | 2.0          | -       | 40.0%   | 26.4%  | (0.14) | 0.80    | 0.5     | BBB Mezz                |                   |  |
| BBB                  | 730591AA2  | Point Pleasant | D     | Baa2 | BBB  | CDO-squared | 3.0     | 3.0          | -       | 50.0%   | 40.0%  | (0.10) | 1.50    | 1.2     | BBB CDO-squared         |                   |  |
| BBB                  | [REDACTED] | [REDACTED]     | B     | Baa1 |      | Mezz        | 5.0     | 5.0          | -       | 15.0%   | 15.0%  | -      | 0.75    | 0.8     | BBB Mezz                |                   |  |
| BB                   | [REDACTED] | [REDACTED]     | E     | Ba1  | BB+  | Mezz        | 7.7     | 7.7          | -       | 50.0%   | 31.9%  | (0.18) | 3.83    | 2.4     | BB Mezz                 |                   |  |
| BB                   | [REDACTED] | [REDACTED]     | D     | Ba1  | BB+  | Mezz        | 2.8     | 2.8          | -       | 56.0%   | 50.4%  | (0.06) | 1.56    | 1.4     | BB Mezz                 |                   |  |
| BB                   | 443860AG6  | Hudson Mz 06-1 | E     | Ba1  | BB+  | Mezz        | 11.0    | 11.0         | -       | 47.0%   | 33.4%  | (0.14) | 5.17    | 3.7     | BB Mezz                 |                   |  |
| BB                   | [REDACTED] | [REDACTED]     | B     | Ba2  | BBB  | Mezz        | 8.0     | 8.0          | -       | 0.5%    | 0.5%   | -      | 0.04    | 0.0     | BB Mezz                 |                   |  |
| Total / Weighted Avg |            |                |       |      |      |             | 2,684.1 | 2,605.0      |         |         |        |        |         |         |                         |                   |  |

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations  
 Document originally produced in excel format; reformatted/margins modified for readability and printing purposes by the Subcommittee. Original document retained in the Subcommittee files.

Warehouse Transition Account

67.78%

| CUSIP                       | NAME                       | Sector | Original Face | Current F | Current Face | Moody's | S&P  | Warehouse | Synthetic? | Coupon / Premium / Margin | Current Mark | MV               |
|-----------------------------|----------------------------|--------|---------------|-----------|--------------|---------|------|-----------|------------|---------------------------|--------------|------------------|
| 00389PAC9                   | ACABS 2006-2A A2L          | SP CDO | 8,500,000     | 1.00      | 8,500,000    | Aa2     | AA   |           | no         | 0.53%                     | 70.84%       | \$ 6,021,255.03  |
| 11838WAC8                   | BUCK 2006-3A D             | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 1.25%                     | 67.24%       | \$ 3,381,979.17  |
| 13189BAF8                   | CambR 7 Pic C              | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | no         | 2.00%                     | 60.28%       | \$ 6,028,375.00  |
| 13189BAF8                   | CAMBR 7A C                 | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 2.00%                     | 60.28%       | \$ 3,014,187.50  |
| 13189BAF8                   | CAMBR 7A C                 | SP CDO | 8,000,000     | 1.00      | 8,000,000    | A2      | A    |           | no         | 2.00%                     | 60.28%       | \$ 3,617,025.00  |
| 12777CAE9                   | CRNMZ 2006-2A C            | SP CDO | 2,750,000     | 1.00      | 2,750,000    | A2      | A    |           | no         | 1.35%                     | 55.89%       | \$ 1,539,447.71  |
| 26442AAD0                   | DUKEF 2006-12A A3          | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | no         | 1.50%                     | 74.46%       | \$ 11,169,421.88 |
| 23911AAE7                   | DVSG 2006-7A B             | SP CDO | 11,000,000    | 1.00      | 11,000,000   | Aa2     | AA   |           | no         | 0.50%                     | 75.83%       | \$ 8,340,880.00  |
| 38521TAJ5                   | GRAND 2006-2A B            | SP CDO | 6,000,000     | 1.00      | 6,000,000    | Aa2     | AA   |           | no         | 0.53%                     | 72.24%       | \$ 4,334,549.10  |
| 40538UAC6                   | HLCDO 2006-1A B            | SP CDO | 8,400,000     | 1.00      | 8,400,000    | Aa2     | AA   |           | no         | 0.54%                     | 68.40%       | \$ 5,745,812.10  |
| 443880AD3                   | HUDEMZ 2006-1A B           | SP CDO | 15,000,000    | 1.00      | 15,000,000   | Aa2     | AA   |           | no         | 0.62%                     | 76.32%       | \$ 11,448,000.00 |
| 443880AE1                   | HUDEMZ 2006-1A C           | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | no         | 1.80%                     | 49.70%       | \$ 7,455,000.00  |
| 48603EAD5                   | IXCBO 2006-3A A3L          | SP CDO | 9,000,000     | 1.00      | 9,000,000    | A2      | A    |           | no         | 1.40%                     | 54.77%       | \$ 4,929,456.25  |
| 487520AJ7                   | KEFT 2006-1A 5             | SP CDO | 8,000,000     | 1.00      | 8,000,000    | A2      | A    |           | no         | 1.35%                     | 48.17%       | \$ 2,890,296.25  |
| 53959PAB0                   | LOCH 2006-1A A             | SP CDO | 5,000,000     | 1.00      | 4,990,245    | Aaa     | AAA  |           | no         | 0.45%                     | 89.43%       | \$ 4,463,000.39  |
| 53959PAC8                   | LOCH 2006-1A B             | SP CDO | 15,000,000    | 0.99      | 14,871,158   | Aa2     | AA   |           | no         | 0.55%                     | 71.84%       | \$ 10,883,576.37 |
| 59802RAL0                   | MIDOR 2006-1A C            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 1.30%                     | 51.89%       | \$ 2,594,263.89  |
| 62864UAL2                   | MYSPT 061A C               | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | no         | 1.45%                     | 50.46%       | \$ 2,523,015.00  |
| 68630QAF4                   | ORIN 2006-2 C1             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | no         | 1.50%                     | 34.07%       | \$ 3,407,305.58  |
| 74732AAD9                   | PYXIS 2006-1A C            | SP CDO | 14,000,000    | 1.00      | 14,000,000   | A2      | A    |           | no         | 1.40%                     | 50.52%       | \$ 7,072,381.94  |
| 87337YAD8                   | TABS CDO 068 A3            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | no         | 1.40%                     | 45.18%       | \$ 6,776,285.42  |
| 89054BAE3                   | TOPG 062A B                | SP CDO | 12,000,000    | 1.00      | 12,000,000   | A2      | A    |           | no         | 1.45%                     | 48.74%       | \$ 5,848,564.17  |
| 216444AE9                   | COOL D 144A                | SP CDO | 2,000,000     | 0.91      | 1,821,457    | Baa2    | BBB  |           | no         | 2.75%                     | 54.50%       | \$ 992,694.02    |
| 23910WAA8                   | DSQF VI D 144A             | SP CDO | 3,125,000     | 0.99      | 3,096,875    | Baa2    | BBB  |           | no         | 3.00%                     | 58.90%       | \$ 1,823,990.56  |
| 36293XAH0                   | GSTREET D 144A             | SP CDO | 5,000,000     | 0.95      | 4,743,317    | Baa2    | BBB  |           | no         | 3.00%                     | 69.50%       | \$ 3,296,604.99  |
| 52902YAN5                   | LEXN 073A E                | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A3      | A-   |           | no         | 2.00%                     | 47.50%       | \$ 2,375,000.00  |
| 85234AAJ5                   | STACK 062A VI              | SP CDO | 5,000,000     | 1.00      | 5,000,000    | Baa2    | BBB  |           | no         | 4.00%                     | 32.48%       | \$ 1,624,083.33  |
| 85768TAG4                   | START 05CA D               | SP CDO | 5,000,000     | 0.98      | 4,923,175    | A2      | A-   |           | no         | 2.40%                     | 73.50%       | \$ 3,618,533.82  |
| 053500AG9                   | AVNTI 2006-1A B            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.00%                     | 72.75%       | \$ 7,275,349.00  |
| 12777CAE9                   | CRNMZ 2006-2A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.85%                     | 68.58%       | \$ 6,858,491.61  |
| 13189BAF8                   | CAMBR 7A C                 | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 2.55%                     | 67.37%       | \$ 3,388,264.00  |
| 13189TAE2                   | CAMBR 6A D                 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.16%                     | 80.56%       | \$ 8,056,015.00  |
| 362470AC0                   | GSCSF 2005-1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.01%                     | 89.23%       | \$ 8,923,144.00  |
| 46426RAE9                   | ICH 2005-2A C              | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.75%                     | 82.15%       | \$ 8,215,018.00  |
| 49916RAE0                   | KNOLL 2006-2A C            | SP CDO | 10,000,000    | 1.00      | 9,997,415    | A2      | A    |           | yes        | 2.20%                     | 78.81%       | \$ 7,679,055.88  |
| 530150AL5                   | LBRTS 2006-1A D            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.65%                     | 80.68%       | \$ 8,067,963.00  |
| 53160QAC1                   | LBAC 2006-1A C             | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.60%                     | 74.29%       | \$ 5,571,699.00  |
| 578325AD4                   | MAYF 2006-1A A3L           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.10%                     | 59.86%       | \$ 5,986,196.00  |
| 59802RAL0                   | MIDOR 2006-1A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.20%                     | 63.02%       | \$ 6,301,738.00  |
| 812181AJ6                   | MNPT 2006-2A A4            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.05%                     | 67.78%       | \$ 6,778,442.00  |
| 62864UAL2                   | MYSPT 2006-1A C            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 1.75%                     | 66.01%       | \$ 3,300,420.00  |
| 83743LJ0                    | SCF BA C                   | SP CDO | 10,000,000    | 0.99      | 9,855,282    | A2      | A    |           | yes        | 2.10%                     | 86.56%       | \$ 8,530,631.90  |
| 89643PAD2                   | TRNTY 2005-1A B            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A3      | A-   |           | yes        | 2.20%                     | 89.59%       | \$ 8,958,684.00  |
| 925338AD7                   | VERT 2006-2A A3            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 2.00%                     | 68.18%       | \$ 3,408,838.00  |
| 000829AD3                   | ACABS 2006-AQA A3          | SP CDO | 30,000,000    | 1.00      | 30,000,000   | A2      | A    |           | yes        | 1.70%                     | 65.14%       | \$ 19,541,254.00 |
| 142146AE9                   | CACDO 2006-1A C1           | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.55%                     | 58.75%       | \$ 8,812,389.00  |
| 26139JAD4                   | DRACO 2007-1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.85%                     | 68.25%       | \$ 6,824,978.00  |
| 53160QAC1                   | LBAC 2006-1A C             | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.70%                     | 74.32%       | \$ 11,147,536.00 |
| 65882WAE5                   | NCOVE 2006-3A C            | SP CDO | 7,500,000     | 0.99      | 7,396,688    | A3      | A-   |           | yes        | 1.85%                     | 68.08%       | \$ 6,367,346.62  |
| 68626VAC6                   | ORIN 2006-1 C              | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.70%                     | 59.14%       | \$ 8,870,946.00  |
| 74732AAD9                   | PYXIS 2006-1A C            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.70%                     | 65.41%       | \$ 8,811,163.00  |
| 11838WAC8                   | BUCK 2006-3A D             | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 1.50%                     | 69.46%       | \$ 3,472,848.00  |
| 13189LAD1                   | CAMBR 5A B                 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A3      | A-   |           | yes        | 2.28%                     | 88.56%       | \$ 8,855,578.00  |
| 12777CAE9                   | CRNMZ 2006-2A C            | SP CDO | 7,750,000     | 1.00      | 7,750,000    | A2      | A    |           | yes        | 1.62%                     | 68.58%       | \$ 5,315,331.00  |
| 17305CAD1                   | CTIUS 2006-1A C            | SP CDO | 10,000,000    | 0.94      | 9,398,698    | A2      | A    |           | yes        | 1.81%                     | 68.58%       | \$ 8,325,227.32  |
| 23910VAH5                   | DVSG 2006-6A C             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.47%                     | 76.82%       | \$ 7,891,850.00  |
| 361088AD1                   | FRLNG 2006-1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.78%                     | 70.58%       | \$ 7,057,598.00  |
| 38521TAL0                   | GRAND 2006-2A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A3      | A-   |           | yes        | 1.51%                     | 69.43%       | \$ 7,103,838.00  |
| 464267AD5                   | ICM 2006-HG1A A3           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.52%                     | 76.48%       | \$ 7,646,396.00  |
| 46285BAJ7                   | IPSW 2006-1A C             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.75%                     | 77.62%       | \$ 7,761,952.00  |
| 49056ZAG0                   | KENT 2006-2A C             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.60%                     | 79.71%       | \$ 7,970,999.00  |
| 59802RAL0                   | MIDOR 2006-1A C            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | A2      | A    |           | yes        | 1.67%                     | 63.05%       | \$ 3,152,369.00  |
| 68619PAA2                   | ORPT 2006-1A D             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.35%                     | 77.80%       | \$ 7,780,081.00  |
| 89054BAE3                   | TOPG 2006-2A B             | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.00%                     | 64.97%       | \$ 6,496,625.00  |
| 87337YAF3                   | TABS 2006-6A B2            | SP CDO | 5,000,000     | 1.00      | 5,000,000    | BBB     | Baa2 |           | yes        | 4.55%                     | 51.30%       | \$ 2,565,245.00  |
| CDS that have been unwound: |                            |        |               |           |              |         |      |           |            |                           |              |                  |
| 53160QAC1                   | LBAC 2006-1A C             | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.60%                     | 700          | 80.43%           |
| 925338AD7                   | Vertical ABS CDO 2006-2 A3 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.91%                     | 650          | 80.22%           |
| 925345AE0                   | Vertical ABS CDO 2006-1 A3 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.91%                     | 550          | 84.57%           |
| 13189TAE2                   | CAMBR 6A D                 | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.73%                     | 625          | 87.00%           |
| 12777YAD4                   | CRNMZ 2006-1A 5            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.67%                     | 550          | 76.58%           |
| 26441NAD3                   | DUKEF 06-10A A3            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.47%                     | 350          | 92.60%           |
| 37638NAD3                   | GLCR 2006-4A C             | SP CDO | 15,000,000    | 0.99      | 14,904,457   | A2      | A    |           | yes        | 1.67%                     | 500          | 80.45%           |
| 45072HAJ9                   | IXCBO 2006-2A C            | SP CDO | 15,000,000    | 1.00      | 15,000,000   | A2      | A    |           | yes        | 1.67%                     | 700          | 84.31%           |
| 13189TAE2                   | CAMBR 6A D                 | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.13%                     | 625          | 82.22%           |
| 12777YAD4                   | CRNMZ 2006-1A 5            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.86%                     | 550          | 84.53%           |
| 46426YAC8                   | ICM 2006-S2A-A3L           | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.30%                     | 725          | 78.24%           |
| 487520AJ7                   | KEFT 2006-1A 5             | SP CDO | 4,000,000     | 1.00      | 4,000,000    | A2      | A    |           | yes        | 1.89%                     | 625          | 65.37%           |
| 62864UAL2                   | MYSPT 2006-1A C            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 2.27%                     | 700          | 77.30%           |
| 85233TAD8                   | STAK 2006-1A 5             | SP CDO | 7,500,000     | 1.00      | 7,500,000    | A2      | A    |           | yes        | 2.20%                     | 850          | 61.68%           |
| 87337YAC0                   | TABS 2006-6A A2            | SP CDO | 10,000,000    | 1.00      | 10,000,000   | Aa2     | AA   |           | yes        | 0.65%                     | 500          | 81.17%           |
| 94769WAG8                   | WEBS 2006-1A A3L           | SP CDO | 10,000,000    | 1.00      | 10,000,000   | A2      | A    |           | yes        | 1.62%                     | 825          | 71.14%           |

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## SP CDO Equity

| Transaction          | Scen A       |              |        | 5/25/07      |              |        | 5/25/07      |           | Current Mkt Value                                                                                   | Comments |
|----------------------|--------------|--------------|--------|--------------|--------------|--------|--------------|-----------|-----------------------------------------------------------------------------------------------------|----------|
|                      | 5/25/07 Face | Current Face | Change | 5/25/07 Mark | Current Mark | Change | Market Value |           |                                                                                                     |          |
| 2002-2004 High Grade | 4.0          | 4.0          | -      | 50.0%        | 40.5%        | (0.1)  | 2.0          | 1.6       | 2002-2004 vintage high grade - seasoned portfolio in good shape                                     |          |
| 2002-2004 High Grade | 2.0          | 2.0          | -      | 50.0%        | 40.5%        | (0.1)  | 1.0          | 0.81      | 2002-2004 vintage high grade - seasoned portfolio in good shape                                     |          |
| 2002-2004 High Grade | 1.2          | 1.2          | -      | 60.0%        | 48.6%        | (0.1)  | 0.7          | 0.5589    | 2002-2004 vintage high grade - seasoned portfolio in good shape                                     |          |
| 2002-2004 High Grade | 1.5          | 1.5          | -      | 60.0%        | 48.6%        | (0.1)  | 0.9          | 0.729     | 2002-2004 vintage high grade - seasoned portfolio in good shape                                     |          |
| 2005-2006 High Grade | 2.0          | 2.0          | -      | 70.0%        | 56.7%        | (0.1)  | 1.4          | 1.134     | 2005 vintage high grade - no exposure to 2006 subprime                                              |          |
| 2005-2006 High Grade | 4.0          | 4.0          | -      | 59.0%        | 47.8%        | (0.1)  | 2.4          | 1.9116    | 2005 vintage high grade - no exposure to 2006 subprime                                              |          |
| 2005-2006 High Grade | 2.8          | 2.8          | -      | 55.0%        | 44.6%        | (0.1)  | 1.5          | 1.2474    | 2005-2006 vintage high grade - single-A minimum, no problems in portfolio                           |          |
| 2005-2006 High Grade | 2.7          | 2.7          | -      | 55.0%        | 44.6%        | (0.1)  | 1.5          | 1.204632  | 2005-2006 vintage high grade - single-A minimum, no problems in portfolio                           |          |
| 2005-2006 High Grade | 3.5          | 3.5          | -      | 55.0%        | 44.6%        | (0.1)  | 1.9          | 1.55925   | 2006 vintage high grade - single-A minimum, no problems in portfolio                                |          |
| 2005-2006 High Grade | 4.5          | 4.5          | -      | 59.0%        | 47.8%        | (0.1)  | 2.6          | 2.136213  | 2006 vintage high grade - single-A minimum, no problems in portfolio                                |          |
| 2005-2006 High Grade | 5.0          | 5.0          | -      | 52.0%        | 42.1%        | (0.1)  | 2.6          | 2.106     | 2006 vintage high grade - single-A minimum, no problems in portfolio                                |          |
| 2005-2006 High Grade | 4.5          | 4.5          | -      | 86.0%        | 36.5%        | (0.5)  | 3.9          | 1.64025   | 2006 vintage high grade - 100% prime and Alt-A RMBS                                                 |          |
| 2005-2006 High Grade | 4.0          | 4.0          | -      | 60.0%        | 48.6%        | (0.1)  | 2.4          | 1.9197    | 2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems       |          |
| 2005-2006 High Grade | 3.0          | 3.0          | -      | 20.0%        | 16.2%        | (0.0)  | 0.6          | 0.491346  | 2004-2005 vintage high grade - credit is in good shape, but has experienced cashflow problems       |          |
| 2005-2006 High Grade | 4.0          | 4.0          | -      | 20.0%        | 16.2%        | (0.0)  | 0.8          | 0.648     | 2005 vintage high grade - credit is in good shape, but has experienced cashflow problems related to |          |
| 2005-2006 High Grade | 4.6          | 4.6          | -      | 60.0%        | 48.6%        | (0.1)  | 2.8          | 2.25504   | 2005 vintage high grade - credit is in good shape, but has experienced cashflow problems related to |          |
| 2005-2006 High Grade | 2.8          | 2.8          | -      | 81.6%        | 66.1%        | (0.2)  | 2.2          | 1.81764   |                                                                                                     |          |
| 2005-2006 High Grade | 2.0          | 2.0          | -      | 55.0%        | 16.2%        | (0.4)  | 1.1          | 0.324     | 2006 vintage high grade -- portfolio has 0.5% in single-A second liens                              |          |
| 2001-2005 Mezz       | 3.3          | 3.3          | -      | 1.0%         | 0.8%         | (0.0)  | 0.0          | 0.026325  | 2001 vintage mezz deal -- likely no further distributions to equity                                 |          |
| 2001-2005 Mezz       | 4.9          | 4.9          | -      | 59.0%        | 47.8%        | (0.1)  | 2.9          | 2.34171   | 2004-2005 vintage mezz deal -- seasoned portfolio in good shape                                     |          |
| 2001-2005 Mezz       | 5.4          | 2.4          | (3.0)  | 57.0%        | 46.2%        | (0.1)  | 3.1          | 1.10808   | 2004-2005 vintage mezz deal -- seasoned portfolio in good shape                                     |          |
| 2001-2005 Mezz       | 2.0          | 2.0          | -      | 58.0%        | 47.0%        | (0.1)  | 1.2          | 0.9396    | 2004-2005 vintage mezz deal -- seasoned portfolio in good shape                                     |          |
| 2006 Mezz            | 9.0          | 9.0          | -      | 56.0%        | 45.4%        | (0.1)  | 5.0          | 4.0824    | 2006 vintage mezz deal -- 40% RMBS double-B                                                         |          |
| 2006 Mezz            | 5.0          | 5.0          | -      | 67.0%        | 54.3%        | (0.1)  | 3.4          | 2.7135    | 2006 vintage mezz deal -- 100% ABX 06-1 and 06-1 BBB and BBB-                                       |          |
| 2006 Mezz            | 2.5          | 2.5          | -      | 50.0%        | 40.5%        | (0.1)  | 1.3          | 1.0125    | 2006 vintage mezz deal -- 60% ABX 06-1 and 06-1 BBB and BBB-                                        |          |
| 2006 Mezz            | 12.4         | 12.4         | -      | 50.0%        | 40.5%        | (0.1)  | 6.2          | 5.0301    | 2006 vintage mezz deal -- 100% RMBS portfolio                                                       |          |
| 2006 Mezz            | 20.9         | 20.9         | -      | 57.0%        | 46.2%        | (0.1)  | 11.9         | 9.6656895 | 2006 vintage mezz deal -- 100% RMBS portfolio                                                       |          |
| CDO-squared          | 12.0         | 12.0         | -      | 68.0%        | 55.1%        | (0.1)  | 8.2          | 6.6096    | 2005-2006 vintage single-A deal -- quasi-CDO squared with 40% single-A CDOs in portfolio            |          |
| CDO-squared          | 13.5         | 13.5         | -      | 71.0%        | 57.5%        | (0.1)  | 9.6          | 7.76385   | 2005-2006 vintage mezz deal -- quasi-CDO squared with 40% triple-B CDOs in portfolio                |          |
| CDO-squared          | 10.1         | 10.1         | -      | 71.0%        | 57.5%        | (0.1)  | 7.2          | 5.7998835 | 2005-2006 vintage 100% single-A CDO-squared                                                         |          |
| Total / Weighted Avg | 159.0        | 156.0        |        | 92.2         | 71.2         |        |              |           |                                                                                                     |          |

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WH Summary RMBS

| Bond           | Pos (MM) | C/F (MM) | Spread Bid | Cusip        | Mkt Value |
|----------------|----------|----------|------------|--------------|-----------|
| ACCR 071 M6    | 3        | 3        |            | 65 00438QAK0 | 1.95      |
| JPMAC 06RM1 M6 | 7.278    | 7.278    |            | 65 46629NAM5 | 4.7307    |
| LBMLT 067 M6   | 10.378   | 10.378   |            | 45 54251TAL3 | 4.6701    |
| LBMLT 068 M6   | 3.33     | 3.33     |            | 45 54251UAL0 | 1.4985    |
| LBMLT 069 M6   | 6        | 6        |            | 45 54251WAL6 | 2.7       |
| MLMI 06MLN1 M6 | 4        | 4        |            | 72 59023AAL0 | 2.88      |
| SABR 06NC3 M5  | 2        | 2        |            | 62 81377CAH1 | 1.24      |
| SAST 063 M6    | 4        | 4        |            | 82 80556AAK3 | 3.28      |
| BLTN 061A A1   | 27       | 27       |            | 98 058521AA3 | 26.46     |
|                |          | 66.986   |            |              | 49.4093   |

73.76064

**Permanent Subcommittee on Investigations**

Footnote Exhibits - Page 4479

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Hedges - ABX AAA  
Hedges - ABX AA and A  
Hedges - ABX BBB/BBB-  
Hedges - CMBX BBB

|       |        |       |       |
|-------|--------|-------|-------|
| 1,550 | 100.22 | 1,553 |       |
| 662   | 95.25  | 631   |       |
| 359   | 73.08  | 262   | 73.08 |

|                          |           |    |      |
|--------------------------|-----------|----|------|
| Hedges - ABX BBB/BBB- Bk | 06-2 BBB  | 90 | 70   |
|                          | 06-2 BBB- | 94 | 60.5 |
|                          | 06-1 BBB  | 86 | 85.5 |
|                          | 06-1 BBB- | 89 | 77.5 |

| B/S | Qty (\$mm) | Bond                         | Price  | Trade Date | Ctr Prty Client |                 |
|-----|------------|------------------------------|--------|------------|-----------------|-----------------|
| S   | 20         | PTPLS 0701 A1 REGS           | 90.70  | 6/19/2007  | TOKYO STAR /    |                 |
| S   | 50         | TWOLF 0701 A2 144A           | 84.33  | 6/13/2007  | BASIS CAPITAL   | * in CDS format |
| S   | 50         | TWOLF 0701 B 144A            | 77.31  | 6/13/2007  | BASIS CAPITAL   | * in CDS format |
| S   | 3          | COOLIDGE EQUITY              | 87.00  | 6/11/2007  | [REDACTED]      |                 |
| S   | 20         | TWOLF 0701 A2 144A           | 84.00  | 6/11/2007  | CARLYLE BLU/    |                 |
| S   | 10         | ALTIUS I C REGS              | 94.00  | 6/11/2007  | [REDACTED]      |                 |
| S   | 56         | TWOLF 0701 A2 REGS           | 84.50  | 6/11/2007  | HUNGKUK LIFE    |                 |
| S   | 17.5       | ALTIUS III S 144A            | 100.07 | 6/8/2007   | [REDACTED]      |                 |
| S   | 10         | ALTIUS IV B REGS             | 100.00 | 6/5/2007   | [REDACTED]      |                 |
| S   | 11.625     | ALTIUS IV C REGS             | 92.68  | 6/4/2007   | [REDACTED]      |                 |
| S   | 36         | ALTIUS IV B REGS             | 98.41  | 6/4/2007   | [REDACTED]      |                 |
| S   | 1.4        | BNLI 061A A2                 | 96.93  | 6/1/2007   | [REDACTED]      |                 |
| S   | 20         | TWOLF 0701 A2 REGS           | 83.90  | 5/30/2007  | TOKYO STAR /    |                 |
| S   | 11         | TWOLF 0701 INCOME NOTE REGS  | 70.00  | 5/24/2007  | GREYWOLF CA/    |                 |
| S   | 40         | PTPLS 0701 A2 144A           | 91.00  | 5/24/2007  | PARAMAX CAP/    |                 |
| S   | 40         | TWOLF 0701 A2 144A           | 87.00  | 5/24/2007  | PARAMAX CAP/    |                 |
| S   | 10         | FORTIUS II A2 144A           | 92.60  | 5/23/2007  | [REDACTED]      |                 |
| S   | 800        | DSQF VII A1A 144A            | 99.37  | 5/22/2007  | [REDACTED]      |                 |
| S   | 620        | DSQF VII A1A 144A            | 99.45  | 5/22/2007  | [REDACTED]      |                 |
| S   | 150        | DSQF VII A1A 144A            | 99.50  | 5/18/2007  | [REDACTED]      |                 |
| S   | 30         | ALTIUS IV A2B 144A           | 99.765 | 5/16/2007  | [REDACTED]      |                 |
| S   | 20         | ALTIUS IV B 144A             | 100    | 5/16/2007  | [REDACTED]      |                 |
| S   | 3          | ALTIUS IV D REGS             | 100    | 5/16/2007  | [REDACTED]      |                 |
| S   | 2          | ALTIUS IV INC NOTES REGS     | 100    | 5/16/2007  | [REDACTED]      |                 |
| S   | 50         | ALTIUS IV A2A REGS           | 100    | 5/15/2007  | [REDACTED]      |                 |
| S   | 13         | ALTIUS IV A2B 144A           | 100    | 5/15/2007  | [REDACTED]      |                 |
| S   | 13         | ALTIUS IV A2B 144A           | 100    | 5/15/2007  | [REDACTED]      |                 |
| S   | 5          | ALTIUS IV C 144A             | 97.131 | 5/15/2007  | GM PENSION      |                 |
| S   | 3          | ALTIUS IV C REGS             | 97.131 | 5/15/2007  | [REDACTED]      |                 |
| S   | 5          | ALTIUS IV D 144A             | 88.939 | 5/15/2007  | [REDACTED]      |                 |
| S   | 3          | ALTIUS IV INC NOTES 144A     | 100    | 5/15/2007  | [REDACTED]      |                 |
| S   | 10         | WESTC 061A B                 | 95.85  | 5/11/2007  | [REDACTED]      |                 |
| S   | 1.6        | CAMBER 7 E REGS              | 54.95  | 5/10/2007  | [REDACTED]      |                 |
| S   | 13         | CAMBER 7 INC NOTES REGS      | 48.00  | 5/10/2007  | [REDACTED]      |                 |
| S   | 2          | GSC 063G C 144A              | 85.50  | 5/9/2007   | [REDACTED]      |                 |
| S   | 50         | TWOLF 0701 A1A 144A          | 99.47  | 5/2/2007   | RABOBANK -      |                 |
| S   | 20         | PTPLS 0701 A2 144A           | 91.3   | 4/24/2007  | MONEYGRAM I     |                 |
| S   | 6          | DSQF VII A3 144A             | 95.39  | 4/24/2007  | [REDACTED]      |                 |
| S   | 20         | TWOLF 0701 A2 144A           | 87.79  | 4/23/2007  | MONEYGRAM I     |                 |
| S   | 15         | PTPLS 0701 D REGS            | 81.72  | 4/19/2007  | BASIS CAPIT     |                 |
| S   | 4          | HUDMZ 061 INCOME NOTES REGS  | 81     | 4/16/2007  | DILLON READ     |                 |
| S   | 3          | ANDY 0701 S 144A             | 100    | 4/13/2007  | MBIA CAPITA     |                 |
| S   | 7          | GSC 063G C 144A              | 84.79  | 4/12/2007  | [REDACTED]      |                 |
| S   | 128        | PTPLS 0701 A1 144A           | 100    | 4/11/2007  | DILLON READ     |                 |
| S   | 85         | PTPLS 0701 A2 144A           | 100    | 4/11/2007  | DILLON READ     |                 |
| S   | 50         | PTPLS 0701 B 144A            | 100    | 4/11/2007  | DILLON READ     |                 |
| S   | 14         | PTPLS 0701 C 144A            | 100    | 4/11/2007  | DILLON READ     |                 |
| S   | 16         | PTPLS 0701 D REGS            | 100    | 4/11/2007  | DILLON READ     |                 |
| S   | 10         | PTPLS 0701 INCOME NOTES REGS | 100    | 4/11/2007  | DILLON READ     |                 |
| S   | 8          | PTPLS 0701 C REGS            | 87.57  | 4/10/2007  | PLENUM ASSE     |                 |
| S   | 11         | PTPLS 0701 D REGS            | 88.39  | 4/10/2007  | MARINER BRI     |                 |
| S   | 15         | LOCH 0601 B 144A             | 90     | 4/6/2007   | [REDACTED]      |                 |
| S   | 20         | TWOLF 0701 C REGS            | 95.15  | 4/4/2007   | GREYWOLF CA     |                 |
| S   | 2          | ANDY 0701 A1B 144A           | 97.39  | 4/3/2007   | BENEFICIAL      |                 |
| S   | 16         | TWOLF 0701 C REGS            | 72.5   | 3/28/2007  | POLYGON INV     |                 |
| S   | 4          | FORTIUS II D REGS            | 83.11  | 3/28/2007  | [REDACTED]      |                 |
| S   | 5          | HUDMZ 061 D REGS             | 83.23  | 3/28/2007  | MARINER BRI     |                 |
| S   | 5          | COOL C 144A                  | 87.45  | 3/27/2007  | [REDACTED]      |                 |

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|   |     |                             |        |           |              |
|---|-----|-----------------------------|--------|-----------|--------------|
| S | 11  | ANDY 0701 A2 144A           | 97.24  | 3/26/2007 | PRINCETON A  |
| S | 3   | BNLI 061A A2                | 96.93  | 3/22/2007 | [REDACTED]   |
| S | 5   | ANDY 0701 A2 144A           | 96.23  | 3/21/2007 | PIMCO - USA  |
| S | 10  | ANDY 0701 C 144A            | 92.38  | 3/21/2007 | GREYWOLF CA  |
| S | 9   | BNLI 061A A2                | 96.93  | 3/21/2007 | T [REDACTED] |
| S | 15  | ANDY 0701 A2 144A           | 96.54  | 3/20/2007 | MONEYGRAM I  |
| S | 5   | ANDY 0701 B 144A            | 95.5   | 3/20/2007 | MONEYGRAM I  |
| S | 50  | TWOLF 0701 A1A 144A         | 99.45  | 3/13/2007 | MBIA CAPITA  |
| S | 200 | TWOLF 0701 A1B 144A         | 100    | 3/13/2007 | BEAR STEARN  |
| S | 100 | TWOLF 0701 A1C 144A         | 99.71  | 3/13/2007 | BEAR STEARN  |
| S | 100 | TWOLF 0701 A1D 144A         | 99.7   | 3/13/2007 | BEAR STEARN  |
| S | 30  | TWOLF 0701 D REGS           | 92.41  | 3/13/2007 | GREYWOLF CA  |
| S | 11  | TWOLF 0701 INCOME NOTE REGS | 100    | 3/13/2007 | GREYWOLF CA  |
| S | 11  | ANDY 0701 D REGS            | 108.21 | 3/12/2007 | GSCP (NJ) L  |
| S | 32  | GSC 063G A1B 144A           | 99.07  | 3/9/2007  | [REDACTED]   |
| S | 40  | DSQF VII A2 144A            | 99.01  | 3/8/2007  | [REDACTED]   |
| S | 15  | FORTIUS II A2 144A          | 97.91  | 3/2/2007  | [REDACTED]   |
| S | 5   | FORTIUS II B 144A           | 94.24  | 3/2/2007  | [REDACTED]   |
| S | 1   | CAMBER 7 INC NOTES REGS     | 100    | 2/28/2007 | [REDACTED]   |
| S | 4   | DSQF VII A3 144A            | 99.44  | 2/28/2007 | [REDACTED]   |
| S | 125 | HUDMZ 062 A1 144A           | 98.51  | 2/21/2007 | [REDACTED]   |
| S | 1   | DSQF VII E 144A             | 90     | 2/20/2007 | [REDACTED]   |
| S | 365 | CAMBER 7 A1 144A            | 100    | 2/16/2007 | [REDACTED]   |
| S | 8   | HUDMZ 061 C 144A            | 93.9   | 2/14/2007 | DILLON READ  |

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**From:** Fredman, Sheara  
**Sent:** Wednesday, June 06, 2007 4:51 PM  
**To:** Finck, Greg; Gasvoda, Kevin; Swenson, Michael; Lehman, David A.; Birnbaum, Josh  
**Cc:** Sparks, Daniel L; Simpson, Michael; Fortunato, Salvatore; gs-mtgctrlrs  
**Subject:** Tonight's Estimate to Reflect Changes in Bid Offer Spreads

**Importance:** High

**Attachments:** Book19.xls

Traders-

We have decided to adjust bid offer spreads based upon where we are currently trading. This will impact the trading desks as follows. Please incorporate into your estimates tonight. We've attached the new bid offer spreads.

Thanks,  
S

|             |       |
|-------------|-------|
| Correlation | +2.9M |
| CDO         | -3.5M |
| ABS         | -1.6M |
| Resi Prime  | -4.0M |
| Resi Credit | -8.1M |
| Managers    | +3.1M |



Book19.xls

---

Goldman, Sachs & Co.  
180 Maiden Lane | New York, NY 10005  
Tel: (212) 357-3579 | e-mail: sheara.fredman@gs.com

**Sheara Fredman**  
Vice President  
Finance Division

**Goldman  
Sachs**

**Permanent Subcommittee on Investigations**  
**Wall Street & The Financial Crisis**  
**Report Footnote #2406**

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| Combo                                        | Sector                                   | Rating | spread    |
|----------------------------------------------|------------------------------------------|--------|-----------|
| ABS Auto Prime A                             | ABS Auto Prime                           | A      | 7.50 bps  |
| ABS Auto Subprime A                          | ABS Auto Subprime                        | A      | 7.50 bps  |
| ABS Auto Subprime BBB                        | ABS Auto Subprime                        | BBB    | 7.50 bps  |
| ABS Credit Card Prime AAA                    | ABS Credit Card Prime                    | AAA    | 5.00 bps  |
| ABS Credit Card Prime A                      | ABS Credit Card Prime                    | A      | 7.50 bps  |
| ABS Credit Card Prime BBB                    | ABS Credit Card Prime                    | BBB    | 7.50 bps  |
| ABS Credit Cards Subprime AAA                | ABS Credit Cards Subprime                | AAA    | 5.00 bps  |
| ABS Credit Cards Subprime A                  | ABS Credit Cards Subprime                | A      | 7.50 bps  |
| ABS Credit Cards Subprime BBB                | ABS Credit Cards Subprime                | BBB    | 7.50 bps  |
| ABS Student Loans Private A                  | ABS Student Loans Private                | A      | 7.50 bps  |
| ABS Student Loans Private BBB                | ABS Student Loans Private                | BBB    | 7.50 bps  |
| CDO Commercial Real Estate AAA               | CDO Commercial Real Estate               | AAA    | 1.00 bps  |
| CDO Commercial Real Estate AA                | CDO Commercial Real Estate               | AA     | 1.50 bps  |
| CDO Commercial Real Estate A                 | CDO Commercial Real Estate               | A      | 2.00 bps  |
| CDO Commercial Real Estate A-                | CDO Commercial Real Estate               | A-     | 2.50 bps  |
| CDO Commercial Real Estate BBB               | CDO Commercial Real Estate               | BBB    | 12.50 bps |
| CDO Commercial Real Estate BBB-              | CDO Commercial Real Estate               | BBB-   | 12.50 bps |
| CDO Commercial Real Estate BBB+              | CDO Commercial Real Estate               | BBB+   | 12.50 bps |
| CDO High Grade AAA                           | CDO High Grade                           | AAA    | 3.00 bps  |
| CDO High Grade AA+                           | CDO High Grade                           | AA+    | 5.00 bps  |
| CDO High Grade AA                            | CDO High Grade                           | AA     | 5.00 bps  |
| CDO High Grade A                             | CDO High Grade                           | A      | 12.50 bps |
| CDO High Grade A-                            | CDO High Grade                           | A-     | 12.50 bps |
| CDO Mezzanine SS                             | CDO Mezzanine                            | SS     | 5.00 bps  |
| CDO Mezzanine AAA                            | CDO Mezzanine                            | AAA    | 5.00 bps  |
| CDO Mezzanine AA                             | CDO Mezzanine                            | AA     | 4.00 bps  |
| CDO Mezzanine A                              | CDO Mezzanine                            | A      | 12.50 bps |
| CDO Mezzanine A-                             | CDO Mezzanine                            | A-     | 12.50 bps |
| CDO Mezzanine BBB                            | CDO Mezzanine                            | BBB    | 20.00 bps |
| CDO Mezzanine BBB-                           | CDO Mezzanine                            | BBB-   | 20.00 bps |
| CLO AAA                                      | CLO                                      | AAA    | 3.00 bps  |
| CLO AA                                       | CLO                                      | AA     | 5.00 bps  |
| CLO A                                        | CLO                                      | A      | 12.50 bps |
| CLO BBB                                      | CLO                                      | BBB    | 12.50 bps |
| CMBS AAA                                     | CMBS                                     | AAA    | 0.50 bps  |
| CMBS AA+                                     | CMBS                                     | AA+    | 1.00 bps  |
| CMBS AA-                                     | CMBS                                     | AA-    | 1.00 bps  |
| CMBS AA                                      | CMBS                                     | AA     | 1.00 bps  |
| CMBS A                                       | CMBS                                     | A      | 1.00 bps  |
| CMBS A-                                      | CMBS                                     | A-     | 1.00 bps  |
| CMBS BBB+                                    | CMBS                                     | BBB+   | 2.50 bps  |
| CMBS BBB                                     | CMBS                                     | BBB    | 2.50 bps  |
| CMBS BBB-                                    | CMBS                                     | BBB-   | 3.50 bps  |
| CMBS BB+                                     | CMBS                                     | BB+    | 10.00 bps |
| CMBS BB                                      | CMBS                                     | BB     | 10.00 bps |
| GTR AMBAC ASSURANCE CORPORATION AAA          | GTR AMBAC ASSURANCE CORPORATION          | AAA    | 3.00 bps  |
| GTR FINANCIAL GUARANTY INSURANCE COMPANY AAA | GTR FINANCIAL GUARANTY INSURANCE COMPANY | AAA    | 5.00 bps  |
| GTR FINANCIAL SECURITY ASSURANCE INC. AAA    | GTR FINANCIAL SECURITY ASSURANCE INC.    | AAA    | 3.00 bps  |
| GTR MBIA INSURANCE CORPORATION AAA           | GTR MBIA INSURANCE CORPORATION           | AAA    | 3.00 bps  |
| GTR XL CAPITAL ASSURANCE INC. AAA            | GTR XL CAPITAL ASSURANCE INC.            | AAA    | 3.00 bps  |
| RMBS Prime A                                 | RMBS Prime                               | A      | 4.00 bps  |
| RMBS Prime AA                                | RMBS Prime                               | AA     | 5.00 bps  |
| RMBS Prime AA-                               | RMBS Prime                               | AA-    | 5.00 bps  |

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|                                           |                                   |                  |         |      |
|-------------------------------------------|-----------------------------------|------------------|---------|------|
| RMBS Prime BBB                            | RMBS Prime                        | BBB              | 10.00   | bps  |
| RMBS Prime BBB+                           | RMBS Prime                        | BBB+             | 10.00   | bps  |
| RMBS Prime BBB-                           | RMBS Prime                        | BBB-             | 10.00   | bps  |
| RMBS Subprime AAA                         | RMBS Subprime                     | AAA              | 3.00    | bps  |
| RMBS SubprimeLCF AAA                      | RMBS SubprimeLCF                  | AAA              | 3.00    | bps  |
| RMBS Subprime AA+                         | RMBS Subprime                     | AA+              | 5.00    | bps  |
| RMBS Subprime AA-                         | RMBS Subprime                     | AA-              | 5.00    | bps  |
| RMBS Subprime AA                          | RMBS Subprime                     | AA               | 5.00    | bps  |
| RMBS Subprime A+                          | RMBS Subprime                     | A+               | 8.00    | bps  |
| RMBS Subprime A-                          | RMBS Subprime                     | A-               | 8.00    | bps  |
| RMBS Subprime A                           | RMBS Subprime                     | A                | 8.00    | bps  |
| RMBS Subprime BBB+                        | RMBS Subprime                     | BBB+             | 8.00    | bps  |
| RMBS Subprime BBB                         | RMBS Subprime                     | BBB              | 8.00    | bps  |
| RMBS Subprime BBB-                        | RMBS Subprime                     | BBB-             | 9.00    | bps  |
| RMBS Subprime BB+                         | RMBS Subprime                     | BB+              | 50.00   | bps  |
| RMBS Subprime BB                          | RMBS Subprime                     | BB               | 50.00   | bps  |
| RMBS Alt-A A-                             | RMBS Alt-A                        | A-               | 2.50    | bps  |
| RMBS Alt-A BBB+                           | RMBS Alt-A                        | BBB+             | 7.50    | bps  |
| RMBS Alt-A A                              | RMBS Alt-A                        | A                | 2.50    | bps  |
| RMBS Alt-A BBB                            | RMBS Alt-A                        | BBB              | 10.00   | bps  |
| RMBS Alt-A BBB-                           | RMBS Alt-A                        | BBB-             | 10.00   | bps  |
| CMBS Index AAA                            | CMBS Index                        | AAA              | 0.50    | bps  |
| CMBS Index AA                             | CMBS Index                        | AA               | 1.00    | bps  |
| CMBS Index A                              | CMBS Index                        | A                | 1.00    | bps  |
| CMBS Index BBB                            | CMBS Index                        | BBB              | 1.50    | bps  |
| CMBS Index BBB-                           | CMBS Index                        | BBB-             | 1.50    | bps  |
| RMBS Subprime Index AAA                   | RMBS Subprime Index               | AAA              | 6.0000  | Tics |
| RMBS Subprime Index AA                    | RMBS Subprime Index               | AA               | 8.0000  | Tics |
| RMBS Subprime Index A                     | RMBS Subprime Index               | A                | 8.0000  | Tics |
| RMBS Subprime Index BBB                   | RMBS Subprime Index               | BBB              | 8.0000  | Tics |
| RMBS Subprime Index BBB-                  | RMBS Subprime Index               | BBB-             | 8.0000  | Tics |
| RMBS Subprime Index T AAA                 | RMBS Subprime Index T             | AAA              | 0.5000  | Tics |
| RMBS Subprime Index T AA                  | RMBS Subprime Index T             | AA               | 1.0000  | Tics |
| RMBS Subprime Index T A                   | RMBS Subprime Index T             | A                | 1.0000  | Tics |
| RMBS Subprime Index T BBB                 | RMBS Subprime Index T             | BBB              | 2.0000  | Tics |
| RMBS Subprime Index T BBB-                | RMBS Subprime Index T             | BBB-             | 2.0000  | Tics |
| CDO High Grade BBB                        | CDO High Grade                    | BBB              | 20.0000 | bps  |
| CMBS Index BB                             | CMBS Index                        | BB               | 10.00   | bps  |
| RMBS Subprime Index TABX BBB SuperSenior  | RMBS Subprime Index TABX          | BBB SuperSenior  | 48.0000 | Tics |
| RMBS Subprime Index TABX BBB              | RMBS Subprime Index TABX          | BBB              | 96.0000 | Tics |
| RMBS Subprime Index TABX BBB- SuperSenior | RMBS Subprime Index TABX          | BBB- SuperSenior | 16.0000 | Tics |
| RMBS Subprime Index TABX BBB- Junior      | RMBS Subprime Index TABX          | BBB- Junior      | 16.0000 | Tics |
| RMBS Subprime Index TABX BBB-             | RMBS Subprime Index TABX          | BBB-             | 32.0000 | Tics |
| Euro CMBS United Kingdom A                | Euro CMBS United Kingdom          | A                | 1       | bps  |
| Euro CMBS United Kingdom BBB-             | Euro CMBS United Kingdom          | BBB-             | 3.5     | bps  |
| Euro RMBS United Kingdom Subprime BBB     | Euro RMBS United Kingdom Subprime | BBB              | 10.00   | bps  |
| Euro RMBS United Kingdom Subprime BBB-    | Euro RMBS United Kingdom Subprime | BBB-             | 10.00   | bps  |
| CMBS Index T BBB-                         | CMBS Index T                      | BBB-             | 1.50    | bps  |
| RMBS Alt-A AA                             | RMBS Alt-A                        | AA               | 2.50    | bps  |
| Euro RMBS BBB                             | Euro RMBS                         | BBB              | 10.00   | bps  |
| CMBS BB-                                  | CMBS                              | BB-              | 10.00   | bps  |
| CMBS B+                                   | CMBS                              | B+               | 10.00   | bps  |
| CMBS A+                                   | CMBS                              | A+               | 1.00    | bps  |